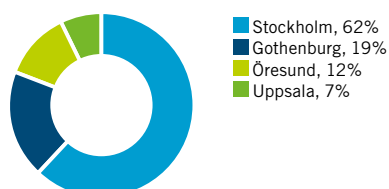


Year-end report 2016

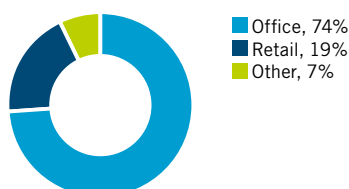
- Rental revenue increased in total to SEK 6,251 (6,009) million. For comparable property holdings, the increase is 3 percent.
- The occupancy rate was 94.2 (92.6) percent.
- Property expenses amounted to a total of SEK –1,792 (–1,735) million. For comparable property holdings, the increase is 5 percent. The increase is primarily attributable to higher costs for property tax.
- Net operating income increased in total to SEK 4,459 (4,274) million. For comparable property holdings, the increase is 3 percent.
- Profit before value changes and tax was SEK 3,217 (3,064) million, which corresponds to an increase of 5 percent. The increase is attributable to higher rental revenue.
- Changes in the value of property amounted to SEK 12,056 (10,212) million, which corresponds to a value increase of 11.6 (11.1) percent. The value of the property portfolio at the end of the year was SEK 115,922 million.
- The change in the value of financial instruments was SEK –764 (598) million, which was due to lower long-term interest rates during the year.
- Profit after tax was SEK 11,472 (10,944) million.
- The share of environmentally certified buildings was 77 (71) percent at the end of the year.
- A dividend of SEK 4,000 (6,000) million, in addition to the Group contribution of SEK 558 (824) million, has been proposed to the AGM.

Amounts in SEK millions	Jan–Dec 2016	Jan–Dec 2015	Oct–Dec 2016	Oct–Dec 2015
Rental revenue	6,251	6,009	1,605	1,517
Net operating income	4,459	4,274	1,134	1,073
Profit before value changes and tax	3,217	3,064	823	775
Profit after tax	11,472	10,944	4,482	4,085
Cash flow from operating activities before change in working capital	3,137	2,855	812	731
Market value of property, SEK m	115,922	103,894	115,922	103,894
Occupancy rate, %	94.2	92.6	94.2	92.6
Surplus ratio, %	71	71	71	71
Interest coverage ratio, times	3.8	3.7	3.9	3.9
LTV (Loan-to-value ratio), %	46	47	46	47
Environmental certification, share of total area, %	77	71	77	71
Energy performance on closing date, kWh/sq. m.	110	112	110	112

Contracted rent by geographic market



Contracted rent by property type



Vasakronan fourth quarter 2016

High level of leasing in a strong rental market

There was sustained growth in the rental market during the last quarter of the year, with rent levels continuing to rise, particularly in Stockholm's CBD. New leases were finalized during the quarter corresponding to 35,000 (51,000) sq. m. and an annual rent of SEK 126 (186) million. The occupancy rate for the entire portfolio increased and was 94.2 (92.6) at the end of the period. During the quarter, for example, a lease was signed with Lynx Asset Management for 2,500 sq. m. at Spektern 13 in central Stockholm. Two new leases were also signed at Garnisonen in Stockholm. One is the transport company, Uber Sweden, which will move into premises totaling 1,500 sq. m. and the other is EMG Education Media, which will be leasing 1,400 sq. m. of space. At Nöten 3, located in Solna Strand, it has been established that Ansaldo STS Sweden will be moving into premises totaling 2,600 sq. m.

Besides the new leases entered into, there has also been renegotiation and extension of leases corresponding to a total annual rent of SEK 199 (206) million. The renegotiations and extensions have resulted in a new closing amount for annual rent that exceeds last year's by, on average, 13.5 (9.1) percent. Åhléns, for example, has decided to remain in their premises totaling approximately 12,900 sq. m. at Nordstan in Gothenburg and Stockholm University has extended its lease on 3,400 sq. m. at Garnisonen. At Husaren, in Uppsala, the Forestry Research Institute of Sweden (Skogforsk), extended its lease on 3,000 sq. m.

Robust rental market boosts property values

The value of the property portfolio increased by 3.5 (4.0) percent during the quarter, which corresponds to an increase in value during 2016 by 11.6 (11.1) percent. At the end of the year, the value of the property portfolio was SEK 116 (104) billion. The value increase during the quarter is primarily attributable to rising market rents, mostly in Stockholm's CBD, but also to lower yield requirements on the portfolio, overall.

The value increase was highest in Stockholm, where the value of holdings increased by almost 4 percent during the last quarter of the year. The strongest performance is derived from office properties in Stockholm's CBD and inner city, which is primarily due to rising market rents. The situation was also favorable for project properties, which delivered a value increase of 14 percent during the year.

Development of the property portfolio

For several years, Vasakronan has been focused on developing new office and retail premises. The strong rental market and high demand for newly constructed premises at good locations creates excellent conditions for continuing to grow the portfolio. For this reason, planning is underway for more projects at almost SEK 10 billion over the next six-year period.

For example, in 2017, new construction of Platinan will begin. It is a new landmark in central Gothenburg that will contain offices, retail and a hotel.

Also, in Stockholm, planning for the renovation and extension of Sergelhuset in central Stockholm continues. During the quarter,

zoning was finalized, the scope of which is approximately 85,000 sq. m. of office, hotel, retail and residential space. Additional floors will be added to the building and the bottom levels will be opened up, with the aim of making the block around Malmskillnadsgatan safer and more vibrant. Construction on the project is planned to begin during summer 2017.

At the end of the year, the investment volume for ongoing projects was SEK 3.4 (2.5) billion. Of the total vacancies in the portfolio, 0.4 (0.4) percentage points is attributed to ongoing projects and 0.3 (0.7) is attributed to vacant development properties.

More environmental certifications

For several years, Vasakronan has been actively working to obtain environmental certification on its property holdings. During the quarter, another 25 properties obtained environmental certification in accordance with the international environmental classification system, LEED. With that, 77 (71) percent of Vasakronan's portfolio had environmental certification at the end of the year.

The high percentage of properties with environmental certification was obtained by, among others, lowering the energy consumption of the buildings, this in turn is the result of systematic efforts to improve efficiency over the years. This work now continues, with focus on increasing own energy production via solar cells and cutting the energy demand in half by, for example, increasing energy storage locally in buildings. These measures will result in both a lower environmental impact and higher operating income.

Property divestments

In December, an agreement was signed with Sigillet for sale of the property, Skytten 2, in Solna, Stockholm. The property value amounted to SEK 111 million and it was vacated during the quarter. The undeveloped property, Älta 37:19 in Nacka, Stockholm was also taken over by Bonava during the quarter.

Organizational changes

During the quarter, Jan-Erik Hellman was appointed as the new regional manager for Uppsala. He replaces Jonas Bjuggren, who left the company at his own request. Jan-Erik assumes his new position on 1 January 2017.

