

HUFVUDSTADEN

2013



BIBLIOTEKSTAN

Biblioteksgatan, Stockholm



Contents

Year in brief.....	4
Hufvudstaden summary	5
Business concept, objectives and strategies	7
Statement by the President.....	8
Property market.....	12
Shares and ownership.....	20
Sustainability and corporate social responsibility.....	23
Employees	28
Property development.....	32
Stockholm City East Business Area.....	34
Stockholm City West Business Area.....	38
Gothenburg Business Area	42
<i>Formal financial statements:</i>	
Administration Report, including Corporate Governance Report	46
Income Statements with comments – Group	56
Balance Sheets with comments – Group.....	58
Changes in equity – Group	60
Cash Flow Statements with comments – Group.....	62
Parent Company with comments	64
Notes	66
Proposed distribution of unappropriated earnings.....	82
Auditors’ Report.....	83
Board of Directors and Auditors	84
Senior Executives	86
Multi-year review	89
Business areas in figures	90
Properties.....	92
Definitions and glossary	95
Annual Meeting and calendar	96
Addresses.....	97
Brands	98

*This document is in all respects a translation of the Swedish original Annual Report.
In the event of any differences between this translation and the Swedish original, the latter shall prevail.*

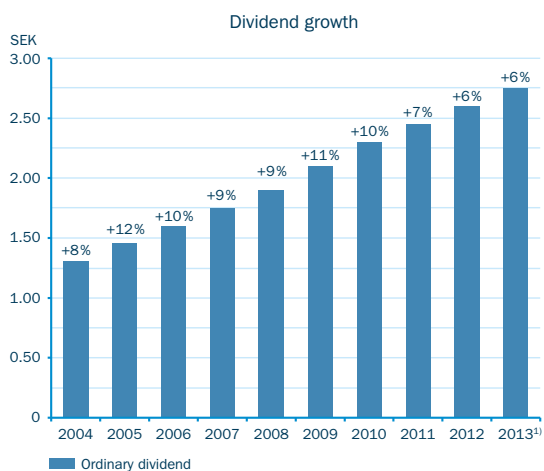
Year in brief

- The gross profit from property management increased by 7 per cent and totalled SEK 1,135 million (1,065), due mainly to additional net operating income from acquisitions and higher rents.
- The purchase of the Fyran property in Nordstan in Gothenburg was completed in March and the purchase sum was SEK 1.3 billion.
- The profit for the year before tax increased by SEK 921 million and totalled SEK 2,407 million (1,486). The increase can be attributed largely to unrealized changes in value.
- The profit for the year after tax totalled SEK 1,876 million (1,939), equivalent to SEK 9.10 per share (9.40). The profit for the previous year was affected by non-recurring income following a decision to reduce corporation tax from 26.3 per cent to 22 per cent.
- The Board proposes an increase in the dividend to SEK 2.75 per share (2.60).
- The fair value of the property holdings at the turn of the year was SEK 25.9 billion (23.1), equivalent to a net asset value of SEK 92 per share (84).
- The rental vacancy level at the year-end was 4.0 per cent (3.7).

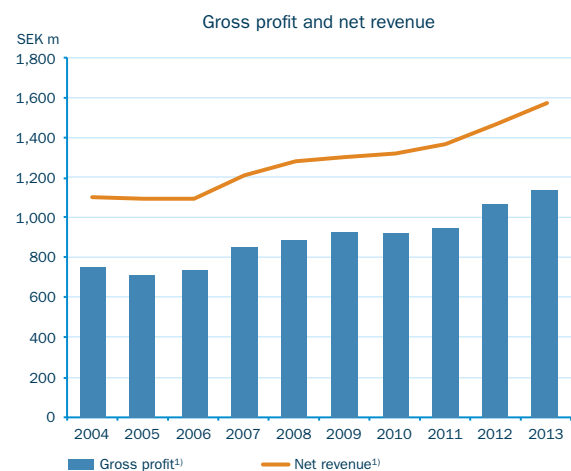


Financial summary (SEK m)

	2013	2012
Net revenue, property management	1,573	1,472
Gross profit, property management	1,135	1,065
Changes in value	1,418	595
Operating profit	2,534	1,646
Profit for the year	1,876	1,939
Net profit from current operations	772	656
Fair value, properties, SEK bn	25.9	23.1
Rental vacancy level, %	4.0	3.7
Net loan-to-value ratio, properties, %	20.3	18.2
Interest coverage ratio, multiple	8.3	6.4

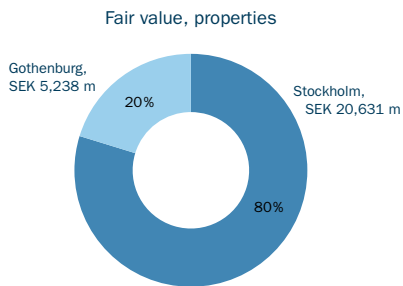


1) According to a proposal by the Board



1) Property management, excluding discontinued operations

Hufvudstaden in summary



Hufvudstaden is a property company that owns and manages 30 properties, located in the most attractive, central parts of Stockholm and Gothenburg. At the end of 2013, the total fair value of the properties was SEK 25.9 billion.

The holdings comprise commercial properties with largely office and retail tenants, divided between three business areas: Stockholm City East, Stockholm City West and Gothenburg. The office tenants are to be found in sectors such as banking, finance, law, IT, media and recruitment. Store tenants include both internationally known brands as well as Swedish retailing chains.

The Group also includes the wholly owned subsidiary AB Nordiska Kompaniet, which owns the NK brand and which has department stores in Stockholm and Gothenburg.

Vision and aim

Hufvudstaden's vision is to be consistently perceived as and prove to be the most attractive property company in Sweden and its aim is to have the most satisfied customers in the industry. To measure this, we take part in the annual *Fastighetsbarometern* survey, where we have been named as one of the top companies for

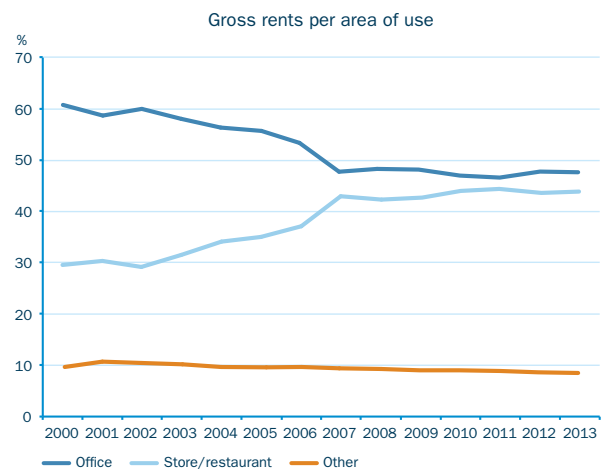
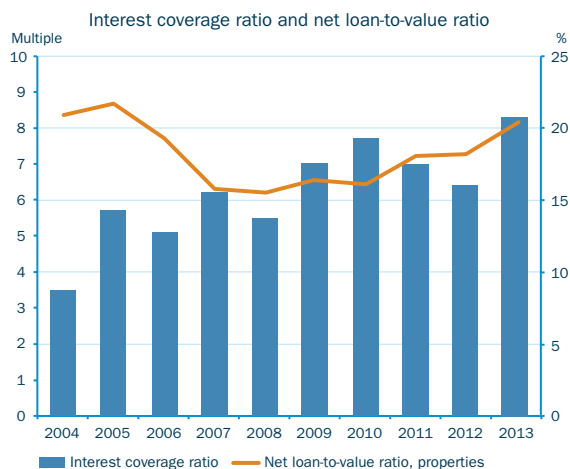
We are well positioned for the future with holdings concentrated in two of the foremost growth regions in Sweden. Hufvudstaden has a solid financial position, with a low loan-to-value ratio and good earning capacity. This gives us the opportunity to continue to develop our properties and to generate a good return with limited risk for the shareholders.

