

# VASAKRONAN

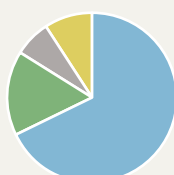
## Year-end Report 2011

- Rental revenue increased to SEK 6,048 (5,508) million.
- The occupancy rate was 93.0 (92.8) %.
- Net operating income increased to SEK 4,211 (3,714) million and the surplus ratio was 70 (67) %.
- Profit before changes in value and tax improved by 6 % due to higher net operating income and was SEK 2,468 (2,335) million.
- The market value of properties increased by 4.9 (6.1) % to SEK 82.4 billion, which is primarily explained by rising market rents.
- The unrealized change in value of financial instruments was SEK –931 (103) million.
- Profit after tax was SEK 3,938 (5,310) million.
- After the end of the reporting period, property at Nacka Strand was sold to The Carlyle Group for a property value of SEK 2,950 million.

### Vasakronan in brief (SEK millions)

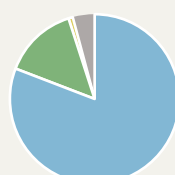
	Jan-Dec 2011	Jan-Dec 2010	Okt-Dec 2011	Okt-Dec 2010
Rental revenue	6,048	5,508	1,532	1,406
Net operating income	4,211	3,714	1,051	926
Profit before value changes and tax	2,468	2,335	608	553
Profit after tax	3,938	5,310	1,199	1,106
Cash flow from operating activities before change in working capital	2,386	2,339	598	562
Market value of properties	82,370	77,633	82,370	77,633
Occupancy rate, %	93.0	92.8	93.0	92.8
Surplus ratio, %	70	67	69	66
Interest coverage ratio, times	2.5	2.9	2.5	2.6
Equity/assets ratio, %	34	32	34	32

### Contracted rent by geographic market



■ Stockholm, 68% ■ Öresund, 9%  
■ Gothenburg, 16% ■ Uppsala, 7%

### Contracted rent by property type



■ Offices, 81% ■ Residential, 1%  
■ Retail, 14% ■ Other, 4%

# Vasakronan fourth quarter 2011

## New leases

The occupancy rate improved during the quarter and was 93.0 (92.8) %. In total, slightly more than 38,000 m<sup>2</sup> was leased out during the quarter with a corresponding annual rent of SEK 101 million. Among other things, agreements were signed with the insurance brokerage company, Aon and Sigma IT Management pertaining to rental of approximately 5,500 m<sup>2</sup> in two office properties that are under construction at Svea Artilleri, which is located on Valhallavägen in Stockholm. The properties will have environmental classification and they will be ready for tenants to start moving in during spring/summer 2013.

An agreement was also signed during the quarter with the insurance company, Moderna Försäkringar for the rental of 3,700 m<sup>2</sup> at Norrtullpalatset, which is located on Sveavägen in Stockholm. Besides the rental of property in Stockholm, and agreement was also signed with Moderna Försäkringar for the rental of 1,300 m<sup>2</sup> in the property called Relingen 1, located at Västra Hamnen in Malmö.

## Rising property values

The values of property owned by Vasakronan continued to rise during the fourth quarter. The increase in value for the last quarter was 1.6 %. The biggest increase was for property in Gothenburg, which increased in value by 3.2 %. The increase is primarily explained by improvements in rental market conditions.

## Fourth quarter profit

Rental revenue continued to increase during the last quarter of the year and was SEK 1,532 (1,406) million, which is an increase of 9 % compared to the same period last year. The increase in rental revenue is primarily due to acquisitions that were made at the end of 2010. A comparison of equivalent property holdings results in an increase of 3 %.

Property expenses were in line with last year and amounted to SEK -481 (-480) million. When comparing equivalent property holdings, the increase in property costs was barely 1 %. Mild weather during the start of winter resulted in lower costs for heating and snow removal for SEK 7 million in total. However, there was an opposite effect from property tax, which increased SEK 9 million in total, of which SEK 7 million is a lower tax refund compared to the same period last year.

Net operating income was SEK 1,051 (926) million, which is an increase of approximately 14 %. When comparing equivalent property holdings, the increase is 4 %. The higher net operating income is primarily explained by higher revenues. The surplus ratio improved and was 69 (66) % for the quarter.

Profit before value changes and tax increased to SEK 608 (553) million. That is an increase of 10 %, despite the fact that rising interest rates have had a negative impact on net interest income/expense. The change in the value of property was SEK 1,275 (832) million. The unrealized change in the value of financial instruments was SEK -238 (53) million, which was due to lower long-term interest rates.

Profit before tax was SEK 1,645 (1,435) and profit after tax was SEK 1,199 (1,106) million.

## Events after the end of the reporting period

### Sale of property at Nacka Strand

After the end of the reporting period, property located at Nacka Strand was sold to The Carlyle Group for a property value of SEK 2,950 million, which corresponds to the property's carrying amount at year-end 2011. The sale was made as a legal form of business activity and it was comprised of 16 properties with a total area of 194,000 m<sup>2</sup>. In 2011, the

rental revenue from these properties was SEK 251 million and net operating income was SEK 129 million. After these properties are vacated on 31 January 2012, the occupancy rate for Vasakronan's entire property portfolio will increase by 0.8 percentage points.

# Market overview

## The Swedish economy

Recovery in the global economy was subdued during the latter part of 2011. However, this had a relatively limited effect on the Swedish economy, even though the outlook for the next few years has deteriorated. At the end of 2011, the Swedish National Institute of Economic Research, NIER, lowered its forecast for GNP growth to 0.6 % for 2012 and 3.0 % for 2013.

The employment rate continued to improve during the autumn, but unemployment is expected to increase in 2012, reaching the level of 8 % in 2013. Consumer confidence has also been affected and expectations are for weaker consumption in the future.

In December 2011, the Riksbank (Sweden's central bank) lowered the base lending rate to 1.75 %. The Riksbank's forecast for interest rates was also lowered, which means that its forecast for the end of 2012 is interest rates at the same level that they are today and its forecast for the end of 2013 is 2.4 %.