In Öresund, Anna Stenkil was appointed as the new regional manager. She replaces Anders Kjellin, who is taking on a new role as property developer in Öresund.

Fourth quarter profit

Net operating income for the fourth quarter was SEK 1,134 (1,073) million, which is primarily explained by higher rental revenue. Profit before value changes and tax was SEK 823 (775) million.

The change in the value of property was SEK 3,899 (3,971) million. The change in the value of financial instruments was SEK 1,013 (473) million, which was due to higher long-term interest rates during the quarter. Profit after tax was SEK 4,482 (4,085) million.

Occupancy rate of 94.2 percent in an increasingly robust rental market.

Market overview

Our world

In the eurozone, growth is hampered by Brexit uncertainty and weak balance sheets in the banking sector, which are holding back lending and investments. In USA, however, recovery has made more progress and unemployment is back to the same level that it was before the financial crisis. At the end of the year, the Federal Reserve increased the base lending rate. There is, however, uncertainty about developments in USA following the recent presidential election. In Sweden, the economic trend continued in a positive direction. The main contributing factors were healthy domestic demand and residential investments. According to the latest forecast from National Institute of Economic Research (NIER), GNP increased by 3.4 percent in 2016, but it is expected to slow during 2017 and 2018. Demand remains strong and household consumption is expected to increase by 2.3 percent in 2017 according to NIER. HUI Research anticipates an increase in retail trade of 3.0 percent. Office employment in metropolitan areas has been favorable and it is expected to increase by 2.2 percent in 2017, according to SCB and Evidens.

At its meeting in December, the Riksbank (Sweden's central bank) decided to keep the repo rate unchanged at -0.50 percent. Their assessment is that an increase in the repo rate will not occur until early in 2018.

Property market

During the fourth quarter, transactions were conducted in the Swedish property market for a value of approximately SEK 73 (48) billion according to information from Cushman & Wakefield and during the year, the total transaction volume amounted to SEK 208 (145) billion. Of the total transaction volume, the single largest segment was residential property and most of the transaction volume was attributable to sales in markets outside the metropolitan areas. As in the past, Swedish investors are still the ones making most of the transactions.

Stockholm

During the quarter, there was sustained growth in the rental market in Stockholm and market rents in the CBD appear to have continued on an upward trend. The vacancy level for modern office facilities in the CBD has fallen since year-end 2015 and it is estimated at 4 percent. For retail facilities, it appears as though the vacancy rate is unchanged since year-end, at 2 percent.

In Stockholm's inner city, outside the CBD, market rents continued to rise during the quarter. In the Stockholm suburbs, like Solna Strand, Frösunda, Sundbyberg and Kista, market rents increased somewhat during the year, according to information from Newsec. The vacancy level for these areas is 14 percent, but it varies, from 5 percent in Solna Strand to 19 percent in Kista.

The market's yield requirement for office and retail properties in the CBD has fallen during the year and it is now around 3.6 percent. During the year, the yield requirement also fell for the rest of the inner city area and it is now estimated at around 4.0 percent. Yield requirements also fell in the suburbs during the year, now estimated at 4.8 percent in Frösunda, Sundbyberg and Solna Strand, 5.0 percent in Kista.

Gothenburg

The rent levels for offices and stores in the Gothenburg CBD have remained unchanged since the first quarter. The vacancy level was unchanged during the year and it is estimated at 5 percent for office premises in the CBD and 2 percent for retail premises.

The yield requirement for prime office and retail properties in Gothenburg's CBD fell even further during the year and it is now estimated at just below 4 percent.

Öresund

In Öresund, rent levels for offices in the Malmö CBD increased somewhat during the year. The vacancy level in Malmö CBD has fallen and it is 9 percent for office facilities and just under 4 percent for retail facilities. The vacancy level for prime location properties in Lund also appears to be unchanged at 5 percent.

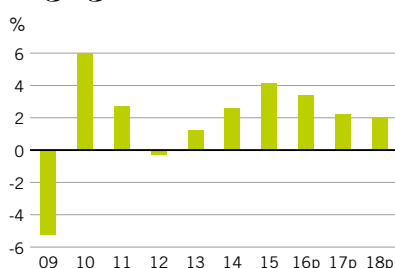
The yield requirement for the most attractive office premises in the Malmö CBD has fallen during the year and it is now 4.2 percent. For prime location properties in Lund, the yield requirement has also fallen and it is 5.0 percent.

Uppsala

The rent levels for office facilities in central Uppsala rose slightly during the year. For several years now, the vacancy level has remained unchanged and it is 5 percent for office facilities and 3 percent for retail facilities.

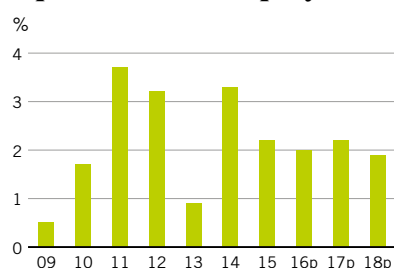
The yield requirement for centrally located office facilities has fallen during the year to 5.0 percent. The yield requirement for retail properties is assessed as having fallen slightly, to 4.9 percent.

High growth



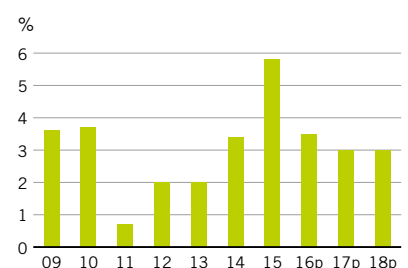
GDP growth in Sweden, fixed prices
Source: National Institute of Economic Research

Upward office employment



Office employment, change in metropolitan regions
Source: SCB and Evidens

Increase in retail trade



Total retail trade in Sweden, current prices
Source: HUI's Business Cycle Report

Consolidated income statement

Amounts in SEK millions	Jan–Dec 2016	Jan–Dec 2015	Oct–Dec 2016	Oct–Dec 2015
Rental revenue	6,251	6,009	1,605	1,517
Operating expenses	–681	–693	–179	–179
Repairs and maintenance	–105	–106	–28	–27
Property administration	–300	–305	–90	–92
Property tax	–544	–474	–135	–107
Site leasehold fees	–162	–157	–39	–39
Total property expenses	–1,792	–1,735	–471	–444
Net operating income	4,459	4,274	1,134	1,073
Central administration	–87	–88	–25	–27
Profit from participations in joint venture	–3	–1	–1	0
Interest income	10	3	4	1
Interest expenses	–1,162	–1,124	–289	–272
Profit before value changes and tax	3,217	3,064	823	775
Change in value of investment properties	12,056	10,212	3,899	3,971
Change in value of financial instruments	–764	598	1,013	473
Divested/impaired goodwill	–18	–71	–7	–30
Profit before tax	14,491	13,803	5,728	5,189
Current tax	0	–45	164	–43
Deferred tax	–3,019	–2,814	–1,410	–1,061
Profit for the period	11,472	10,944	4,482	4,085
Other comprehensive income				
<i>Items that may be reclassified</i>				
Cash flow hedges	17	5	0	–1
Income tax on cash flow hedges	–4	–1	0	0
<i>Items that may not be reclassified</i>				
Pensions, revaluation	–89	61	–89	61
Restriction for surplus in pension plan with asset cap	16	–26	16	–26
Income tax on pensions	16	–8	16	–8
Comprehensive income for the period, net of tax	–44	31	–57	26
Total comprehensive income for the period¹⁾	11,428	10,975	4,425	4,111
Performance measures				
Surplus ratio, %	71	71	71	71
Interest coverage ratio, times	3.8	3.7	3.9	3.9

1) Because there are no minority interests, the entire profit is attributable to the Parent Company's shareholders. There are no potential shares, which means that there is no dilutive effect.