“
We are well positioned for the future with holdings concentrated in two of the foremost growth regions in Sweden
 ”

the past five years. We focus on providing our customers with a high level of service that requires close collaboration with our tenants. All properties are within walking distance of our offices and we have our own operating technicians who look after and maintain the properties.

Sustainable development

Long-term thinking also characterizes the way we manage our properties. We endeavour to create flexible premises that allow us to develop and improve our operations from an environmental and sustainability perspective.





CASUAL
WEEKEND
-30%
VOLT

NORDSTAN

Fyran, Gothenburg

Business concept, objectives and strategies

Hufvudstaden, which was founded in 1915, rapidly became one of the leading property companies in Sweden and is today one of the country's strongest brands in the property sector. The brand is well known and represents high quality, good service and long-term thinking in the management and development of the Company's commercial properties in the most attractive business locations in Stockholm and Gothenburg.

Vision

Hufvudstaden shall be consistently perceived as and prove to be the most attractive property company in Sweden.

Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden shall offer successful companies high-quality office and retailing premises in attractive marketplaces.

Financial objectives

- Hufvudstaden shares shall have good dividend growth over time and the dividend shall account for more than half the net profit from current operations.
- The equity ratio shall be at least 40 per cent over time.

Operating objectives

Hufvudstaden will:

- gradually increase profit from current operations.

- have the most satisfied customers in the industry.
- have the most developed property holdings in the industry.
- have the most professional personnel in the industry, with firm commitment to the customer, good business acumen and professional know-how.

Strategies to achieve the objectives

Customer focus. Hufvudstaden will work in close collaboration with its customers and contribute continuously to improving their business potential and competitiveness.

Quality. Quality and environmental systems will ensure the highest possible level of quality in all the Company's products and services.

Skills development. Systematic development of the knowledge and skills of the personnel will be ensured with a focus on professional knowledge and values.

Business development. Active business development will create added value in the property holdings.

Fulfilment of objectives

Financial objectives

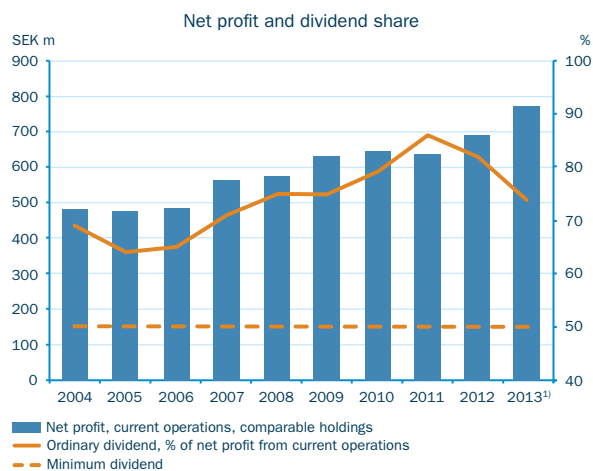
- According to a proposal by the Board, the total share dividend will be SEK 567.2 million, equivalent to 74 per cent of the net profit from current operations.
- The equity ratio at the end of 2013 was 58 per cent.

Operating objectives

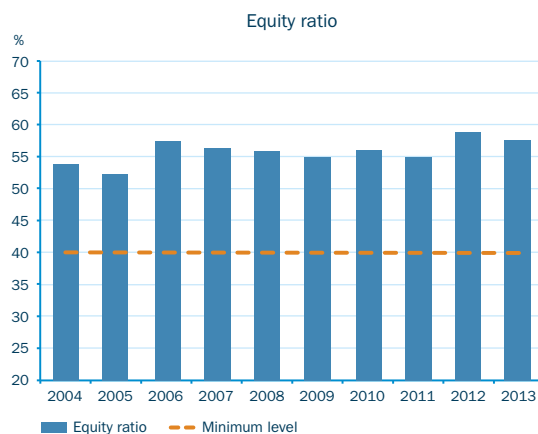
- Net profit on current operations increased by 18 per cent during the year.
- Hufvudstaden takes part in the annual *Fastighetsbarometern* Customer Satisfaction Survey among office tenants. In this year's survey, we came joint second.
- During the year, Hufvudstaden developed its existing property holdings and took over a property in Gothenburg. In the acquired Fyran property, a redevelopment project on the retailing floors has been concluded. A review is taking place of the Femman shopping precinct with the aim of upgrading retailing space and common areas. On the Hårbärgat block, an architectural competition has been initiated to evaluate the potential of the whole block.

In addition, there has been adaptation of premises totalling around 21,000 square metres for new and old tenants.

- The Company has taken part in a comparison of employee statistics conducted by the Institute of Human Resource Indicators. The survey showed that Hufvudstaden had one of the best scores among the participating companies. Good scores were found in the form of a very low level of absenteeism due to illness, the proportion of permanent employees and small units per manager.



1) According to a proposal by the Board of Directors



Statement by the President

Delayed global recovery

In the lead-up to 2013, many people felt that it would be the year in which the world economy would recover. Instead, it was marked by political instability in the USA, continued problems in the Eurozone and uncertainty regarding future growth in China. Just a small selection of the many areas of concern to emerge on the world economic map.

Sweden's economy was also impacted negatively by a poor rate of growth during the year. The Swedish Central Bank key rate remained unchanged through to December, when it was reduced to a low 0.75 per cent. At the same time, it was announced that a planned increase in interest rates would be postponed.

But there are bright spots. The Stockholm Stock Exchange rose during the year by over 20 per cent and approached the record figures for 2007, reflecting a positive belief in the future. Consumption has been sustained surprisingly well and tourism has continued to increase. Sweden and Stockholm, for example, are ranked among the ten most attractive places in the world to visit.

During the year, Hufvudstaden has further reinforced its position in both Stockholm and Gothenburg. Acquisitions and investments in existing holdings have taken place, which will increase future earning capacity. There has been considerable international interest in the Company and the proportion of foreign ownership has increased.

Increased profit

Operating profit has developed positively and gross profit was SEK 1,153 million (1,085), an increase of 6 per cent. The increase can be attributed largely to higher rents in conjunction with new and renegotiated leases, a continued low rate of vacant space in the holdings and the acquisition of a large property in Gothenburg. It has also been possible to keep current costs for comparable holdings on the same level as last year.

The profit before tax was SEK 2,407 million (1,486), an increase of SEK 921 million, which can be attributed to higher changes in value totalling SEK 1,418 million (595).

Rising property values

The property market in Sweden is liquid, efficient and transparent. There is considerable interest among international and Swedish investors and there has been good availability of capital. Access



to financing has gradually eased through increased competition in the banking sector and at the same time the finance market has functioned well.

In the most attractive city areas of Stockholm and Gothenburg, there has been limited availability and when individual properties do come onto the market there is considerable competition with falling yield requirements as a result. In situations such as this, acquisitions are made mainly by Swedish institutions and financially strong property companies.

The total transaction volume for 2013 was SEK 103 billion, which is largely on a par with 2012.

Hufvudstaden's property holdings were valued at the year-end at SEK 25.9 billion (23.1) an increase of 12 per cent.

The increase can be attributed to rising rents in the holdings, falling yield requirements and the acquisition in Gothenburg. The net asset value at the year-end was SEK 92 per share and the share price was SEK 86.15.

Increased investment in Gothenburg

Together with Stockholm, Gothenburg is one of the most rapidly growing regions in Europe. The city's investment in expanding the infrastructure will stimulate commerce and industry in Gothenburg and facilitate collaboration with the Oslo and Copenhagen regions. The city is planning a number of major projects, both of a commercial and residential nature, which will contribute to making the city even more attractive in the future.

Hufvudstaden, which has been active in Gothenburg since the 1960s, has in recent years invested over SEK 2 billion in Gothenburg. This has taken the form of acquisitions and a series of different property projects. Plans are in place for further extensive investment to create new, attractive meeting points for commerce and industry.