## Property market

According to information from the global real estate adviser, DTZ, transactions were made in the Swedish property market during 2011 for a total value of SEK 104 billion, which is in line with the volume of transactions in 2010. The transaction volume in 2010 and 2011 was negatively impacted by macroeconomic uncertainty and the restrictive lending policies of banks.

Primarily, domestic stakeholders are the ones who have made transactions during the year. Activity from international players continued to be low, at approximately 11 % of total sales. In total, there was a net divestment of property by foreign investors in 2011.

## Stockholm

The trend in the rental market for central Stockholm continued to be favorable in 2011. For the most attractive premises, market rent increased by approximately 5 % during the year. There was a slight increase in the level of market rents for the best suburban locations at the start of the year. However, they are expected to be unchanged during the latter part of the year.

The availability of new premises in the rental market is relatively limited, which results in falling vacancy levels. The vacancy level for Stockholm CBD is approximately 7 %. In the rest of the downtown area, vacancy levels are slightly below 10 %, which is in line with the same period last year. In the Stockholm suburbs, vacancy levels remained unchanged during the year and the vacancy level is estimated at approximately 13 %.

The market yield for office properties in the CBD stabilized in 2011. The yield for the most attractive properties is expected to be around 4.70 % in the CBD and around 5.20 % in other parts of the inner city.

In the suburbs, yield is estimated at 6 %.

## Gothenburg

Because of the low vacancy level and a very limited supply of new office facilities, the trend for the rental market in central

Gothenburg was positive in 2011. There is a rising trend for office rents in Gothenburg and the vacancy level for the Gothenburg CBD fell during the year to approximately 6 % at year-end.

The yield for the most attractive office premises in the Gothenburg CBD has fallen so far in 2012 and it is now estimated at approximately 5.2 %.

## Öresund

The office rental market in Öresund has been stable during the year and rental levels were unchanged. For office facilities in the Malmö CBD, the vacancy level is estimated at around 9 % and for the most attractive parts of Lund it is around 5 %.

The yield for the most attractive office facilities in the Malmö CBD is estimated at approximately 5.50 % and for Lund, the corresponding figure is 5.75 %.

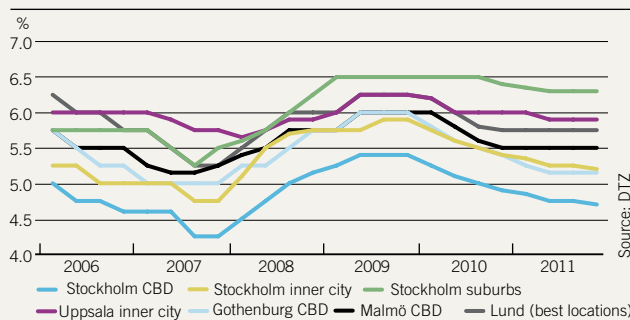
## Uppsala

For the most attractive, modern, centrally located office facilities in Uppsala, the rental market has improved and it appears as though market rents have increased slightly. The vacancy level for centrally located facilities is estimated at approximately 5 %.

For centrally located office premises, the yield for the most attractive properties is estimated at just below 6 %.

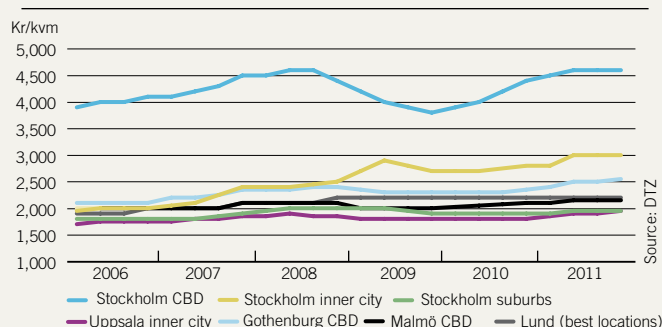
### Market yield for offices

Pertains to average yield at the end of the period



### Market rents for offices

Pertains to average rent at the end of the period



# Consolidated income statement in summary

Amounts in SEK millions	Jan-Dec 2011	Jan-Dec 2010 <sup>3)</sup>	Okt-Dec 2011	Okt-Dec 2010 <sup>3)</sup>
Rental revenue	6,048	5,508	1,532	1,406
Operating expenses	-799	-786	-206	-213
Repairs and maintenance	-147	-166	-44	-54
Property administration	-299	-297	-85	-79
Property tax	-480	-433	-117	-102
Site leasehold fees	-112	-112	-29	-32
<b>Total property expenses</b>	<b>-1,837</b>	<b>-1,794</b>	<b>-481</b>	<b>-480</b>
<b>Net operating income</b>	<b>4,211</b>	<b>3,714</b>	<b>1,051</b>	<b>926</b>
Central administration	-89	-106	-25	-28
Profit (loss) from participations in joint ventures and associated companies	-3	2	-1	0
Other operating expenses	-2	-1	0	-1
<b>Operating profit</b>	<b>4,117</b>	<b>3,609</b>	<b>1,025</b>	<b>897</b>
Net interest income/expense	-1,649	-1,274	-417	-344
<b>Profit before value changes and tax</b>	<b>2,468</b>	<b>2,335</b>	<b>608</b>	<b>553</b>
Change in value of investment properties	3,773	4,029	1,275	832
Unrealized change in value of financial instruments	-931	103	-238	53
Divested goodwill	-27	-12	-	-3
<b>Profit before tax</b>	<b>5,283</b>	<b>6,455</b>	<b>1,645</b>	<b>1,435</b>
Tax	-1,345	-1,647	-446	-327
<b>Profit from continuing operations</b>	<b>3,938</b>	<b>4,808</b>	<b>1,199</b>	<b>1,108</b>
Profit (loss) from discontinued operations <sup>1)</sup>	-	502	-	-2
<b>Profit for the period</b>	<b>3,938</b>	<b>5,310</b>	<b>1,199</b>	<b>1,106</b>
<b>Other comprehensive income</b>				
Cash flow hedges	193	287	2	340
Income tax on cash flow hedges	-51	-76	-1	-90
Pensions (actuarial gains/losses)	-58	18	-58	18
Restriction for surplus in pension plan with asset cap	12	-11	20	-11
Income tax on pensions	12	-2	9	-2
<b>Comprehensive income for the period, net of tax</b>	<b>108</b>	<b>216</b>	<b>-28</b>	<b>255</b>
<b>Total comprehensive income for the period<sup>2)</sup></b>	<b>4,046</b>	<b>5,526</b>	<b>1,171</b>	<b>,1,361</b>
<b>Key figures</b>				
Surplus ratio, %	70	67	69	66
Interest coverage ratio, times	2.5	2.9	2.5	2.6

1) Pertains to Bostadsaktiebolaget Dombron. More information is available in Note 20 of Vasakronan's Annual Report for 2010.