Comments on the income statement

Rental revenue

Rental revenue increased during the period to SEK 6,251 (6,009) million. For comparable property holdings, rental revenue increased by 3 percent, primarily due to new lease agreements that were signed and renegotiations.

New leases, corresponding to 140,000 sq. m. and an annual rent of SEK 475 (616) million were entered into, of which 17 (15) percent had an impact on revenue in 2016. Notice of termination was received during the year (tenant will be moving out) corresponding to annual rent of SEK 414 (490) million, whereby net leasing amounted to SEK 61 (126) million. Renegotiations or extensions corresponding to annual rent of SEK 807 (793) million were finalized during the year, resulting in an increase to the closing amount by 10.6 (5.4) percent. Contracted rent at the end of the year amounted to SEK 6,481 (6,177) million and the average remaining term to maturity was 4.3 (4.6) years.

The occupancy rate increased to 94.2 (92.6) percent as of 31 December 2016, primarily due to new lease agreements that were signed, along with fewer tenants moving out. Of the total vacancies, 0.4 (0.4) percentage points is attributed to ongoing projects and 0.3 (0.7) is attributed to vacant development properties.

Property expenses

Property expenses amounted to SEK -1,792 (-1,735) million for the year. For comparable property holdings, the increase in property expenses was 5 percent. The main reason for the increase was higher expenses for property tax following an increase in tax assessment values. Of the total amount for property tax, 90 percent is charged to tenants.

The portfolio's energy performance was 110 (112) kWh/sq.m. at the end of the year.

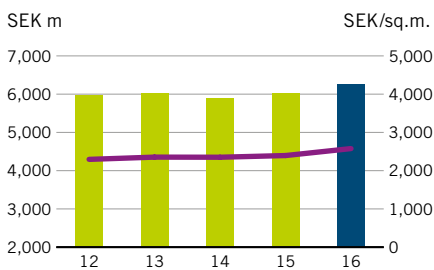
Net operating income

Net operating income increased during the year to 4,459 (4,274) million. For comparable property holdings, the increase in net operating income was 3 percent. The surplus ratio was 71 (71) percent.

Administration

Property administration costs were SEK -300 (-305) million and central administration costs were SEK -87 (-88) million.

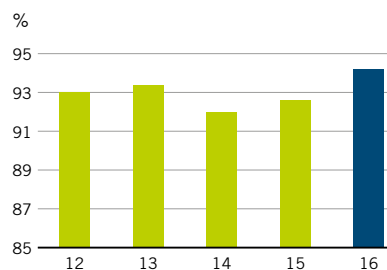
Rising rental revenue SEK/sq. m.



January-December

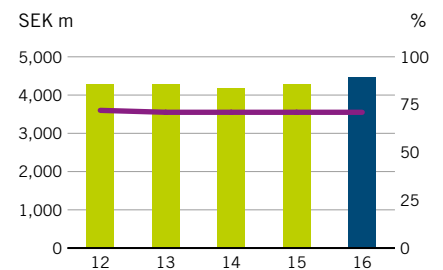
■ Rental revenue, SEK m ■ Rental revenue SEK/m²

High occupancy rate



As of 31 December

Stable surplus ratio



January-December

■ Net operating income, SEK m ■ Surplus ratio, %

Widely distributed over many tenants

	Share in %
SEB	3
National Police Board	3
Ericsson Sweden	3
H&M	3
Swedish Prison and Probation Service	2
Swedish Social Insurance Agency	2
National Courts Administration	1
Åhléns	1
Stadium	1
Ramböll	1
Total	20

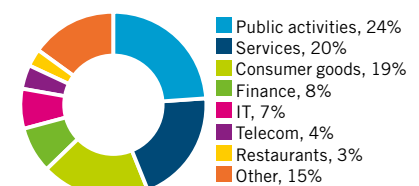
Largest tenant, share of contracted rent

Even distribution of when rents fall due

	Number contracts	Annual rent, SEK m	% of total
2017	1,343	1,295	20
2018	941	1,037	16
2019	839	1,082	17
2020	444	742	11
2021-ff	645	2,000	31
Total	4,212	6,156	95
Residential	1,161	97	2
Garage	-	228	3
Total	5,373	6,481	100

Maturity structure for contracted rent

Largest share of tenants involved in public activities



Breakdown by sector, share of contracted rent

Comments on the income statement (cont.)

Net interest income/expense

Net interest income/expense deteriorated to SEK –1,152 (–1,121) million because there was a larger loan portfolio during the period. At year-end, the average loan rate was 2.0 (2.1) percent.

The average fixed interest term was 4.3 (4.3) years. The proportion of loans with fixed interest term maturing within the next 1 year increased to 45 (41) percent. The proportion of fixed rate periods longer than 5 years fell to 42 (49) percent of interest-bearing liabilities, but the proportion of fixed rate periods longer than 10 years increased to 10 (4) percent.

The interest coverage ratio increased to 3.8 (3.7) times as a result of an improved net operating income. The policy is that the interest coverage ratio should not fall below 1.9 times.

Profit before value changes and tax

Profit before value changes and tax was SEK 3,217 (3,064) million, which corresponds to an increase of 5 percent. The increase is attributable to higher rental revenue.

Change in value of investment properties

As of 31 December 2016, the entire property portfolio had been valued by external appraisers (Cushman & Wakefield and Forum Fastighetsekonomi).

Altogether, the change in the value of Vasakronan's property amounted to SEK 12,056 million, which corresponds to an 11.6 percent increase in value. The increase is primarily attributable to rising market rents, but also to lower yield requirements on the portfolio, overall. The value increase was highest in Stockholm, where the value of holdings increased by almost 13 percent. In Stockholm, market rents were what primarily caused the value increase. On average, the yield requirement for the portfolio was 4.63 percent, compared to 4.91 percent for corresponding properties at the end of 2015.

Change in value by region

	Change in value, %	Contribution to change in value, % points
Stockholm	12.8	8.2
Gothenburg	10.7	2.0
Öresund	8.0	0.9
Uppsala	9.1	0.5
Total		11.6

Change in value, by category

	Change in value, %	Contribution to change in value, % points
Investment properties	11.1	9.9
Project and development properties	14.0	1.3
Transactions	–	0.4
		11.6

Contributing factors

	Value impact, %
Yield requirement	5.8
Market rents at the properties	7.4
Investments and other value-impacting factors	–1.6
Total	11.6

Comments on the income statement (cont.)