Hufvudstaden's investment in Gothenburg is based on the assessment that there will be positive growth in the region

in the future with a growing commercial base with increasing purchasing power among consumers. There is a considerable shortage of modern, attractive, prime location office space although at the same time there is good potential to develop the retail trade. We have identified a number of interesting development projects that we are pursuing in close collaboration with the city authorities.

Project potential

The Fyran property in Nordstan was acquired for approximately SEK 1.3 billion and the transaction was completed in March 2013. It has been developed according to plan during the year and embodies a range of improvement

opportunities. Following the acquisition, Hufvudstaden owns about 40 per cent of the Nordstan shopping centre, which is one of the largest retail centres in northern Europe.

In the Femman shopping precinct, which is also located in Nordstan, there is considerable development potential. The project will commence during 2014 and will aim to create a more attractive marketplace with high-quality Swedish and international brands.

In the best location, beside NK on Fredsgatan, Hufvudstaden now owns the whole of the Härbärgat block. This is a block that Hufvudstaden has been working actively with since the early 1970s when we constructed our first building there. Hufvudstaden has plans to develop the whole of the area into an exciting marketplace with modern offices and interesting retail outlets that will contribute to raising the attractiveness of the city centre.

Growth in the retail sector

Despite uncertainty in the economy, 2013 was a strong retailing year with a rise in turnover.

Our focused investment on Bibliotekstan in Stockholm, which we have pursued for many years, attracted several strong international and domestic brands during the year. Zara Home and Wienercaféet opened after the summer and was soon a firm favourite, attracting large numbers of visitors. The international fashion house Prada opened the doors of its first flagship store in Scandinavia and has proved to be a highly popular destination among tourists and the people of Stockholm.

Nordiska Kompaniet, with department stores in Stockholm and Gothenburg, has also developed well during the year. Total turnover for both department stores was SEK 2.9 billion, which is an increase of just over SEK 50 million on the previous year's record-breaking turnover.

Corporate social responsibility

A long-term, sustainable perspective is an important prerequisite for Hufvudstaden's operations. The task of pursuing and promoting corporate social

“*Hufvudstaden has improved its position further during the year, both in Stockholm and Gothenburg.*”

responsibility rests with all employees and contributes to a healthy corporate culture founded on a strong sense of involvement, attentiveness to external forces, honesty and a high degree of quality awareness. Another important part of our work is to as far as possible conduct an active dialogue with our suppliers on these issues.

We are working continuously on various environmental and energy certification systems for our buildings. At present, two properties are the subject of classification according to the Swedish *Miljöbyggnad* system and during the year Femman in Nordstan in Gothenburg was awarded GreenBuilding certification.

Hufvudstaden offers its tenants green leases, which means that the property owner and the tenant collaborate to reduce their joint environmental impact. Energy use in the property holdings has remained at a low level for several years and has even fallen by 4 per cent during the past five years.

Each year, Hufvudstaden has been actively involved in a number of assessments of the Company's corporate social responsibility work, which is confirmation that we are moving in the right direction. In the Folksam Corporate Social Responsibility Index, which addresses issues related to the environment and human rights, Hufvudstaden came out top among the Swedish property companies. In the international climate survey Carbon Disclosure Project, Hufvudstaden has been awarded high scores for several years in succession. In 2013, we once again emerged with the best score among all the property companies in the Nordic Region.

2014 and the future

We are highly familiar with our marketplaces and buildings, we know our tenants well and we have good relations with the city authorities in Stockholm and Gothenburg. There is thus an excellent

basis for implementing value-enhancing measures in our holdings for many years to come.

We have identified several major development projects within our property holdings. These will increase the attractiveness of the urban environment and will in time contribute to raising profits. During 2014, a number of projects will be initiated through commencement of detailed planning followed by the start-up of projects.

Alongside this, priority is given to current operations to ensure the maximum possible yield on the property holdings. Even if there is considerable market competition for prime location buildings, we are still interested in reinforcing the holdings with the addition of new properties and additional acquisitions cannot be ruled out.

There are a number of signs of a gradual recovery in the global economy. In Sweden, there are good prerequisites for increased growth in the future. With Hufvudstaden's strong position in two of Europe's most rapidly growing regions, I have great confidence in our potential to increase profits and value to our shareholders even further.

Finally, I would like to extend my heartfelt thanks to all the committed employees at Hufvudstaden for their invaluable work during 2013.

Stockholm, February 2014



Ivo Stopner
President



PRADA



BIBLIOTEKSTAN

Birger Jarlsgatan/Mäster Samuelsgatan, Stockholm

Property market

The slow recovery in the world economy continued throughout 2013. As in previous years, a stronger rate of growth during the first half of the year was followed by increased economic and political uncertainty during the second half. Among other things, the uncertainty took the form of protracted negotiations surrounding a raising of the US national debt ceiling.

In Europe, financial challenges have persisted although there are several signs that the financial downturn may have bottomed out. During the year, Germany continued to contribute to growth in the Eurozone. At the same time, the country's strong economy meant that there are still major imbalances between the countries within the Eurozone. Countries in southern Europe continue to report high national debt levels and budget deficits as well as a very high rate of unemployment, which will require structural reforms.

The Swedish economy has fared relatively well during the global financial crisis and internationally the economy is considered stable. One explanation for this is that the city regions, primarily Stockholm, have acted as a driving force in the economy. There was a strong start

to the year before weakening during the second half. This was reflected in the increase in the gross domestic product (GDP) of 1.7 per cent during the first quarter, which was followed by marginal growth during the remaining quarters.

Thanks to strong domestic demand, service production has made a positive contribution to the change in the GDP whilst exports have had a negative impact. Unemployment rose during the year alongside an increase in employment, which can be explained by the fact that more people have come onto the labour market. As in many countries throughout Europe, the inflation rate for the year was around zero per cent.

In summary, economic growth during 2013 has had a positive impact on the Swedish property market. Interest levels and vacant space levels continued to be low whilst market rents revealed cautiously positive growth, which has resulted in stable or slightly rising property prices.

Hufvudstaden's sub-markets

Hufvudstaden owns and manages concentrated property holdings located in the central areas of the two largest cities in Sweden, Stockholm and Gothenburg.

The holdings comprise 30 properties in total, of which 25 are in Stockholm and 5 in Gothenburg.

In Greater Stockholm, the population has increased by approximately 16 per cent during the past 10 years and at the end of 2013 the city had almost 2.2 million inhabitants. The rate of increase during the period has been more than double the figure for the country as a whole. The forecast indicates that the rate of increase during the next 10 years will be on the same high level and the population thereafter is predicted to be around 2.5 million.

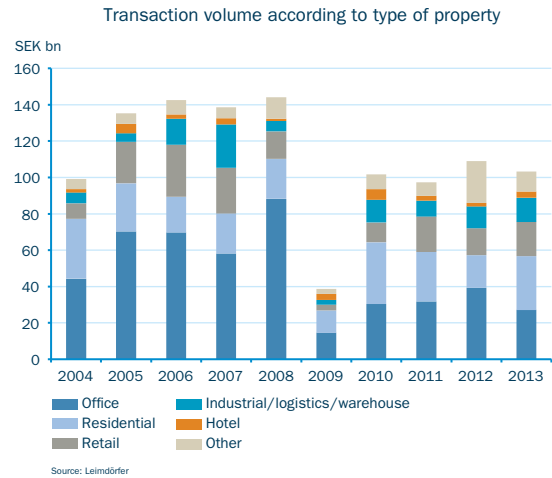
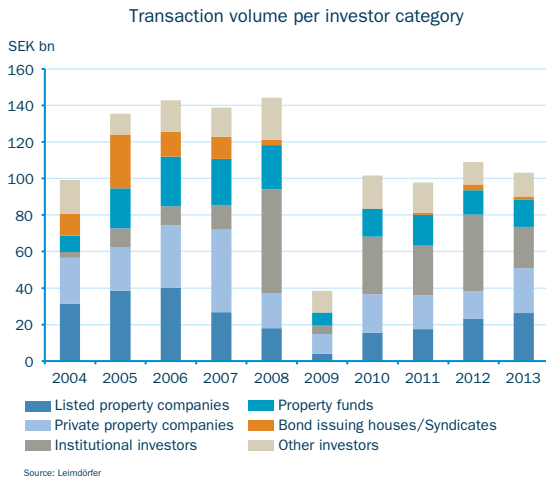
There is a similar trend in Greater Gothenburg, where the population has increased by approximately 11 per cent during the past 10 years. The population is now almost 1.0 million and the forecast shows that the increase during the next 10 years will continue at the same rate, which means that the population thereafter is predicted to be almost 1.1 million.