2) 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.

3) Due to the application of IAS 19, Employee Benefits (defined benefit plans) the comparison figures for property administration and central administration have been recalculated. More information is available on page 15. As a result of this recalculation, property administration costs for the full-year 2010 decreased from SEK 305 million to SEK 297 million and central administration costs for the full-year 2010 decreased from SEK 108 million to SEK 106 million.

# Comments on the income statement

## Rental revenue

Rental revenue increased during the period and was SEK 6,048 (5,508) million, which is an increase of 10 %. The increase is primarily explained by acquisitions that were made at the end of 2010 and completed projects. Due to such factors as the higher occupancy rate, rental revenue when comparing equivalent properties increased by 2 %.

New leases were entered into for an annual rent of SEK 454 million, of which 22 % had an impact on revenue in 2011. Of the total amount of new leases, 49 % was with existing customers. Renegotiations or extensions corresponding to annual rent of SEK 859 million were finalized during the period, resulting in an increase to the closing amount by 2.8 (0.1) %. Net leasing for the period was SEK 117 million.

Contracted rent at the end of the quarter amounted to SEK 6,176 (5,989) million and the average remaining term to maturity was 4.5 (4.6) years.

As of 31 December 2011, the occupancy rate for Vasakronan's property portfolio was 93.0 (92.8) %.

## Property expenses

Property expenses increased by 2 % due to property acquisitions and completed projects and amounted to SEK 1,837 (1,794) million for the period. When comparing equivalent property holdings, property expenses remained at the same level.

## Net operating income

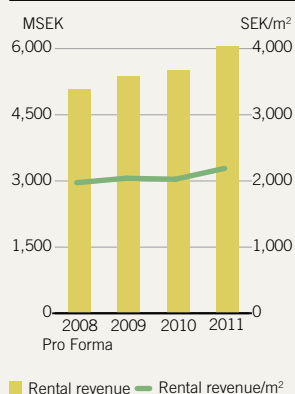
Net operating income increased to SEK 4,211 (3,714) million, which is an increase of 13 %. The improvement is primarily due to increased rental revenue. When comparing equivalent property holdings, net operating income increased 4 % due to the increase in revenue. The surplus ratio improved and was 70 (67) %.

## Administration

Property administration costs were in line with last year at SEK 299 (297) million. Central administration costs decreased and were SEK 89 (106) million.

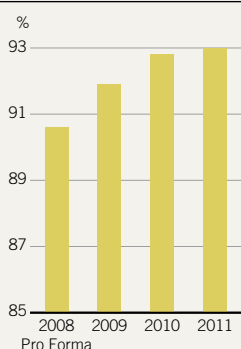
The figure reported for central administration costs includes the costs associated with streamlining measures of SEK 16 (34) million.

**Rental revenue, January–December**



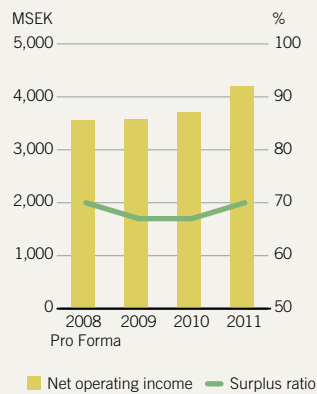
Rental revenue continued to increase during 2011, primarily due to acquisitions and completed projects.

**Occupancy rate**



New leases contributed to the increase in occupancy rate to 93.0 % as of 31 December 2011.

**Net operating income, January–December**



Net operating income increased in 2011 due to the higher level of rental revenue.

# Comments on the income statement

## Net interest income/expense

Net interest income/expense deteriorated by SEK 375 million and was SEK -1,649 (-1,274) million. The higher figure reported for net interest income/expense is explained by a higher average rate of interest and higher debt due to property transactions that were completed at the end of 2010.

As of 31 December 2011, the average interest rate had increased to 3.8 (3.3) % due to higher short-term market interest rates. The refinancing rate, including credit margins, for a corresponding loan portfolio was 3.2 %. The average fixed-interest term increased to 3.4 (1.7) years due to Vasakronan's continued efforts, based on the fact that interest rates have been at historically low levels, to gradually lengthen its fixed-rate period, up to 11 years. Fixed-rate periods longer than 5 years increased to 36 (10) % of interest-bearing liabilities. The proportion of fixed-rate loans maturing within the next 12 months decreased to 54 (64) % of interest-bearing liabilities.

The interest coverage ratio decreased to 2.5 (2.9) times as a result of higher interest expenses. Compared to last quarter, the interest coverage ratio is unchanged. Vasakronan's 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 increased 6 % to SEK 2,468 (2,335) million. The main reason for the increase was higher rental revenue.

## Change in value of investment properties

As of 31 December 2011 the entire property portfolio had been valued by external appraisers (either DTZ or Forum Fastighetsekonomi).

Altogether, the market value of Vasakronan's properties increased by SEK 3,773 million, which corresponds to an

increase in value of 4.9 %. The increase in value was primarily due to the assumption that market rents would increase in the future. The biggest increase was in Gothenburg, where

### Value-impacting factors

	Value impact, %
Change in market rents	4.4
Yield requirement	1.6
Other value-impacting factors <sup>1)</sup>	-1.1
<b>Total Vasakronan</b>	<b>4.9</b>

1) Primarily pertains to changes in contract terms and conditions, as well as assumptions regarding investments, costs and vacancies.