Change in value of financial instruments

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and hedge borrowings in NOK. At year-end, the derivative portfolio amounted to SEK 52,781 (40,149) million. The change in the value of derivatives was SEK –764 (598) million, which was due to lower long-term interest rates during the year. During the year, Vasakronan executed early redemption of interest rate swaps for a nominal amount of SEK 2,900 million. With that, a prior reported loss of SEK –519 million was realized. New interest rate swaps were simultaneously entered into with longer maturities and at current interest rate levels.

Tax

The Group reported a total tax expense of SEK –3,019 (–2,859) million. The total tax expense for the year consisted entirely of deferred tax on temporary differences pertaining to investment properties and financial instruments.

The effective tax rate amounted to 20.8 percent and the deviation from the nominal tax of 22 percent is due to the tax-free sale of properties through companies.

The average fixed-interest term was unchanged at 4.3 (4.3) years and loan-to-maturity increased to 3.4 (3.3) years.

Maturity date	Fixed-interest term		Loan maturity	
	SEK m	Share, %	SEK m	Share, %
0-1 years	24,719	45	15,906 ¹⁾	29
1-2 years	–35	0	12,862	23
2-3 years	1,729	3	8,121	15
3-4 years	2,009	4	3,801	7
4-5 years	3,468	6	5,640	10
5 years or more	23,350	42	8,910	16
Total	55,240	100	55,240	100

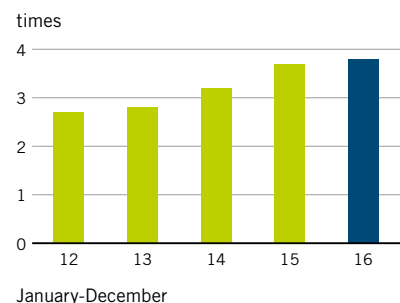
1) The revolving credit facility from owners of SEK 18,000 million plus cash and cash equivalents of SEK 2,147 million correspond to 127 percent of loans maturing in the next 12 months. More information is available on page 10.

For years 1–2, the interest rate exposure is negative. That is explained by the fact that swap agreements that have been entered into exceed loans with a corresponding fixed interest term.

Financial risks

	Treasury policy in brief	Actual 2016-12-31
Financing risk		
Loan maturity	at least 2 years	3.4
Loan maturing 12 months	max 40 %	29%
Revolving credit facility and cash/loan maturity 12 months	at least 100 %	127%
Interest rate risk		
Interest coverage ratio	at least 1.9 times	3.8
Fixed-interest term	1–6 years	4.3
Fixed-interest maturity within 12 months	max 70 %	45%
Credit risk		
Counterpart's rating	at least A–	Fulfilled
Currency risk		
Currency exposure	not allowed	Fulfilled

Improved interest coverage ratio



Consolidated balance sheet

Amounts in SEK millions	2016-12-31	2015-12-31	2016-09-30	2015-09-30
ASSETS				
Non-current assets				
Intangible assets	2,171	2,188	2,178	2,218
Property, plant and equipment				
Investment properties	115,922	103,894	111,566	99,115
Equipment	54	58	54	51
	115,976	103,952	111,620	99,166
Financial assets				
Shares and participations in joint ventures	372	381	379	381
Derivatives	423	–	–	–
Other long-term receivables	58	169	59	52
	853	550	438	433
Total non-current assets	119,000	106,690	114,236	101,817
Current assets				
Accounts receivable	31	38	27	29
Receivables from joint ventures	111	109	122	0
Current tax assets	15	–	–	21
Receivables from Parent Company	–	–	2,056	–
Derivatives	35	15	32	35
Other current receivables, prepaid expenses and accrued income	717	633	977	806
Cash and cash equivalents	2,147	2,301	2,097	3,823
Total current assets	3,056	3,096	5,311	4,714
TOTAL ASSETS	122,056	109,786	119,547	106,531
EQUITY AND LIABILITIES				
Equity	46,117	41,245	43,749	37,958
Non-current liabilities				
Non-current interest-bearing liabilities	39,334	34,984	38,724	34,975
Deferred tax liability	14,362	11,356	12,969	10,287
Derivatives	3,383	2,894	3,887	3,273
Other non-current liabilities	198	156	297	149
Provision for pensions	80	17	9	54
Total non-current liabilities	57,357	49,407	55,886	48,738
Current liabilities				
Current interest-bearing liabilities	15,906	15,766	17,196	17,274
Accounts payable	132	177	114	109
Current tax liabilities	0	20	138	0
Liabilities to Parent Company	0	825	0	0
Derivatives	0	24	3	23
Other current liabilities, accrued expenses and deferred income	2,544	2,322	2,461	2,429
Total current liabilities	18,582	19,134	19,912	19,835
TOTAL EQUITY AND LIABILITIES	122,056	109,786	119,547	106,531
Pledged assets				
Mortgages	16,830	15,038	16,430	15,657
Total	16,830	15,038	16,430	15,657

Comments on the balance sheet

Intangible assets

Intangible assets primarily consist of goodwill. Goodwill has arisen because deferred tax on property was calculated using the nominal tax rate at the time of the business combination, while the tax rate that was applied when calculating the purchase sum for the acquisition was lower than the nominal one. The value of goodwill as of 31 December 2016 was SEK 2,071 (2,088) million, and the decline was primarily due to the sale of properties.

The remaining portion of intangible assets is comprised of the value of the Vasakronan brand, which amounted to SEK 100 (100) million.

Investment properties

As of 31 December 2016, the estimated market value of Vasakronan's property portfolio based on external appraisals was SEK 115,922 (103,894) million. The change in value during the period was SEK 12,056 (10,212) million and the remaining change in the market value is comprised of net investments. A change in yield of +/-0.25 percentage points would affect the value of the current property portfolio by -5.1/5.7 percent.

Valuations have been conducted in accordance with RICS Red Book guidelines and using the same methodology that was applied

for prior valuations. Market value is affected by property-specific events that impact value, such as the signing of new and renegotiated leases, properties being vacated and investments. Consideration is also given to changes that are deemed to have had occurred in market rents and yield requirements. For a more detailed description of the valuation methodology used for Vasakronan's properties, please see page 87 of Vasakronan's Annual Report for 2015.

Vasakronan has set high goals for environmental certification of its property portfolio. It aims to eventually obtain certification for all of its properties and as of 31 December 2016, 77 (71) of the portfolio had environmental certification.

Property projects

Ongoing property projects have a total investment volume of SEK 3,423 (2,483) million, of which SEK 2,061 (1,223) million had been capitalized as of 31 December 2016. Overall, the projects have a low level of risk due to the high occupancy rate and for larger projects, the total occupancy rate was 72 percent. The strong rental market makes it possible to start projects at attractive locations without needing to have all of the premises leased by the project start date.