Industry in Greater Stockholm has for a long time been characterized by a large service sector, including property, finance, IT, communication and corporate services. According to Statistics Sweden, the service sector employs around 29 per cent of the working



Source: Leimdörfer

Larger property owners in central Stockholm.



population. This can be compared to the country as a whole, where employment in this sector is around 19 per cent. In recent decades, industry in Greater Gothenburg has moved away from heavy industry to what is today a more diversified industrial and commercial base with a growing service sector, which now employs around 21 per cent of the working population.

Largest property owners in the Stockholm CBD

	Rentable floor space sq m
Vasakronan	363,000
Hufvudstaden	268,000
AMF Fastigheter	245,000
Diligentia	128,000
SEB Trygg Liv	102,000
Pembroke Real Estate	91,000
Ramsbury	88,000

Source: Leimdörfer

The diversity of the industrial base in Greater Stockholm and Greater Gothenburg has resulted in a high level of economic growth and measured as gross regional product (GRP), the average figures according to Statistics Sweden for the period 1994–2011 were 3.7 per cent and 3.2 per cent. The figures are higher than all other regions in Sweden and can be compared, for example, with the GDP for the whole country, which was on average 2.7 per cent. The regions are among the most rapidly growing regions in Europe.

To deal with a rising population, infrastructural investment is required. The Swedish Transport Administration has produced a national plan for the transport system for 2014–2025. The plan has not yet been adopted although the framework for the measures that are included is more than SEK 500 billion. The spread throughout the country has not yet been decided although it is stated specifically that the city regions, and in particular Stockholm and Gothenburg, will be prioritized.

Larger current infrastructure projects in Stockholm include *Citybanan*, *Norra Länken* and *Mälärbanan* and in Gothenburg there are the *Marieholmsförbindelsen* and *Västlänken*. Planned major infrastructure projects in Stockholm include *Förbifart Stockholm* and the expansion of the underground rail system. In Gothenburg, plans are in place to improve communications around the port area.

It is not just the population that is increasing in Stockholm and Gothenburg. There is also an increase in tourism. The most recently published statistics show that tourism in Sweden had a turnover in excess of SEK 275 billion in 2012, an increase of almost 5 per cent compared to 2011. Accumulated since 2000, tourism has almost doubled. The statistics cannot be broken down to the regional level although figures for the number of hotel nights in Stockholm

and Gothenburg show an increase of almost 60 per cent, which can be compared to the figure for the country as a whole where the increase was around 40 per cent.

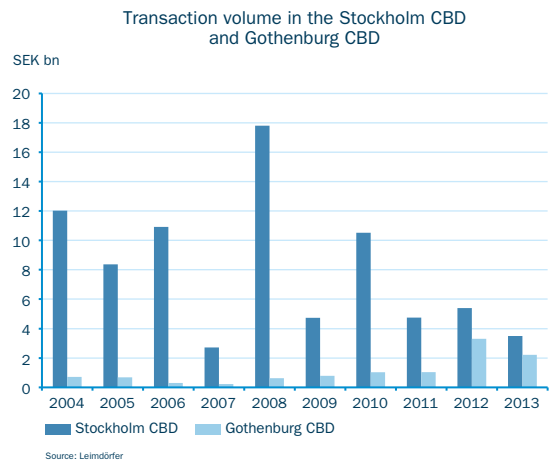
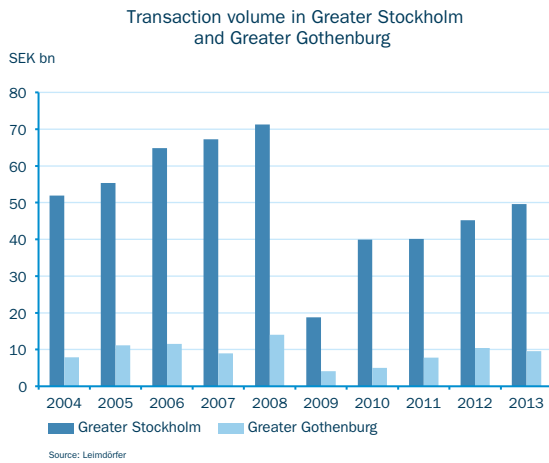
The office property holdings within the inner-city areas of Stockholm are in excess of 5 million square metres, of which around 1.7 million square metres are located within the CBD. Hufvudstaden is the second-largest property owner in the Stockholm CBD with rentable floor space for all types of premises totalling 268,000 square metres.

In the Gothenburg area there are approximately 3.2 million square metres of office space, of which around 0.9 million square metres are located in the Gothenburg CBD. Hufvudstaden is the third-largest commercial property owner in the Gothenburg CBD with rentable floor space for all types of premises totalling 104,000 square metres. In both Stockholm and Gothenburg, the Company's properties enjoy prime locations

Largest property owners in the Gothenburg CBD

	Rentable floor space sq m
Vasakronan	269,000
Wallenstam	135,000
Hufvudstaden	104,000
Platzer	72,000
Bygg-Göta Göteborg	67,000
Castellum	52,000
SEB Trygg Liv	43,000

Source: Leimdörfer



in the most central areas of the city. A comparison with other major property companies shows that Hufvudstaden is among the most concentrated companies, both in terms of property holdings and geographical location.

Investor market

The transaction volume for the full year was in excess of SEK 103 billion, which can be compared to the figure of just below SEK 110 billion for 2012.

Properties with a low risk, such as offices in attractive locations and residential properties, continued to account for a large proportion of the total transaction volume. Risk propensity, however, has increased compared to previous years for properties located in slightly more secondary markets. It is mainly Swedish investors, such as insti-

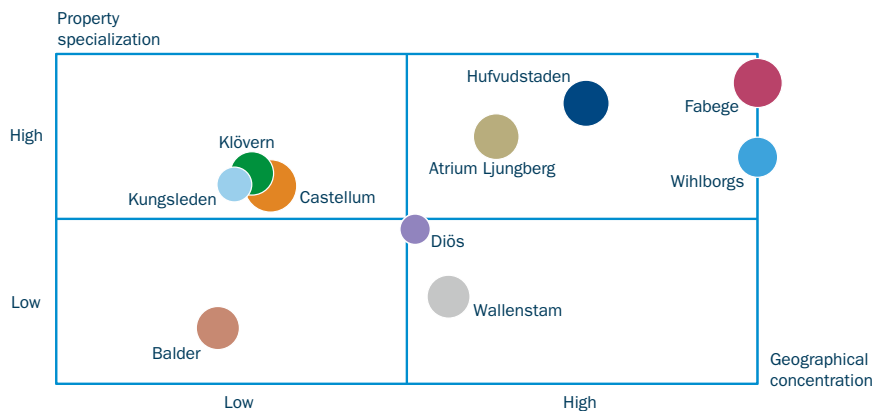
tutions, private property investors with low loan-to-value ratios, listed property companies and property funds that were behind the majority of the property acquisitions.

The greatest level of activity during 2013 was on the Stockholm and Gothenburg markets, where revenue was almost SEK 50 billion and almost SEK 10 billion respectively. Revenue during the previous year on these two sub-markets totalled in excess of SEK 45 billion and SEK 10 billion respectively. In the Stockholm CBD, a small number of transactions took place during 2013. The largest was announced at the beginning of December when AMF Fastigheter acquired the Jericho 34 property from Allianz for SEK 1.6 billion. The property comprises over 21,000 square metres of rentable floor

space, made up of offices, stores and residential units. In the Gothenburg CBD, transactions included the acquisition by Wallenstam of nine properties totalling 12,000 square metres from a private company. The value of the properties was SEK 386 million. At the end of the year, Credit Suisse sold the Hasselblad Building, comprising around 14,500 square metres, to Alecta. The purchase sum has not been made public.