### Change in value by location

	Change in value, %	Contribution to change in value, % points
Stockholm	4.8	3.3
Gothenburg	6.7	1.1
Öresund	3.1	0.3
Uppsala	4.0	0.2
<b>Total Vasakronan</b>		<b>4.9</b>

### Change in value by property type

	Change in value, %	Contribution to change in value, % points
Investment properties	4.5	4.1
Project and development properties	6.8	0.6
Transactions	-	0.2
<b>Total Vasakronan</b>		<b>4.9</b>

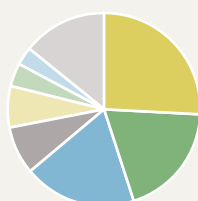
### Ten largest tenants

	Share, in % <sup>1)</sup>
SEB	3
National Police Board	2
Swedish Social Insurance Agency	2
Ericsson Sweden	2
Posten Sweden	2
Swedish Prison and Probation Service	2
Sony Ericsson Mobile Communications	2
National Courts Administration	2
H&M	2
If Skadeförsäkring	1
<b>Total</b>	<b>20</b>

1) Contracted rent

Vasakronan has a diversified contract portfolio and 3 % of contracted rent is from the largest tenant in the portfolio.

### Contracted rent by sector



Public sector, 26%	IT, 7%
Services, 19%	Telecom, 4%
Consumer goods, 19%	Healthcare, 3%
Finance, 8%	Other, 14%

26 % of contracted rent is from the public sector.

### Maturity structure – contracted rent

	of contracts	Annual rent, MSEK	% of total
2012	1,416	1,047	17
2013	997	884	14
2014	816	1,110	18
2015	414	778	13
2016	169	522	8
≥ 2017	666	1,536	25
Garage	1,287	171	3
<b>Total commercial</b>	<b>5,765</b>	<b>6,048</b>	<b>98</b>
Residential	1,501	128	2
<b>Total</b>	<b>7,266</b>	<b>6,176</b>	<b>100</b>

Approximately 15 % of the contract portfolio is renegotiated each year. The average remaining term to maturity is 4.5 years.

# Comments on the income statement

store properties made a positive contribution to the change in value. On average, the portfolio's yield fell during the period by approximately 0.1 % to 5.8 %.

## Change in value of financial instruments

The unrealized change in value of derivatives was SEK –931 (103) million during the year. This deterioration in value is primarily explained by lower long-term interest rates. The unrealized change in value arising during the term of a derivative has no effect on cash flow and, if it is held to maturity, neither will it have any net effect on profit.

As of the second quarter of 2011, Vasakronan no longer applies hedge accounting for interest rate derivatives. The unrealized change in value of financial derivatives, which was reported in accordance with hedge accounting in the past, will be amortized over the remaining term to maturity. The

change in value for such derivatives was SEK 193 (287) million.

The net value of unrealized changes in value for derivatives was thus SEK –738 (390) million.

## Tax

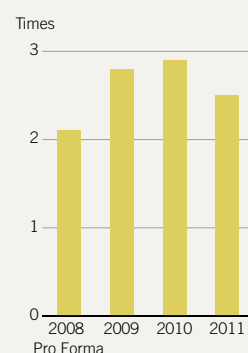
The Group reported total tax expense of SEK –1,345 (–1,647) million. Of that amount, SEK –1,298 (–1,276) million is deferred tax on temporary differences between the carrying amount and tax base of (primarily) investment properties.

Current tax totaled SEK –47 (–371) million and it primarily pertains to the amount of estimated tax for accounting purposes. However, this amount is not expected to be paid, because Group contributions are allowed to be paid to the owner, Vasakronan Holding AB.

## Financial risks

Financial risks	Treasury policy	Actual 2011-12-31
Loan maturity	less than 2 years	2.3 years
Loan maturity 12 months	max 40 %	31 %
Credit commitments and cash/loans maturing within 12 months	at least 100 %	122 %
<b>Interest rate risk</b>		
Interest coverage ratio	at least 1.9 times	2.5 times
Fixed-interest term	1–5 years	3.4 years
Fixed-interest term within 12 months	max 70 %	54 %
<b>Credit risk</b>		
Counterpart's rating	at least A–	fulfilled
<b>Currency risk</b>		
Currency exposure	not allowed	fulfilled

## Interest coverage ratio, Jan–Dec



The interest coverage ratio fell due to higher interest expenses, but it still well exceeds the target of 1.9 times.

## Funding maturity structure 2011-12-31

Year	Fixed-interest term			Loan maturity		Committed credit facilities	
	MSEK	Share, %	Interest, %	MSEK	Share, %	MSEK	Share, %
0–1 years	25,127	54	4,1	14,508	31	15,200	100
1–2 years	1,486	3	2,2	11,233	24	–	–
2–3 years	500	1	4,4	8,367	18	–	–
3–4 years	1,803	4	3,8	4,731	10	–	–
4–5 years	530	2	3,6	2,629	6	–	–
5 years and over	16,848	36	3,4	4,826	11	–	–
<b>Total</b>	<b>46,294</b>	<b>100</b>	<b>3,8</b>	<b>46,294</b>	<b>100</b>	<b>15,200</b>	<b>100</b>

The average fixed-interest term increased to 3.4 (1.7) years due to an increase in fixed-interest terms exceeding 5 years.