Higher property values

SEK m	2016	2015
Opening value, 1 January	103,894	91,889
Investments	2,035	2,224
Acquisitions, consideration	58	956
Sales, consideration	-2,121	-1,387
Change in value	12,056	10,212
Closing value, 31 December	115,922	103,894

Large investments in property projects

Location	Property	Total investments, SEK m	Capitalized, SEK m	Share capitalized, %	Area of premises, sq. m.	Estimated date of completion	Occupancy rate, % ¹⁾
Stockholm, City	Uggleborg 12, Klara C	1,100	941	86	34,000	Mar -17	86
Uppsala	Kronåsen 1:1, Hubben	560	190	34	12,850	Dec -17	82
Stockholm	Hilton 7	390	121	31	11,000	Nov -18	0
Gothenburg	Part of Läppstiftet	200	55	28	9,200	Jun -18	62
Stockholm	Part of Nöten 5	184	76	41	3,980	Oct -17	75
Gothenburg	Drivhuset	170	43	25	12,200	Mar -18	96
Total major property projects		2,604	1,426	55			72
Other projects		819	635				
Total		3,423	2,061				

1) Calculated based on area

Comments on the balance sheet (cont.)

Deferred tax

Deferred tax is calculated using a nominal rate of 22 percent on differences between the carrying amount and tax base of assets and liabilities. As of 31 December 2016, deferred tax was SEK 14,362 (11,356) million and it primarily pertains to investment properties. The main reason for the increase was the higher market value of the properties.

Liabilities and cash

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 53,093 (48,449) million, primarily due to financing of dividends that were paid during the year. The average for loan-to-maturity increased to 3.4 (3.3) years. The proportion of loans maturing within the next 12 months decreased to 29 (31) percent, which was attributable to having a lower proportion of debt in the form of commercial paper. The proportion of debt in the form of commercial paper fell to 17 (21) percent of the total loan portfolio. At the end of the year, the share of capital market financing was 72 (71) percent and the share of bank financing was 28 (29) percent.

Total outstanding green bonds increased during the year to SEK 5.2 (4.7) billion. With these bonds, the capital market is offered

the opportunity of investing in projects that lead to lower energy consumption and lower climate impact. Investments that have been approved for financing via green bonds in accordance with Vasakronan's green bond framework, amounted to approximately SEK 6 billion at year-end.

During the year, Vasakronan issued bonds for SEK 8.0 (8.0) billion in the Swedish capital market, as well as for NOK 2.9 (1.0) in the Norwegian capital market. An unsecured loan for SEK 0.5 (0) billion was also obtained from Nordic Investment Bank (NIB). Secured bank loans for SEK 4.6 (4.5) billion were obtained and at the end of the period, outstanding bank loans secured by mortgages amounted to 13 (14) percent of the Group's total assets. The treasury policy states that collateralized loans must not exceed 20 percent of total assets.

The revolving credit facility from the First, Second, Third and Fourth Swedish National Pension Funds, whereby, at Vasakronan's request, there is an obligation to purchase commercial papers, amounts to SEK 18 billion, with notice period of 2 years. Cash and cash equivalents of SEK 2,147 (2,301) and unutilized credit facility correspond to 127 (129) percent of loans maturing over the next 12 months.

Diversified funding with good reserves

SEK m	Loan limit	Amount utilized	Share, %
Commercial papers	20,000	9,206	17
MTN Bonds	30,000	19,968	36
MTN Green bonds	–	5,219	9
MTN inflation-linked bonds	–	820	1
MTN NOK bonds	10,000	4,109 ¹⁾	8
Bank loans, with collateral	–	15,473	28
Bank loans, without collateral	–	445	1
Revolving credit facility	18,000	–	–
Total		55,240	100

1) The amount corresponds to NOK 3,900 MNOK and the amount is fully hedged.
Distribution of financing sources, share of the total loan portfolio

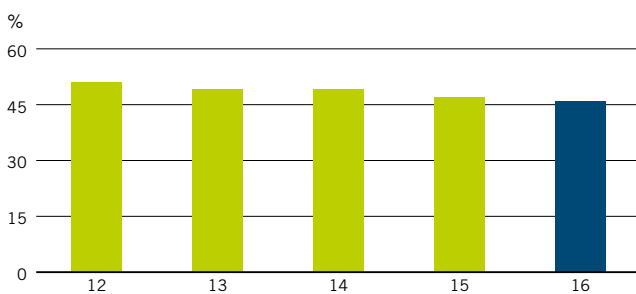
Consolidated statement of changes in equity

Amounts in SEK millions	Share capital	Other contributed capital	Hedging reserve	Retained earnings	Total equity
Equity opening balance 2015-01-01	4,000	4,227	-17	26,884	35,094
Cash flow hedges, after tax			4		4
Pensions, including tax				27	27
Profit (loss) for the year				10,944	10,944
<i>Total comprehensive income</i>			4	10,971	10,975
Dividends				-4,000	-4,000
Group contribution paid				-824	-824
Equity closing balance 2015-12-31	4,000	4,227	-13	33,031	41,245
Equity opening balance 2016-01-01	4,000	4,227	-13	33,031	41,245
Cash flow hedges, after tax			13		13
Pensions, including tax				-57	-57
Profit (loss) for the year				11,472	11,472
<i>Total comprehensive income</i>			13	11,415	11,428
Dividends				-4,500	-4,500
Group contribution paid				-2,058	-2,058
Tax effect of Group contribution paid				2	2
Equity closing balance 2016-12-31	4,000	4,227	-	37,890	46,117

Equity

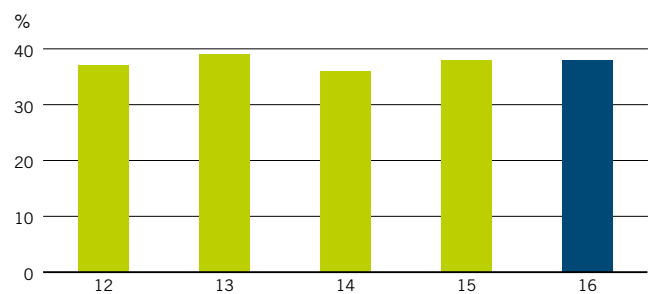
Equity increased during the period to SEK 46,117 (41,245) million due to positive comprehensive income of SEK 11,428 (10,975) million. The equity/assets ratio was 38 (38) percent and LTV (loan-to-value ratio) was 46 (47) percent.