There was high demand in 2013 for prime-location office and retailing properties in the Stockholm CBD and Gothenburg CBD. This has resulted in continued low yield requirements, which for modern office and retail properties in the Stockholm CBD at the end of 2013 were between 4.25 and 5.00 per cent and in the Gothenburg CBD between 4.75 and 5.50 per cent.

Positioning among larger property companies



The size of the circles refers to a standard calculated property value as at September 30, 2013.

Source: Leimdörfer

BIBLIOTEKSTAN

Mäster Samuelsgatan, Stockholm



AMOURTINE

Rental market in Stockholm

Offices

The slow economic recovery has been reflected in what was a cautious rental market in Stockholm during 2013. Market rents and levels of vacant space were stable during the year. This can be explained by a relatively low level of new construction combined with a rise in employment in the region. The highest demand has been for modern offices, where floor space can be utilized efficiently, in the inner-city area of Stockholm and in particular in the CBD.

The known future level of vacant space in the Stockholm CBD is approximately 180,000 square metres, which is equivalent to around 10 per cent of the office holdings. The majority of this vacant floor space can be attributed to the relocation of certain banks and insurance companies to premises outside the Stockholm inner city. These have had a dampening effect on the rental market during the year despite the fact that the redeveloped floor space is expected to reach the market in stages, commencing in 2014–2017. The proportion of new construction in central Stockholm is expected to be low and the growth figures in the Stockholm area are expected to be high, which could in part offset the effect of the relocations.

One of the competitive advantages on the rental market is the ability to offer modern, space-efficient office premises, thus allowing the rental cost per employee to be reduced. The potential

to lease large, cohesive office premises in the Stockholm CBD is at present relatively limited. This will have a positive impact on Hufvudstaden, as the Company has property holdings in the area that are in close proximity, thus making it possible for our tenants to expand within the existing holdings.

During 2013, rents were noted in Bibliotekstan of between SEK 4,200 and 5,000 per square metre per year, excluding the property tax supplement. Throughout the rest of the CBD, rent levels were between SEK 4,000 and SEK 5,000 per square metre per year, excluding the property tax supplement. The level of vacant space during the year was 4–5 per cent (4–5) in the CBD, 1–2 per cent (1–2) in Gamla Stan and 3–5 per cent (3–5) in inner city areas, i.e. Södermalm, Kungsholmen, Vasastan/Norrmalm and Östermalm/Gärdet.

Stores

The demand for well-located store premises in the most central sub-markets in Stockholm continued to be high during 2013. Vacant space in prime locations was virtually non-existent and in other areas the vacant space arose primarily as a result of temporary or permanent relocations, which were filled relatively quickly by new tenants. Growth in revenue in the retail trade was positive

during the year. In summary, this has resulted in maintained or slightly higher rent levels.

Several property owners in central Stockholm, where Hufvudstaden is a major player, are working actively to develop and reinforce the city retail trade by establishing new, exciting brands.

Market rents, December 2013
(excluding the property tax supplement)

Stockholm	Offices, SEK/sq m per year	Stores, SEK/sq m per year
Bibliotekstan/NK	4,200 – 5,000	14,000 – 21,000
City, other	4,000 – 5,000	4,000 – 12,000
Östermalm	2,400 – 3,600	3,000 – 8,500
Gamla Stan	2,700 – 3,300	2,500 – 5,000
Slussen/Södermalm	2,200 – 3,000	2,500 – 5,000
Kungsholmen	2,200 – 3,300	2,000 – 7,000
Liljeholmen	2,000 – 2,300	2,000 – 5,000
Globen	1,500 – 2,200	3,500 – 5,000
Kista	1,800 – 2,300	4,000 – 8,000

Gothenburg	Offices, SEK/sq m per year	Stores, SEK/sq m per year
Inom Vallgraven	2,000 – 2,900	6,000 – 13,000

Prominent store openings that took place in our holdings in 2013 include Prada, Armani Collezioni, Zara Home, Stella McCartney, Michael Kors, Church's and Sephora. In addition, the new Wienercafé opened its doors in Bibliotekstan in September. The most sought-after retailing areas are in Bibliotekstan and on Hamngatan, Kungsgatan and Drottninggatan. Bibliotekstan and the NK de-

Yield requirement, Stockholm CBD and Gothenburg CBD



Source: Leimdörfer

partment store together have a special position as the most exclusive store locations. Rents for prime retailing space in these areas are between SEK 14,000 and SEK 21,000 per square metre per year, excluding the property tax supplement.

Rental market in Gothenburg

Offices

The rental market in Gothenburg developed positively during 2013. Modern, efficient prime-location office space has been in greatest demand although floor space of this nature is relatively limited in Gothenburg. This has resulted in rising market rents and the rents for these types of premises are between SEK 2,000 and SEK 2,900 per square metre per year, excluding the property tax supplement.

There are relatively few planned projects during the coming year in Gothenburg. Hufvudstaden is working continuously to develop the properties and the largest future projects include the Härbärgat block, located on Fredsgatan in a prime city location. Extensive

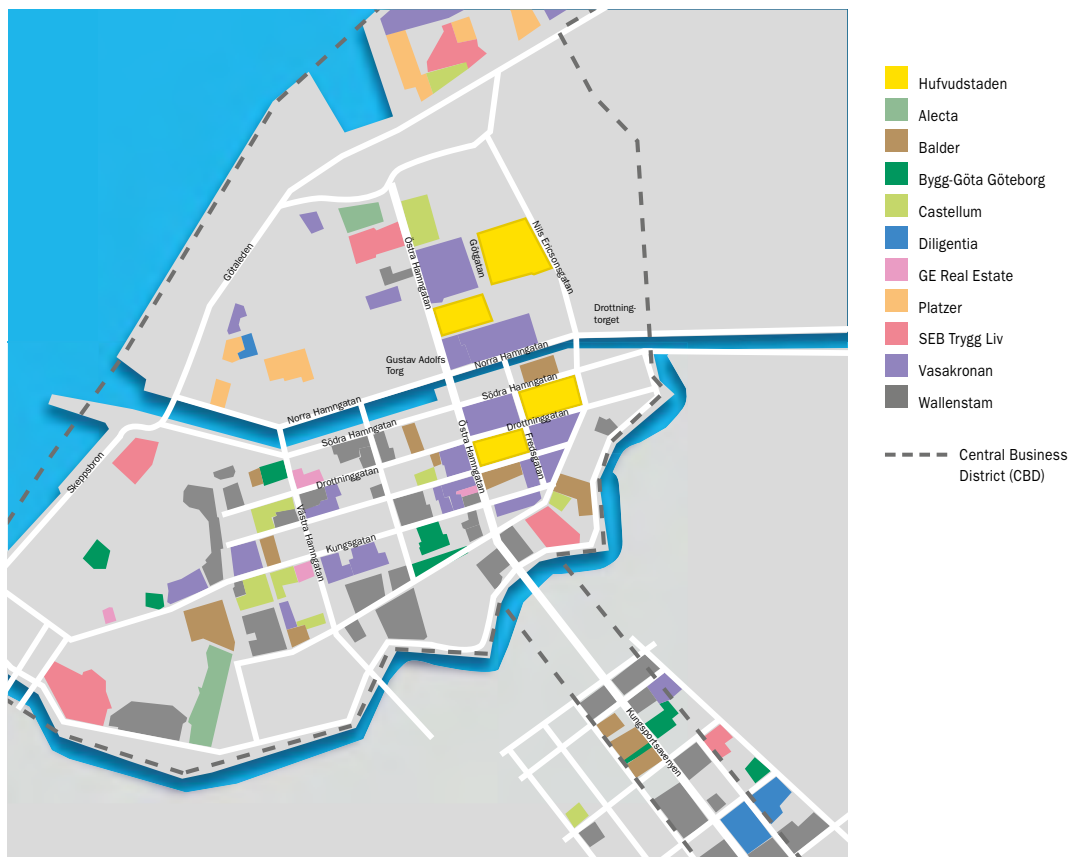
projects are planned for the whole block, which will result in ultramodern office premises where efficient use can be made of the floor space.