## Consolidated balance sheet in summary

Amounts in SEK millions	2011-12-31	2010-12-31	2011-09-30	2010-09-30
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2,393	2,419	2,393	2,423
Investment properties	82,370	77,633	80,453	70,735
Property, plant and equipment	52	55	50	56
Financial assets	505	671	514	876
<b>Total non-current assets</b>	<b>85,320</b>	<b>80,778</b>	<b>83,410</b>	<b>74,090</b>
<b>Current assets</b>				
Other current receivables	846	943	780	1,085
Cash and cash equivalents	2,480	2,445	1,449	1,043
<b>Total current assets</b>	<b>3,326</b>	<b>3,388</b>	<b>2,229</b>	<b>2,128</b>
<b>Total assets</b>	<b>88,646</b>	<b>84,166</b>	<b>85,639</b>	<b>76,218</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Equity</b>	<b>29,716</b>	<b>26,683</b>	<b>29,558</b>	<b>26,401</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	31,786	31,992	30,879	29,229
Deferred tax liability	7,993	6,657	7,405	6,411
Non-interest-bearing liabilities	1,206	618	944	1,228
<b>Total non-current liabilities</b>	<b>40,985</b>	<b>39,267</b>	<b>39,228</b>	<b>36,868</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	14,508	14,498	14,476	10,606
Non-interest-bearing liabilities	3,437	3,718	2,377	2,343
<b>Total current liabilities</b>	<b>17,945</b>	<b>18,216</b>	<b>16,853</b>	<b>12,949</b>
<b>Total equity and liabilities</b>	<b>88,646</b>	<b>84,166</b>	<b>85,639</b>	<b>76,218</b>

## Consolidated statement of changes in equity, in summary

Amounts in SEK millions	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
<b>Equity opening balance 2010-01-01</b>	<b>4,000</b>	<b>4,227</b>	<b>-388</b>	<b>16,924</b>	<b>24,763</b>
Change in accounting principle <sup>1)</sup>				-26	-26
<b>Equity adjusted opening balance 2010-01-01</b>	<b>4,000</b>	<b>4,227</b>	<b>-388</b>	<b>16,898</b>	<b>24,737</b>
Comprehensive income			211	5,315	5,526
Dividends				-2,500	-2,500
Paid Group contribution, after tax				-1,080	-1,080
<b>Equity closing balance 2010-12-31</b>	<b>4,000</b>	<b>4,227</b>	<b>-177</b>	<b>18,633</b>	<b>26,683</b>
<b>Equity opening balance 2011-01-01</b>	<b>4,000</b>	<b>4,227</b>	<b>-177</b>	<b>18,633</b>	<b>26,683</b>
Comprehensive income			142	3,904	4,046
Paid Group contribution, after tax				-781	-781
Tax on reversed Group contribution, prior years				-232	-232
<b>Equity closing balance 2011-12-31</b>	<b>4,000</b>	<b>4,227</b>	<b>-35</b>	<b>21,524</b>	<b>29,716</b>

1) Pertains to recalculation of pensions. More information is available on page 15.



# Comments on the balance sheet

## Intangible assets

Vasakronan's intangible assets primarily consist of goodwill. Goodwill has arisen because, in accordance with the applicable accounting rules, deferred tax on property was calculated using the nominal tax rate in effect at the time of acquisition, which exceeded the tax rate that was used for calculation of the purchase sum. The value of goodwill as of 31 December 2011 was SEK 2,293 (2,319) million. The change in the value of goodwill compared to the same period last year is due to the reduction in goodwill associated with the sale of property.

The remaining portion of intangible assets consists of the value of the Vasakronan brand.

## Investment properties

As of 31 December 2011 the estimated market value of Vasakronan's property portfolio based on external appraisals was SEK 82,370 (77,633) million. The change in value during the period was SEK 3,773 (4,029) million, which corresponds to an increase in value of 4.9 %.

Valuations have been conducted in accordance with IPD Swedish Property Index 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 as having occurred in market rents, yield requirements and anticipated vacancies. For a more detailed description of the valuation methodology used for Vasakronan's properties, please see page 38 of Vasakronan's Annual Report for 2010.

## Property projects

The total investment volume for major ongoing property projects was SEK 3,380 (2,990) million, of which SEK1,842 (1,161) was capitalized as of 31 December 2011.

During the fourth quarter, expansion work was completed on Hotell J, which is located at Nacka Strand in Stockholm. The amount invested was SEK 132 million.

Major ongoing property projects have a low level of risk due to the high occupancy rate. Furthermore, for several of the projects, long-term leases have been signed with tenants within the public sector. In total, the occupancy rate for major property projects was 91 % as of 31 December 2011. During the last quarter, the occupancy rate for Svea Artilleri increased to 83 % in conjunction with the leasing of facilities to Aon and Sigma IT Management.

### Market value of investment properties

MSEK	2011	2010
<b>Opening value, 1 Jan</b>	<b>77,633</b>	<b>71,784</b>
Investments	1,900	2,066
Acquisitions (incl. acquisition costs)	136	5,590
Sales	-1,012	-5,799
Unrealized change in value	3,713	3,992
<b>Closing value, 31 Dec</b>	<b>82,370</b>	<b>77,633</b>

Market value increased during the period and amounted to approximately SEK 82 billion. The increase is primarily explained by a positive unrealized change in value of slightly less than SEK 1 billion.

### Major property projects as of 2011-12-31

Location	Property	Total invested, MSEK	Capitalized, MSEK	Capitalized, %	Area, m <sup>2</sup>	Estimated completion date	Occupancy rate, %
Malmö	Gasklockan 3, Rättscentrum	1,100	370	34	58,000	July 2014	100
Gothenburg	Heden 42:4 and 42:1, Swedish Prison and Probation Service	735	715	97	29,000	July 2012	100
Malmö	Kaninen 26 and 27, Triangeln	360	54	15	22,900	Dec 2013	75
Stockholm, City	Spektern 13, Regeringsgatan	350	316	90	30,000	March 2012	82
Stockholm, Östermalm	Svea Artilleri 14, Valhallavägen	200	23	12	6,600	June 2013	83
Uppsala	Dragarbrunn 28:5 and 31:1, Svava	175	161	92	39,500	March 2012	89
Gothenburg	Inside Vallgraven 9:13, Perukmakaren	160	8	5	8,000	Dec 2014	65
Stockholm, Kungsholmen	Lyckan 9, Lindhagensgatan	150	122	81	8,000	Jan 2012	91
Stockholm, Solna	Bladet 3, If building Bergshamra	150	73	49	32,000	Sept 2013	100
<b>Total</b>		<b>3,380</b>	<b>1,842</b>	<b>55</b>			<b>91</b>

# Comments on the balance sheet

## Deferred tax

Deferred tax is calculated using a nominal rate of 26.3 % on temporary differences between the carrying amount and tax base of assets and liabilities. As of 31 December 2011, deferred tax, which is the net amount of deferred tax assets and deferred tax liabilities was SEK 7,993 (6,657) million and it primarily pertains to investment properties. The main reason for the increase was the higher market value of properties.