LTV (Loan-to-value ratio)



As of 31 December

Equity/assets ratio



As of 31 December

Consolidated cash flow statement

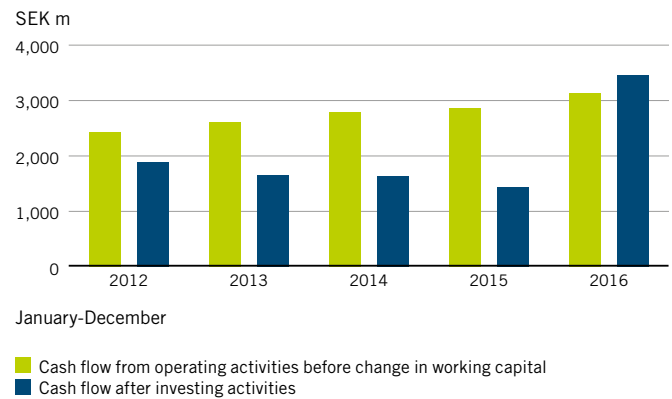
Amounts in SEK millions	Jan–Dec 2016	Jan–Dec 2015	Oct–Dec 2016	Oct–Dec 2015
Operating activities				
Profit before value changes and tax	3,217	3,064	823	775
Adjustment for items not included in cash flow	7	8	2	4
Net interest income/expense	1,152	1,121	285	271
Interest paid, net	-1,191	-1,323	-296	-316
Taxes paid	-48	-15	-2	-3
Cash flow before changes in working capital	3,137	2,855	812	731
Increase (-) / decrease (+) in operating receivables	9	-121	248	-41
Increase (+) / decrease (-) in operating liabilities	293	476	49	34
Cash flow from operating activities	3,439	3,210	1,109	724
Investing activities				
Investments in existing property	-2,035	-2,224	-628	-614
Acquisitions of property	-58	-916	0	-794
Divestment of property	2,121	1,387	172	640
Other PPE, net	-5	-22	2	-13
Cash flow from investing activities	23	-1,775	-454	-781
Cash flow after investing activities	3,462	1,435	655	-57
Financing activities				
Dividends and Group contributions	-7,382	-4,924	-2,058	-
Loans to owner	-	-	2,051	-
Raised debt: interest-bearing liabilities	16,993	16,381	3,954	3,615
Repayment of debt: interest-bearing liabilities	-12,708	-12,348	-4,552	-5,080
Redemption of financial instruments	-519	-	-	-
Cash flow from financing activities	-3,616	-891	-605	-1,465
Cash flow for the period	-154	544	50	-1,522
Opening balance, cash and cash equivalents	2,301	1,757	2,097	3,823
Cash flow for the period	-154	544	50	-1,522
Closing balance, cash and cash equivalents	2,147	2,301	2,147	2,301

Comments on cash flow statement

Cash flow after investing activities increased to SEK 3,462 (1,435) million during the year. Cash flow from operating activities before, change in working capital, improved by SEK 282 million and was SEK 3,137 (2,855) million. The improvement is primarily attributable to higher net operating income. The cash flow effect of investments in existing properties was SEK –2,035 (–2,224) million during the period and there was a positive effect of SEK 2,063 (471) million from net property acquisition and divestment that was completed.

Net borrowing for the year was SEK 4,285 (4,033) million. Cash flow from financing activities fell by SEK –7 382 (–4,924) million due to dividends and Group contribution were paid to the owner. After the early redemption of interest rate swaps for SEK –519 (–) million, cash flow from financing activities amounted to SEK –3,616 (–891) million. Altogether, cash and cash equivalents fell by SEK –154 (544) million during the year.

Stable cash flow from operating activities



Property divestments

Property	Location	Buyer	Purchase price, SEK m	Transfer date
Sandryggen 1	Lund	Norama Real Estate	105	2016-02-16
Part of Kvarngärdet 1:19	Uppsala	JM	60	2016-03-10
Neapel 3	Stockholm	Niam	925	2016-04-20
Sandbacken Mindre 39	Stockholm	Slussgården	234	2016-06-01
Part of Telefonfabriken 1	Stockholm	HSB Bostad	689	2016-06-30
Ålta 37:19	Stockholm	Bonava	67	2016-10-04
Skytten 2	Stockholm	Sigillet	111	2016-12-15
Total property value			2,191	
Costs associated with acquisition, e.g. stamp duty and other transaction costs, as well as deduction for deferred tax			–70	
Total purchase price			2,121	

Property acquisitions

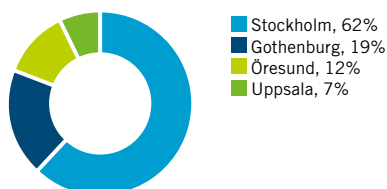
Property	Location	Seller	Purchase price, SEK m	Transfer date
Regndroppen 1 (Hyllie)	Malmö	Malmö municipality	50	2016-01-15
Kungsängen 14:1	Uppsala	JM	6	2016-03-10
Total property value			56	
Costs associated with acquisition, e.g. stamp duty and other transaction costs, as well as deduction for deferred tax			2	
Total purchase price			58	

Vasakronan total and by region

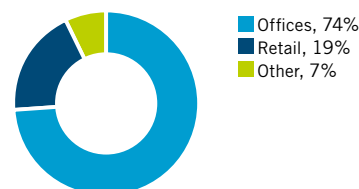
Total Vasakronan Jan–Dec

	2016	2015
Market value, SEK m	115,922	103,894
Rental revenue, SEK m	6,251	6,009
Net operating income, SEK m	4,459	4,274
Surplus ratio, %	71	71
Occupancy rate, %	94	93
Number of properties	179	180
Area, thousand sq. m.	2,426	2,509
Environmental certification, %	77	71

Contracted rent by geographic market



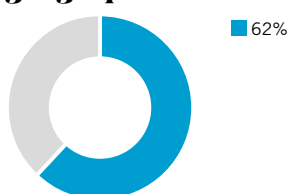
Contracted rent by property type



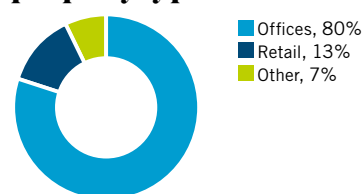
Stockholm Jan–Dec

	2016	2015
Market value, SEK m	74,298	66,617
Rental revenue, SEK m	3,840	3,681
Net operating income, SEK m	2,716	2,593
Surplus ratio, %	71	70
Occupancy rate, %	94	92
Number of properties	78	82
Area, thousand sq. m.	1,413	1,474
Environmental certification, %	75	70

Contracted rent by geographic market



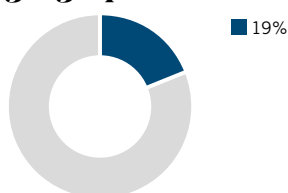
Contracted rent by property type



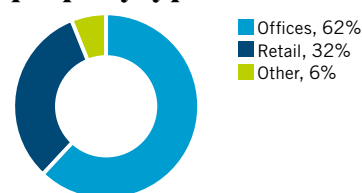
Gothenburg Jan–Dec

	2016	2015
Market value, SEK m	22,147	19,618
Rental revenue, SEK m	1,205	1,144
Net operating income, SEK m	928	882
Surplus ratio, %	77	77
Occupancy rate, %	97	93
Number of properties	36	36
Area, thousand sq. m.	422	437
Environmental certification, %	90	84