The best locations for offices in central Gothenburg are considered to be the Inom Vallgraven areas, particularly areas near Östra Hamngatan, Västra Hamngatan, Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungsporsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Within the Gothenburg CBD, market rents for modern office space were between SEK 2,000 and SEK 2,900 per square metre per year, excluding the property tax supplement. The top rent is considered to be around SEK 3,000 per square metre per year, excluding the property tax supplement. Vacant space in the Gothenburg CBD was around 4–5 per cent (4–5) at the end of the year. As in Stockholm, Hufvudstaden in Gothenburg owns properties that are centrally located in the very heart of the city.

Stores

Rents for stores in prime locations in Gothenburg were stable during the year with limited availability of vacant space. This can be explained by a positive growth in revenue in the retail trade and the fact that Gothenburg is enjoying a net population influx and a rise in tourism. Hufvudstaden has a strong presence in central Gothenburg and with future planned store projects in the Femman shopping precinct and on the Härbärgat block, the Company will benefit further from what is a strong inner-city retailing sector in Gothenburg.

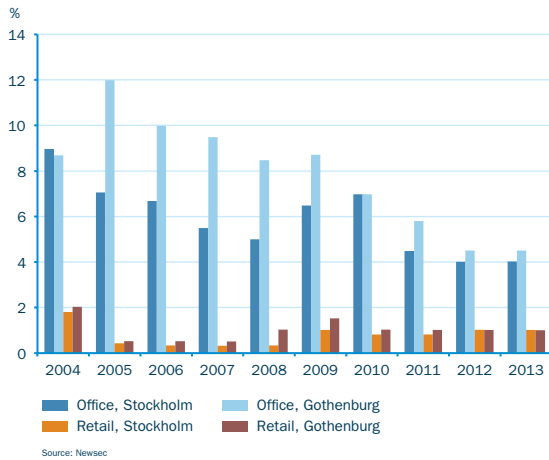
The prime locations for stores in central Gothenburg are considered to be Östra Nordstan, Fredsgatan and Kungsgatan between Östra Hamngatan and Västra Hamngatan. In these locations, rents for prime retailing space were between SEK 6,000 and 13,000 per square metre per year, excluding the property tax supplement.



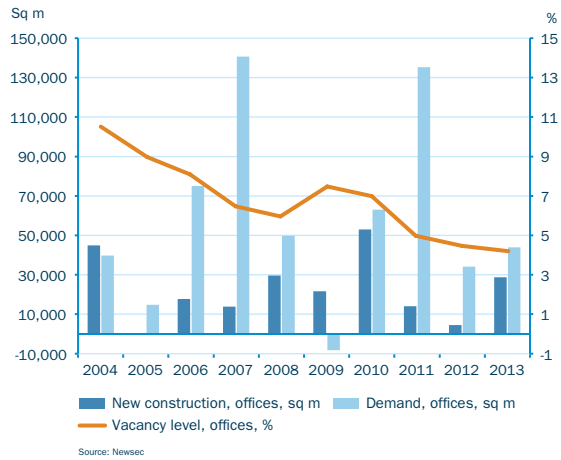
Source: Leimdörfer

Larger property owners in central Gothenburg.

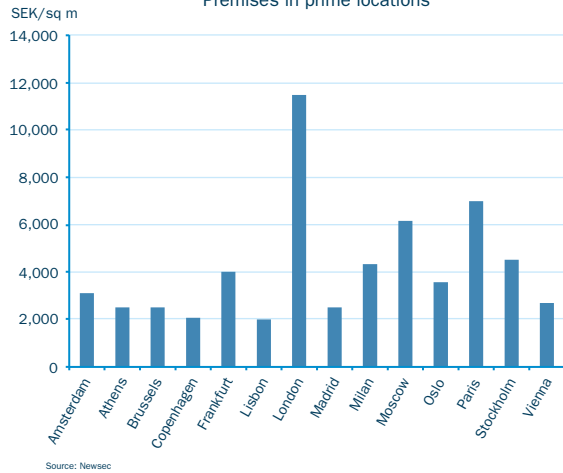
Vacant office and retail space in prime locations



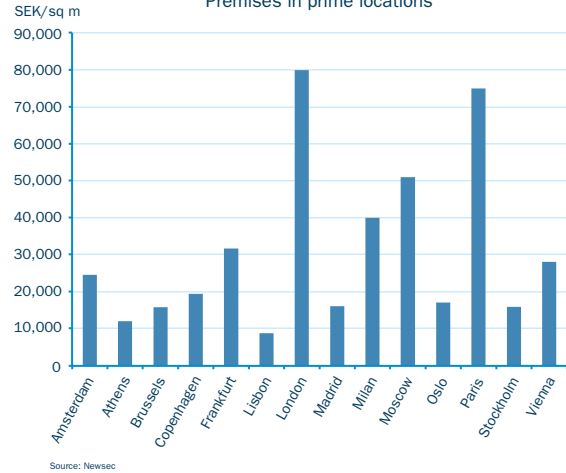
New construction, demand and vacancy level, office premises in Central Stockholm



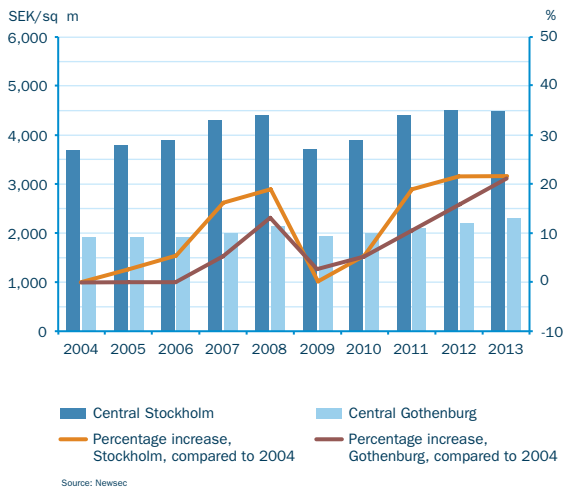
Office rents in European cities, December 2013
Premises in prime locations



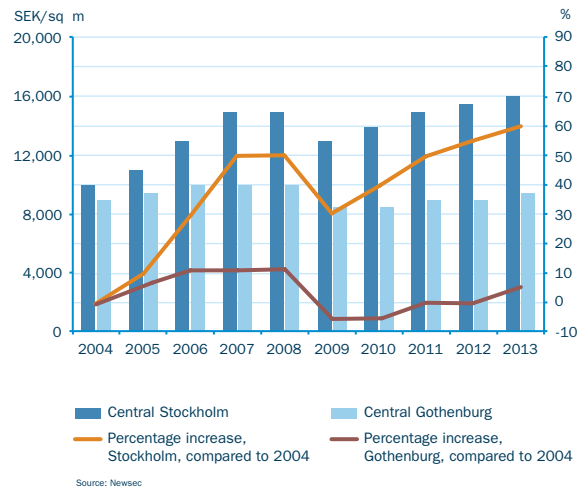
Store rents in European cities, December 2013
Premises in prime locations



Market rent trend, prime-location offices, nominal
(excluding the property tax supplement)



Market rent trend, prime-location stores, nominal
(excluding the property tax supplement)





BIBLIOTEKSTAN

Norrlandsgatan, Stockholm

Shares and shareholders

Share capital

Hufvudstaden AB was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a nominal value of SEK 100. At the end of 2013, the share capital amounted to SEK 1,056.4 million with a par value of SEK 5 per share.