## Interest-bearing liabilities

The Group's interest-bearing liabilities less cash and cash equivalents decreased by SEK 231 million to SEK 43,814 (44,045) million. On average, loan to maturity was 2.3 (2.4) years and 31 (31) % of interest-bearing liabilities mature within the next 12 months. At the end of the period, the share of capital market financing was unchanged at 58 % and the share of bank financing was 42 %.

Cash and cash equivalents amounted to SEK 2,480 (2,445) million and committed credit facilities, which were unutilized, amounted to SEK 15,200 (15,000) million. Com-

mitted credit facilities and cash/cash equivalents corresponds to 122 (120) of loans that mature within the next 12 months.

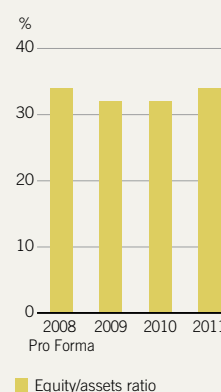
Bank loans that were obtained by providing collateral in the form of mortgage certificates or shares in subsidiaries amounted to SEK 13,604 million, which corresponds to 15 % of total assets.

## Equity

During the period, equity increased to SEK 29,716 (26,683) million. Besides comprehensive income of SEK 4,046 (5,526), equity was affected by a Group contribution of SEK –781 million after tax. In addition, Group contributions that were paid in prior financial years were converted to dividends. Because new tax returns were filed for these years, a tax effect for accounting purposes of SEK –232 million arose during the period.

The equity/assets ratio was 34 (32) % and LTV (loan-to-value ratio) decreased to 53 (57) %.

### Equity/assets ratio



As of 31 December 2011, the equity/assets ratio was 34 (32) %.

### Financing sources 2011-12-31

MSEK	Loan limit	Amount utilized	Share, %
Certificate program	15,000	6,200	13
MTN program	25,000	20,312	44
NOK bonds	346	346	1
Bank loans, without collateral	5,832	5,832	13
Bank loans, with collateral	13,604	13,604	29
Committed credit facilities	15,200	–	–
<b>Total</b>		<b>46,294</b>	<b>100</b>

Vasakronan has diversified financing, with ample reserves of committed credit facilities.

# Consolidated cash flow statement in summary

Amounts in SEK millions	Jan-Dec 2011	Jan-Dec 2010	Oct-Dec 2011	Oct-Dec 2010
<b>Operating activities</b>				
Operating profit	4,117	3,609	1,025	897
Operating profit (loss), discontinued operations	-	91	-	-
Adjustment for items not included in cash flow	-27	2	-11	3
Interest paid, net	-1,687	-1,347	-415	-334
Taxes paid	-17	-16	-1	-4
<b>Cash flow before change in working capital</b>	<b>2,386</b>	<b>2,339</b>	<b>598</b>	<b>562</b>
Increase (-) / decrease (+) in working capital	288	203	145	263
<b>Cash flow from operating activities</b>	<b>2,674</b>	<b>2,542</b>	<b>743</b>	<b>825</b>
<b>Investing activities</b>				
Investments in existing property	-1,900	-2,066	-644	-610
Acquisitions of property	-136	-5,590	2	-5,586
Divestment of property	1,074	411	-	130
Other PPE, net	-6	-10	-4	-2
Disposal of net assets in subsidiaries	-	4,980	-	-2
Shares and participations, net	-10	-7	-5	-7
<b>Cash flow from investing activities</b>	<b>-978</b>	<b>-2,282</b>	<b>-651</b>	<b>-6,077</b>
<b>Cash flow after investing activities</b>	<b>1,696</b>	<b>260</b>	<b>92</b>	<b>-5,252</b>
<b>Financing activities</b>				
Dividends and Group contributions	-1,465	-4,156	-	-
Change in interest-bearing liabilities	-196	6,051	939	6,654
<b>Cash flow from financing activities</b>	<b>-1,661</b>	<b>1,895</b>	<b>939</b>	<b>6,654</b>
<b>Cash flow for the period</b>	<b>35</b>	<b>2,155</b>	<b>1,031</b>	<b>1,402</b>
<b>Opening balance, cash and cash equivalents</b>	<b>2,445</b>	<b>290</b>	<b>1,449</b>	<b>1,043</b>
Cash flow for the period	35	2,155	1,031	1,402
<b>Closing balance, cash and cash equivalents</b>	<b>2,480</b>	<b>2,445</b>	<b>2,480</b>	<b>2,445</b>

# Comments on cash flow statement

## Operating activities

Vasakronan's cash flow from operating activities before change in working capital increased to SEK 2,386 (2,339) million. The increase is primarily due to a higher operating profit, but there was also a negative impact from higher interest expenses.

After a decline in working capital of SEK 288 (203) million, cash flow from operating activities increased to SEK 2,674 (2,542) million.

## Investing activities

Cash flow from investing activities was SEK -978 (-2 282) million.

There was a positive impact on cash flow from net property transactions of SEK 938 (-199) million. Sales during the period amounted to SEK 1,074 (5,391) million, after having deducted transaction costs. Included in the amount

for last year is the divestment of Dombron. Acquisitions that were made during the period amounted to SEK -136 (-5,590) million.

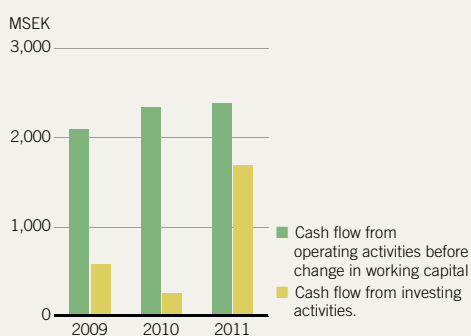
Investments in existing property decreased to SEK -1,900 (-2,066) million. Cash flow from investing activities was SEK 1,696 (260) million.