Contracted rent by geographic market



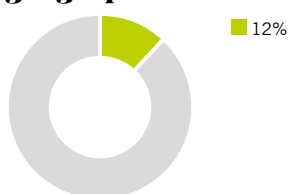
Contracted rent by property type



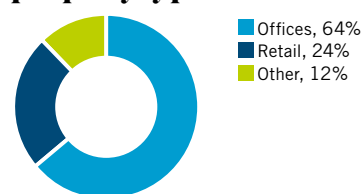
Öresund Jan–Dec

	2016	2015
Market value, SEK m	12,606	11,574
Rental revenue, SEK m	756	747
Net operating income, SEK m	501	500
Surplus ratio, %	66	67
Occupancy rate, %	90	91
Number of properties	38	38
Area, thousand sq. m.	360	363
Environmental certification, %	69	67

Contracted rent by geographic market



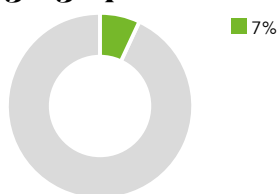
Contracted rent by property type



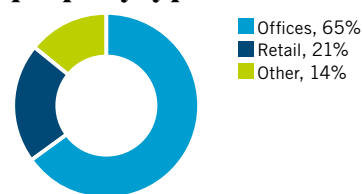
Uppsala jan–dec

	2016	2015
Market value, SEK m	6,871	6,085
Rental revenue, SEK m	450	437
Net operating income, SEK m	314	299
Surplus ratio, %	70	68
Occupancy rate, %	96	96
Number of properties	27	24
Area, thousand sq. m.	231	235
Environmental certification, %	79	69

Contracted rent by geographic market



Contracted rent by property type



Vasakronan AB – Parent Company in summary

Income statement

Amounts in SEK millions	Jan–Dec 2016	Jan–Dec 2015
Net sales	423	423
Operating expenses	–525	–526
Capital gain (loss) on sales	1	0
Profit/loss before financial items	–101	–103
Financial items		
Profit from participations in subsidiaries	10,796	1,623
Net interest income/expense	–1,119	–1,101
Change in value of financial instruments	–764	598
Appropriations	–	–44
Profit before tax	8,812	973
Tax	74	–218
Profit for the period	8,886	755

Statement of Comprehensive Income

Profit for the period		
<i>Items that may be reclassified</i>		
Cash flow hedges	17	5
Income tax related to cash flow hedges	–4	–1
Other comprehensive income net of tax		4
Total comprehensive income	8,899	759

Parent Company

The operations of the Parent Company, Vasakronan AB (publ), consist of Group-wide functions and providing an organization for the management of properties owned by subsidiaries. The Parent Company does not directly own any properties.

The Parent Company's revenue for the year was SEK 423 (423) million, which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The change in the value of financial instruments was SEK –764 (598) million, which was due to lower long-term interest rates during the year. More information is available on page 7. Profit (loss) before tax was SEK 8,812 (973) million. Cash and cash equivalents at the end of the year amounted to SEK 2,146 (2,300) million.

Balance sheet

Amounts in SEK millions	2016-12-31	2016-12-31
ASSETS		
Non-current assets		
Equipment	25	32
Shares and participations in subsidiaries	30,759	30,758
Receivables from subsidiaries	9,771	6,267
Shares and participations in joint ventures	1	–
Deferred tax assets	478	407
Derivatives	423	–
Long-term receivables	54	164
Total non-current assets	41,511	37,628
Current assets		
Receivables from subsidiaries	28,326	27,692
Derivatives	35	15
Current receivables	423	349
Cash and cash equivalents	2,146	2,300
Total current assets	30,930	30,356
TOTAL ASSETS	72,441	67,984
EQUITY AND LIABILITIES		
Equity	10,939	8,596
Untaxed reserves	44	44
Liabilities		
Interest-bearing liabilities	55,240	50,750
Derivatives	3,383	2,894
Non-interest-bearing liabilities	694	560
Liabilities to Parent Company	–	825
Liabilities to subsidiaries	2,141	4,315
Total liabilities	61,458	59,344
TOTAL EQUITY AND LIABILITIES	72,441	67,984

Other information

Personnel

The number of employees at the end of the year was 339 (346).

Risks and uncertainties

The Board of Directors and management team continuously strive to achieve the desired risk profile, based on the policy established by the Board. The policy contains uniform methods for identifying, valuing, taking responsibility for, managing and reporting risks. Vasakronan's risks are described in the Annual Report for 2015 on pages 56–57. No other changes have occurred since then that affect the Board's and management team's assessment. Comments on the overall situation in the property and finance markets can be found in the relevant sections of this report.

In order to prepare its financial statements in accordance with generally accepted accounting principles, the company management team must make assessments and assumptions that affect the amounts reported as assets and liabilities in the balance sheet, as well as income and expense items reported in the income statement and other information that has been provided. The actual results may deviate from these estimates and assessments. The financial statements are particularly sensitive to assumptions that provide the basis for the valuation of the investment properties.

Related-party transactions

Information on Vasakronan's related-party transactions is provided in Note 34 of Vasakronan's Annual Report for 2015. During the year, a Group contribution, dividend and loan totaling SEK 7,381 million were paid to the owner, Vasakronan Holding. During the year, a lease agreement was signed with the Third Swedish National Pension Fund and a lease agreement with the First Swedish National Pension Fund was renegotiated. Both of these were on market terms.

At the end of the year, the Third Swedish National Pension Fund had bond holdings with Vasakronan from SEK 105 million.

Besides that, there were no other significant related-party transactions during the year.

Accounting policies

This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Comparison figures in parentheses pertain to the corresponding amounts last year. The same accounting policies, valuation principles and calculation methods as the ones used in the most recently issued annual report have been applied. Please see Vasakronan's Annual Report for 2015, pages 80–83.

Vasakronan's activities have been organized according to the geographic regions of Stockholm, Gothenburg, Uppsala and Öresund. These regions thus represent the operating segments used for reporting purposes. More information is available on page 84 of Vasakronan's Annual Report.

Fair value for financial instruments corresponds in all material respects with the carrying amount. No change has occurred during the period to how financial instruments are categorized. Derivatives are valued in accordance with level 2 in the fair value hierarchy. For all derivatives there are ISDA agreements in place that allow offsetting of payables and receivables from the same counterparty, in the event of insolvency. Investment properties are recognized at fair value in accordance with level 3 in the fair value hierarchy.

The Parent Company prepares its financial statements in accordance with the Annual Accounts Act and RFR 2 Reporting for Legal Entities.

Alternative performance measures

Vasakronan applies the ESMA guidelines for alternative performance measures. Alternative performance measures are financial measures that are not defined in IFRS or the Annual Accounts Act. All alternative performance measures must be explained, along with stating the reason why they are used. A breakdown on how the performance measure is calculated must also be given when information (not provided in the balance sheet or income statement) is required for the calculation.

Alternative performance measures used in Vasakronan's interim report are defined and motivated on pages 18–19. Page 17 also includes a breakdown on specific performance measures where this is required.