Share structure

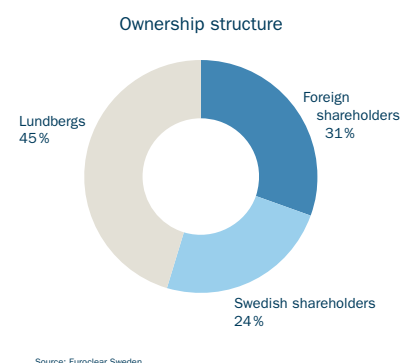
Hufvudstaden has two share series, series A and series C. Both series are listed in the large cap list on Nasdaq OMX Stockholm. Series A shares carry one vote per share and series C shares carry 100 votes per share. There is no limit on how many votes each shareholder may cast at a general meeting. Series A shares were listed in 1938, on what was at the time the Stockholm Stock Exchange, whilst series C shares were first listed in 1998.

The Articles of Association include what is termed a conversion provision. This means that the holders of series C shares are entitled, if they wish, to request conversion of their series C shares into series A shares. No such conversion took place during the year.

At the end of the year, the total number of outstanding shares was 206,265,933, of which 197,990,869 were series A shares and 8,275,064 were series C shares. In addition, Hufvudstaden held 5,006,000 series A shares.

Shareholder structure

The number of shareholders at the year-end was 18,333. The largest shareholder was LE Lundbergföretagen AB with 45.3 per cent of the outstanding shares and 88.1 per cent of the votes. The second largest was JP Morgan Funds



with 6.3 per cent of the outstanding shares and 1.3 per cent of the votes.

As at December 31, 2013, institutions and companies with holdings of over 100,000 shares held 182,620,441 shares, equivalent to 88.5 per cent of the total number of outstanding shares and 96.8 per cent of the votes. Of these, 65 were Swedish institutions and companies, which together held 124,667,768 shares, equivalent to 60.4 per cent of the outstanding shares and 91.1 per cent of the votes. There were 96 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 57,952,673 shares, equivalent to 28.1 per cent of the outstanding shares and 5.7 per cent of the votes. In addition, five Swedish private individuals

Ownership structure as at December 31, 2013

	Number of shareholders	Number of shareholders	Proportion of shareholders, %	Number of issued shares	Proportion of shares, %
1–	999	14,878	81.2	2,957,670	1.4
1,000–	9,999	2,902	15.8	6,695,343	3.2
10,000–	99,999	387	2.1	11,518,067	5.4
100,000–		166	0.9	185,094,853	87.6
		18,333	100.0	206,265,933	97.6
Hufvudstaden				5,006,000	2.4
Total				211,271,933	100.0

Source: Euroclear Sweden

Largest shareholder groups as at December 31, 2013

	Series A shares	Series C shares	Total number of shares	Outstanding shares, % Capital	Outstanding shares, % Votes	Issued shares, % Capital	Issued shares, % Votes
Lundbergs	85,200,000	8,177,680	93,377,680	45.3	88.1	44.2	87.6
JP Morgan Funds	13,009,902	0	13,009,902	6.3	1.3	6.2	1.3
State Street Bank and Trust	11,986,236	0	11,986,236	5.8	1.2	5.7	1.2
Mellon Funds	6,012,485	0	6,012,485	2.9	0.6	2.8	0.6
SEB Funds	4,298,127	0	4,298,127	2.1	0.4	2.0	0.4
NTC Wealth	4,035,579	0	4,035,579	2.0	0.4	1.9	0.4
Swedbank Robur Funds	3,602,749	0	3,602,749	1.7	0.3	1.7	0.3
Länsförsäkringar	3,263,445	0	3,263,445	1.6	0.3	1.5	0.3
BNP Paribas	3,138,865	0	3,138,865	1.5	0.3	1.5	0.3
Other shareholders	63,443,481	97,384	63,540,865	30.8	7.1	30.1	7.1
Outstanding shares	197,990,869	8,275,064	206,265,933	100.0	100.0	97.6	99.5
Hufvudstaden	5,006,000		5,006,000			2.4	0.5
Total number of issued shares	202,996,869	8,275,064	211,271,933			100.0	100.0

Votes (excl. own holdings)	197,990,869	827,506,400	1,025,497,269
Votes (incl. own holdings)	202,996,869	827,506,400	1,030,503,269

Source: Euroclear Sweden

each held 100,000 shares or more. The number of shareholders increased during the year by 834. The proportion of foreign ownership increased during the year from 29.9 to 30.5 per cent of the outstanding shares.

Buy-back of shares

Since the Annual Meeting in 2003, the Board has had the mandate of the Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the Company. The mandate was renewed at the 2013 Annual Meeting. At the end of the year, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of issued shares. No shares were bought back during 2013.

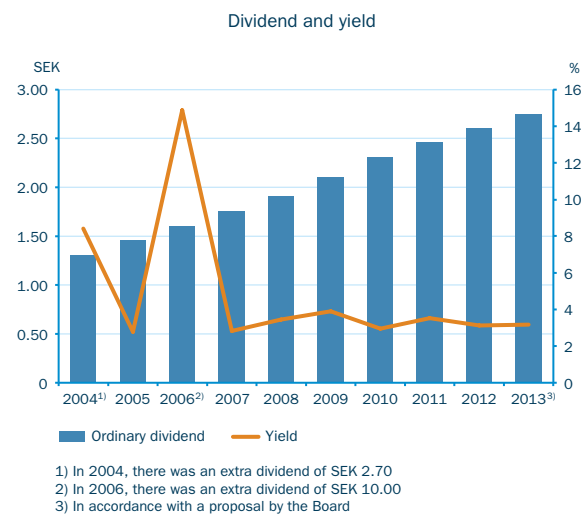
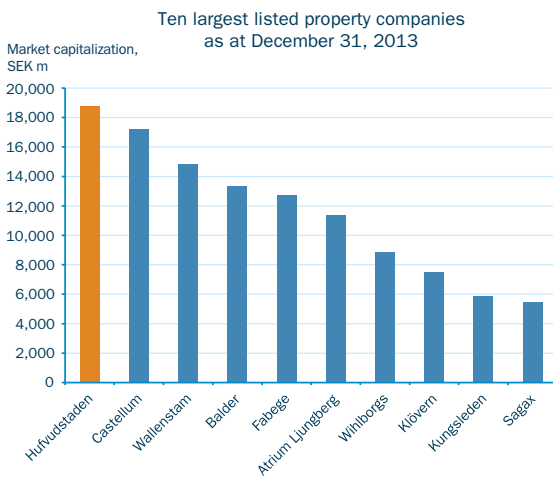
Market capitalization and trading

At the end of 2013, Hufvudstaden's total market capitalization was SEK 18,812 million. The yield was 3.2 per cent based on the stock market price as at December 31, 2013. During the year, 138 million shares were bought and sold, equivalent to 67 per cent (58) of the outstanding shares. The rate of turnover in relation to the shares available for trading, what is termed free float, was 122 per cent (105). On average, 556,000 Hufvudstaden shares were traded on each trading day (480,000). Since the introduction of the EU's MiFID, trading in Swedish shares is taking place to an increasing extent on marketplaces other than Nasdaq OMX Stockholm. During 2013, 53

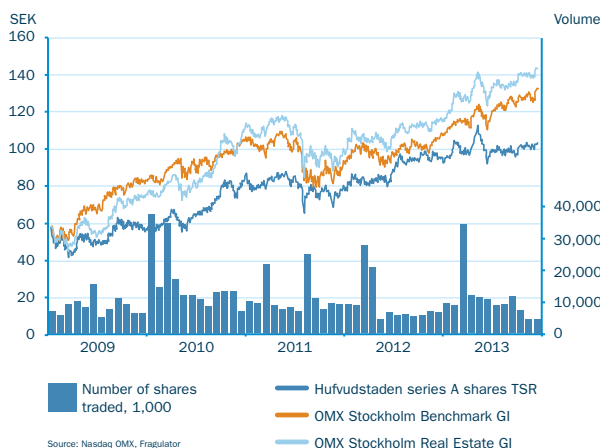
per cent (58) of Hufvudstaden's shares were traded outside the Stockholm Stock Exchange, e.g. Boat, Bats, LSE and Turquoise. The graph below shows the price trend and trading in Hufvudstaden's series A shares during the year.