## Financing activities

Cash flow from financing activities was SEK -1,661 (1,895) million and it is primarily comprised of a Group contribution payment to the owner of SEK 1,465 million and a decrease in interest-bearing liabilities.

Cash flow amounted to SEK 35 (2,155) million and cash equivalents were SEK 2,480 (2,445) million at the end of the period.

### Cash flow, January–December



### Property divestments

Property	Location	Buyer	Purchase sum, MSEK	Transfer date
Nacka Sicklaön 140:7, 142:1 and 143:1	Stockholm	Sicklaöarna Housing Cooperative	245	2011-02-03
Rosteriet 7	Stockholm	Alecta/SSM Bygg och Fastigheter	200	2011-05-02
Gångaren 10	Stockholm	Areim	570	2011-07-07
Part of Järnplåten 23	Stockholm	Balder	71	2011-09-01
<b>Total purchase sum</b>			<b>1,086</b>	
Transaction costs and deduction for deferred taxes			-12	
<b>Total</b>			<b>1,074</b>	

### Property acquisitions

Property	Location	Seller	Purchase sum, MSEK	Transfer date
Jungmannen 1	Malmö	Alecta	136	2011-09-01
<b>Total purchase sum</b>			<b>136</b>	
Transaction costs			0	
<b>Total</b>			<b>136</b>	

# Vasakronan total and by region

Total Vasakronan January–December		
	2011	2010
Market value, MSEK, closing date	82,370	77,633
Rental revenue, MSEK	6,048	5,508
Net operating income, MSEK	4,211	3,714
Surplus ratio, %	70	67
Occupancy rate, %, closing date	93	93
Number of properties, closing date	216	222
Area, thousand m <sup>2</sup> , closing date	2,762	2,817

**Rental revenue by location**

- Stockholm, 68%
- Gothenburg, 16%
- Öresund, 9%
- Uppsala, 7%

**Contracted rent by property type**

- Offices, 81%
- Retail, 14%
- Residential, 1%
- Other, 4%

Total Stockholm January–December		
	2011	2010
Market value, MSEK, closing date	56,035	53,561
Rental revenue, MSEK	4,132	3,676
Net operating income, MSEK	2,851	2,456
Surplus ratio, %	69	67
Occupancy rate, %, closing date	92	91
Number of properties, closing date	111	118
Area, thousand m <sup>2</sup> , closing date	1,824	1,883

**Rental revenue, share of Vasakronan total**

- 68%

**Contracted rent by property type**

- Offices, 90%
- Retail, 5%
- Other, 5%

Total Gothenburg January–December		
	2011	2010
Market value, MSEK, closing date	13,568	12,513
Rental revenue, MSEK	968	911
Net operating income, MSEK	736	676
Surplus ratio, %	76	74
Occupancy rate, %, closing date	98	97
Number of properties, closing date	35	35
Area, thousand m <sup>2</sup> , closing date	365	365

**Rental revenue, share of Vasakronan total**

- 16%

**Contracted rent by property type**

- Offices, 56%
- Retail, 41%
- Other, 3%

Total Öresund January–December		
	2011	2010
Market value, MSEK, closing date	7,570	6,853
Rental revenue, MSEK	555	533
Net operating income, MSEK	364	338
Surplus ratio, %	66	63
Occupancy rate, %, closing date	96	96
Number of properties, closing date	43	42
Area, thousand m <sup>2</sup> , closing date	315	311

**Rental revenue, share of Vasakronan total**

- 9%

**Contracted rent by property type**

- Offices, 69%
- Retail, 29%
- Other, 2%

Total Uppsala January–December		
	2011	2010
Market value, MSEK, closing date	5,197	4,706
Rental revenue, MSEK	393	388
Net operating income, MSEK	260	244
Surplus ratio, %	66	63
Occupancy rate, %, closing date	93	93
Number of properties, closing date	27	27
Area, thousand m <sup>2</sup> , closing date	258	258

**Rental revenue, share of Vasakronan total**

- 7%

**Contracted rent by property type**

- Offices, 68%
- Retail, 26%
- Other, 6%

# Vasakronan AB – Parent Company, in summary

## Income statement

Amounts in SEK millions	Jan–Dec 2011	Jan–Dec 2010
Net sales	426	424
Operating expenses	–529	–535
Capital gain (loss) on sales	309	638
<b>Operating profit</b>	<b>206</b>	<b>527</b>
<b>Financial items</b>		
Profit from participations in Group companies	1,224	417
Net interest income/expense	–1,536	–1,176
Unrealized change in value of financial instruments	–947	28
<b>Profit (loss) before tax</b>	<b>–1,053</b>	<b>–204</b>
Tax	490	142
<b>Profit (loss) for the year</b>	<b>–563</b>	<b>–62</b>
<b>Other comprehensive income</b>		
Cash flow hedges	193	287
Income tax related to cash flow hedges	–51	–76
Group contribution received	1,861	1,875
Tax effect from Group contribution received	–490	–493
<b>Other comprehensive income net of tax</b>	<b>1,513</b>	<b>1,593</b>
<b>Total comprehensive income</b>	<b>950</b>	<b>1,531</b>

## 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 period was SEK 426 (424) million and profit (loss) before tax was SEK –1 053 (–204) million. The main source of revenue is the Parent Company's invoicing to subsidiaries for services that have been provided. Cash and cash equivalents at the end of the period amounted to SEK 2,479 (3,785) million.