Stockholm, 2 February 2017

Fredrik Wirdenius
CEO

For more information about this interim report, please contact:

Christer Nerlich

CFO

Phone: +46 8-566 205 40

email: christer.nerlich@vasakronan.se

Performance measures

	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Property-related information				
Occupancy rate on closing date, %	94.2	92.6	94.2	92.6
Surplus ratio, %	71	71	71	71
Investments in existing projects, SEK m	2,035	2,224	628	614
Property acquisitions, SEK m	58	916	–	794
Property divestments, SEK m	–2,121	–1,387	–172	–640
Net investments in property, SEK m	–28	1,753	456	768
Market value of property on closing date, SEK m	115,922	103,894	115,922	103,894
Area on closing date, thousand sq. m.	2,426	2,509	2,426	2,509
Number of properties on closing date	179	180	179	180
Environmental certification on closing date, %	77	71	77	71
Energy performance on closing date, kWh/sq. m.	110	112	110	112
Financial information				
Interest coverage ratio, times	3.8	3.7	3.9	3.9
Equity/assets ratio on closing date, %	38	38	38	38
LTV (loan-to-value ratio) on closing date, %	46	47	46	47
NAV on closing date, SEK m ¹⁾	61,333	53,416	61,333	53,416
NNNAV on closing date, SEK m ²⁾	55,083	47,927	55,083	47,927
Average rate of interest on closing date, %	2.0	2.1	2.0	2.1
Interest-bearing liabilities, net, on closing date, SEK m	53,093	48,449	53,093	48,449
Cash flow before change in working capital, SEK m	3,137	2,855	812	731
Other				
Number of employees on closing date	339	346	339	346
Calculation of performance measures				
1) NAV, SEK m				
Equity	46,117	41,245	46,117	41,245
Add back goodwill	–2,071	–2,088	–2,071	–2,088
Add back derivatives	2,925	2,903	2,925	2,903
Add back reported, deferred tax	14,362	11,356	14,362	11,356
	61,333	53,416	61,333	53,416
2) NNNAV, SEK m				
Equity	46,117	41,245	46,117	41,245
Add back goodwill	–2,071	–2,088	–2,071	–2,088
Add back reported, deferred tax	14,362	11,356	14,362	11,356
Deferred tax at fair value*	–3,219	–2,533	–3,219	–2,533
Adjustment of interest-bearing liabilities to fair value	–106	–53	–106	–53
	55,083	47,927	55,083	47,927

* Calculated on the basis of a 25 percent current tax rate, i.e. 5.5 percent.

Definitions

Annual rent, SEK m

Basic rent, on an annual basis, plus indexation and other additional costs.

Area, sq. m.

Leasable area, not including garages and parking spaces on the closing date.

Average fixed-interest term, years

The volume-weighted remaining fixed-interest term on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average interest rate, %

The volume-weighted interest rate on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average loan-to-maturity, years

The volume-weighted remaining maturity on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average remaining term to maturity, years

The total contract value of commercial facilities divided by contracted rent for commercial facilities.

Cash and cash equivalents, SEK m

Cash and bank balances, along with short-term investments, with maturities of less than three months. Intended as an indication of liquidity.

Central administration, SEK m

Costs (at the Group level) that are not directly related to property management, such as the costs associated with the Group management team, property investments, financing and central marketing.

Change in the value of property, %

Value change, in SEK, divided by the market value for the entire property portfolio, i.e. including projects and transactions at the beginning of the period.

Comparable property holdings

Properties included in holdings during the entire reporting period, and during the entire comparison period. Properties that were classified as project properties, or that were acquired or sold during the reporting period or comparison period are not included.

Contracted rent, SEK m

Total annual rent from contracts in effect as of the closing date.

Contracted rent, by property type

Contracted rent categorized on the basis of the how, for each lease, the premises are to be used. The category types are office, retail and other. The category "other" includes, for example, residential space, parking and hotels.

Energy performance, kWh/sq. m.

The annual total for energy consumption from heating, adjusted to the level of a normal year, along with comfort cooling and property electricity, divided by the temperate area (indoor area of all floors of a building that are heated to more than 10 °C). Reported energy performance also includes some tenant electricity and process cooling which, for technical reasons, is not possible to remove from the calculation.

Environmental certification, %

Total area of properties that have obtained certification in accordance with BREEAM, LEED or Miljöbyggnad, divided by the area for the entire property portfolio, on the closing date.

Equity/assets ratio, %

Equity divided by total assets on the closing date. Intended as an indication of the company's financial stability.

Interest coverage ratio, times

Net operating income plus central administration, profit (loss) from participations in joint ventures divided by net interest income/expense. Intended as an indication of the company's sensitivity to fluctuations in interest rates.

Investments in existing projects, SEK m

Investment in ongoing projects. Intended as an indication of the company's investment volume.

LTV (Loan-to-value ratio), %

Net interest-bearing liabilities divided by investment properties on the closing date. Intended as an indication of the company's financial risk.

NAV (Net asset value), SEK m

The amount of reported equity, adding back goodwill, derivatives and deferred tax. Intended as an alternative calculation of equity. See page 17 for more information on how it is calculated.

Net interest-bearing liabilities, SEK m

Interest-bearing liabilities less cash and cash equivalents. Intended as an indication of the company's financial risk.

Net investments, SEK m

The purchase price for acquisition of property, along with investments in property projects, less the consideration received from property divestment. Intended as a measure of capital invested in property.

Definitions continue on page 19.

Net leases, SEK millions

Contracted rent for new leases that were signed during the period less contracted rent for leases where notice of termination was received during the period (tenant will be moving out).

Net operating income, SEK m

Rental revenue less operating costs, repairs and maintenance, property administration, property tax and site leasehold fees. Intended as an indication of the operating income from investment activities.

NNNAV (Triple net asset value), SEK m

The amount of reported equity, adding back goodwill and fair value of loans, and adjusted for estimated deferred tax. It is calculated on the basis of a 25 percent current tax rate. Intended as an alternative calculation of equity. See page 17 for more information on how it is calculated.

Occupancy rate, financial, %

Contracted rent divided by the rental value, on the closing date.

Property acquisitions, SEK m

Acquisition of investment properties. Intended as an indication of the company's acquisitions during the period.

Property divestments, SEK m

Divestment of investment properties. Intended as an indication of the company's divestments during the period.

Profit before value changes and tax, SEK m

Net operating income less central administration, profit (loss) from participations in joint ventures and net interest income/expense. Intended to as an indication of the operating earnings of the business.

Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

Surplus ratio, %

Net operating income as a percentage of rental revenue. Intended to as an indication of the operating income from investment activities.

Calendar

Reports

Annual Report 2016	March 2017
AGM	3 May 2017
Interim report January–March 2017	3 May 2017

More information about the company is available on Vasakronan's website www.vasakronan.se

The information contained in this year-end report is information that Vasakronan AB (publ) is required to make public in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act.

Vasakronan is the leading property company in Sweden, with a property portfolio valued at SEK 116 billion. Vasakronan's strategy is to focus on office and retail facilities in Stockholm, Uppsala, Gothenburg, Malmö and Lund. The property portfolio consists of 179 properties with a total area of approximately 2.4 million sq.m. Vasakronan is jointly owned by the First, Second, Third and Fourth Swedish National Pension Funds. More information is available at: www.vasakronan.se