## Balance sheet

Amounts in SEK millions	2011-12-31	2010-12-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment	26	32
Shares and participations in Group companies	29,953	29,365
Deferred tax assets	475	478
Long-term receivables	113	285
<b>Total non-current assets</b>	<b>30,567</b>	<b>30,160</b>
<b>Current assets</b>		
Receivables from subsidiaries	33,482	32,167
Current receivables	364	366
Cash and cash equivalents	2,479	3,785
<b>Total current assets</b>	<b>36,325</b>	<b>36,318</b>
<b>TOTAL ASSETS</b>	<b>66,892</b>	<b>66,478</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>17,501</b>	<b>17,565</b>
<b>Liabilities</b>		
Interest-bearing liabilities	42,994	40,590
Non-interest-bearing liabilities	1,879	1,293
Liabilities to Parent Company	1,061	1,319
Liabilities to subsidiaries	3,457	5,711
<b>Total liabilities</b>	<b>49,391</b>	<b>48,913</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,892</b>	<b>66,478</b>

# Other information

## Personnel

The number of employees at the end of the period was 336 (364). The decrease in the number of employees compared to last year was due to continued measures to streamline the business.

## 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 2010 on pages 52–53. 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 investment properties.

## Accounting policies

This interim report has been prepared in accordance with IAS 34. The accounting policies for pensions have been changed as described below. Otherwise, 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 2010, pages 52–57.

On 1 July 2010 the shares in Dombron were sold. Bostadsaktiebolaget Dombron is thus reported net in the consolidated income statement under "profit (loss) from discontinued operations". Furthermore, comparison figures, key figures and information in graphs have been recalculated to show the Group's profit (loss) and position excluding Dombron, unless otherwise stated. More information is available in Note 20 of Vasakronan's Annual Report for 2010.

As of the 2011 financial year, Vasakronan applies IAS 19, Employee Benefits for its reporting of defined benefit pensions. Defined benefit pensions have thus been reported at fair value in the balance sheet. In the past, the costs associated with pension plans have been reported at an amount that corresponds to invoiced premiums. When applying IAS 19, the amount reported is the forecasted cost. At year end, any deviations from reported pension cost are shown as actuarial gains or losses in other comprehensive income. Recalculation of beginning balances and comparison figures has been in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

As of the second quarter of 2011, Vasakronan no longer applies hedge accounting for interest rate derivatives. The unrealized change in value of financial derivatives, for which hedge accounting was applied in the past, is now amortized over the remaining term to maturity.

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

## Related-party transactions

Information on Vasakronan's related-party transactions is provided in Note 36 of Vasakronan's Annual Report for 2010. During the period, a Group contribution payment of SEK 1,465 million was made to the owner, Vasakronan Holding. Besides that, there were no other significant related-party transactions during the period.

Stockholm, 8 February 2012

**Fredrik Wirdenius**

CEO

## For more information about this interim report, please contact:

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CFO

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# Key figures

	Jan-Dec 2011	Jan-Dec 2010	Oct-Dec 2011	Oct-Dec 2010
<b>Property-related information</b>				
Occupancy rate on closing date, %	93.0	92.8	93.0	92.8
Surplus ratio, %	70	67	69	66
Investments in existing property, SEK millions	1,900	2,066	644	610
Property acquisitions, SEK millions	136	5,590	-2	5,586
Property divestments, SEK millions	-1,074	-5,391	-	-128
Net investments in property, SEK millions	962	2,265	642	6,068
Market value of property on closing date, SEK millions	82,370	77,633	82,370	77,633
Area on closing date, thousand m <sup>2</sup>	2,762	2,817	2,762	2,817
Number of properties on closing date	216	222	216	222
<b>Financial information</b>				
Interest coverage ratio, times	2.5	2.9	2.5	2.6
Equity/assets ratio on closing date, %	34	32	34	32
LTV on closing date, %	53	57	55	55
Average interest rate on closing date, %	3.8	3.3	3.8	3.3
Interest-bearing liabilities, net, on closing date, SEK millions	43,814	44,045	43,906	38,792
Cash flow before change in working capital, SEK millions	2,386	2,339	598	562
<b>Other</b>				
Number of employees on closing date	336	364	336	364



# Definitions

## Central administration

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, %

Changes in the value of property, including transactions calculated in accordance with SFI guidelines.

## Contracted rent, SEK millions

The total amount of rent from contracts that are valid on the closing date.

## Equity/assets ratio, %

Equity as a percentage of total assets on the closing date.

## Interest coverage ratio, times

Operating profit (loss) plus the operating profit (loss) from discontinued operations, divided by net interest income/expense.

## Leasable area, m<sup>2</sup>

Leasable area, not including garages and parking spaces.

## LTV (loan-to-value ratio), %

The net amount of interest-bearing liabilities divided by the appraised market value of property.

## Net investments, SEK millions

The sum of purchases, including stamp duty and other direct transaction costs and investments in projects less the sales price for divested properties and the sales price for properties sold via companies and direct transaction costs.

## Net leasing, 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 millions

Rental revenue less operating and maintenance costs, property administration, property tax and site leasehold fees.

## Occupancy rate, financial, %

Contracted rent divided by the rental value.

## Pro Forma

Expected outcome if acquisitions by Vasakronan had occurred on 1 January 2008 instead of 1 September 2008. Comparison figures pertaining to 2008 Pro Forma have not been recalculated in conjunction with the divestment of Dombrom.

## Rental value, SEK millions

Contracted rent plus the assessed market rent for vacant premises.

## Surplus ratio, %

Net operating income as a percentage of rental revenue.

## Unrealized change in the value of property, SEK millions

Change in the market value of property during the period, adjusted for property acquisitions, property divestments and investments that have been made in property.

# Important dates

## Reports

Annual Report 2011	Last week of March, 2012
Interim report January–March 2012	10 May 2012
Interim report January–June 2012	24 August 2012
Interim report January–September 2012	8 November 2012
Year-end report 2012	7 February 2013

Annual General Meeting 9 May 2012

More information about the company is available on Vasakronan's website [www.vasakronan.se](http://www.vasakronan.se)

Vasakronan is the leading property company in Sweden, with a property portfolio valued at slightly more than SEK 82 billion. Vasakronan's strategy is to focus on office facilities and shops in Stockholm, Uppsala, Gothenburg, Malmö and Lund. The property portfolio consists of 216 properties with a total area of approximately 2.8 million m<sup>2</sup>. Vasakronan is jointly owned by the First, Second, Third and Fourth Swedish National Pension Funds. More information is available at: [www.vasakronan.se](http://www.vasakronan.se)