Dividend

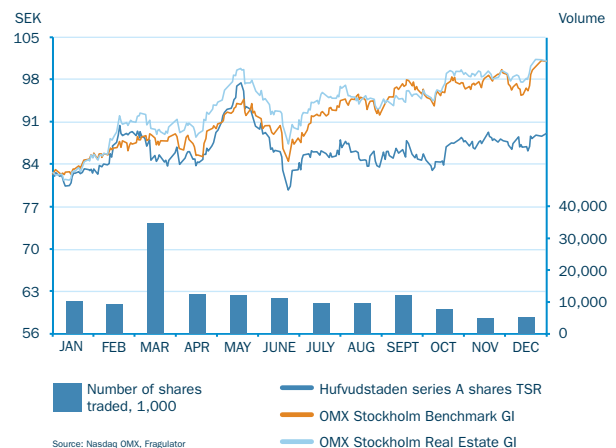
Hufvudstaden shares shall have good dividend growth over time and the dividend shall be more than half the net profit from current operations unless investments or the Company's financial position in general justify a deviation. A dividend of SEK 2.75 per share is proposed for 2013, equivalent to 74 per cent of the net profit on current operations. (See Definitions, page 95, Dividend).



Share price trend, including dividend, and trading in relation to Stockholm Real Estate GI and Stockholm Benchmark GI.



Share price trend, including dividend, and trading during 2013 in relation to Stockholm Real Estate GI and Stockholm Benchmark GI.





NORRMALMSTORG 1

Norrmalmstorg, Stockholm

Sustainability and corporate social responsibility

Sustainability at Hufvudstaden is based on our strategies and values. For Hufvudstaden, sustainability work involves assuming long-term responsibility with regard to financial development and environmental and social issues. Hufvudstaden's strategy is to manage and develop properties in the long term. This creates good conditions for ensuring the properties have low energy use and that redevelopment and materials are chosen with a long-term perspective firmly in mind.

In the past, sustainability work has mostly involved the environment and energy issues although in recent years it has developed to also include ethical and other social issues. As one of the larger property owners, our involvement in various organizations and associations puts us in a position to influence the industry in matters related to sustainability.

Together with the City of Stockholm and the City of Gothenburg, we work actively on issues related to urban development in our immediate environment.

During the year, Hufvudstaden has been involved in a number of sustainability surveys, including the Carbon Disclosure Project (CDP) where Hufvudstaden came out top among Swedish companies with a score of 98 points out of 100. The Folksam Corporate Social Responsibility Index is a survey of the work carried out and published by listed Swedish companies related to the environment and human rights. Weighed together, the results give Hufvudstaden a high score compared to other property companies. Hufvudstaden's environmental work has also been analysed and approved for investment in the Swedbank Robur Sustainability Funds.

Stakeholders

Interest and know-how related to the environment and sustainability have increased in recent years, both in society and among our stakeholders. Mapping and analysing what our stakeholders expect of the work we do is fundamental if we are to maintain our long-term strategy and carry on operations efficiently and profitably.

Hufvudstaden has identified five main stakeholder groups: tenants, employees, shareholders, suppliers and society. Communication with our stakeholders takes place on an ongoing basis and examples of events that are held with our tenants include breakfast meetings, customer surveys and tenant meetings. The fact that we also have our own staff who manage all the properties, allows us to maintain efficient, ongoing contact. Questions from the staff are picked up through the ongoing dialogue between employees and managers and in appraisal discussions, employee surveys and different project groups, such as the Environmental Council and the Working Environment Group. Dialogue with the Company's shareholders takes place at the shareholders' meetings, board meetings, investor meetings and other similar gatherings. The involvement by society in sustainability is realized through our participation in networks and sector-linked projects.

In the dialogue with our stakeholders, we have obtained their views on the most important sustainability issues related to our operations. Examples of these are:

- Energy use: improve energy performance in the buildings and reduce carbon dioxide emissions.

- Waste management: reduce the volume of waste and increase the level of sorting.
- Long-term management: products should be chosen based on environmental and quality stipulations.
- Stable financial position: gradually increase the profit from current operations.
- Good dividend growth: the dividend shall comprise more than half of the net profit from current operations.
- Employees: focus on the working environment, health and personal development.

Ethical guidelines and social responsibility

Business ethics is the key issue in all business activities. We therefore make strict demands on our suppliers and partners. Hufvudstaden's values are quality, honesty, attentiveness and commitment and form the basis for the way we view business and how we act in dealings with our partners. We do not accept bribes, corruption, illegal labour or similar actions. Gifts and business entertainment are in line with laws and regulations. As Hufvudstaden carries on all its operations in Sweden, our assessment is that there is very limited risk of anything that is in contravention of the

Hufvudstaden's sustainability work in the community takes place mainly through active participation in different sector-linked networks and associations.

- Hufvudstaden plays an active role in BVB (*Byggarubedömningen*), a construction product assessment association, and has held a seat on the board for many years.
- Hufvudstaden is a member of Sweden Green Building Council and a member of the committee for the Swedish environmental classification system *Miljöbyggnad*.
- Hufvudstaden is one of the participants in BELOK (*Beställargruppen Lokaler*), a collaborative venture between the Swedish Energy Agency and 17 of the largest commercial property owners in Sweden.
- Hufvudstaden is one of the members of the working group City of Stockholm Forum for Sustainable Properties. The aim of the group is to exchange experience in order to speed up energy-efficient, environmentally friendly solutions in the property sector.



UN Universal Declaration of Human Rights.

To further clarify Hufvudstaden's actions on the market towards tenants, employees and suppliers, work has commenced to produce a Hufvudstaden Code of Conduct. The Code of Conduct will be finalized in 2014.

Hufvudstaden uses its own staff for day-to-day operations. We have our own project managers to run projects. They procure and steer contracts to ensure adherence to our strict requirements regarding quality, long-term thinking and the environment.

When choosing contractors, clear demands are made and they are evaluated before goods and services are procured to ensure that current laws and rules are followed and that the employees have terms and conditions that are in line with agreements. No form of illegal labour is acceptable at any stage. The working environment is a particular priority as construction and maintenance sites can be workplaces laden with risks.

To contribute to a better social situation, Hufvudstaden supports, among other things, the work of the charities *Stockholms Stadsmision* and the Children's Cancer Fund.

Customer relations

The Company's vision is to always be perceived as and prove to be the most attractive property company in Sweden with the aim of having the most satisfied customers in the industry. Hufvudstaden has focused for many years on providing a high level of service for its customers. This requires close collaboration with our tenants. We have our own service manager who is responsible for internal

and external service. Contact with customers is facilitated by the fact that we are within walking distance of our properties and that we have our own service organization with operating technicians who run and maintain the properties.

To maintain a high and consistent level of quality we have designed structured processes for the control and follow-up of business operations. Detailed process descriptions are in place to cover everything from how the buildings are to be constructed to how the leases are signed. Together with property management, the starting point and aim is to provide a high degree of quality and service. Through our close, long-term, personal relationships with our customers, we create sustainable, attractive environments, which results in loyal tenants who remain in our holdings for longer.

Customer Satisfaction Index

According to the annual *Fastighetsbarometern* Customer Survey, Hufvudstaden has once again been placed among the top companies – joint second place. The Customer Satisfaction Index provides answers to how office tenants perceive the premises and the level of service provided by the property owner, as well as customer satisfaction and the degree of customer loyalty. The areas that have the greatest impact on the tenants' satisfaction, and which are also Hufvudstaden's greatest strengths,

are the property owner's image, service, capacity to adapt premises and the way faults are handled and rectified.

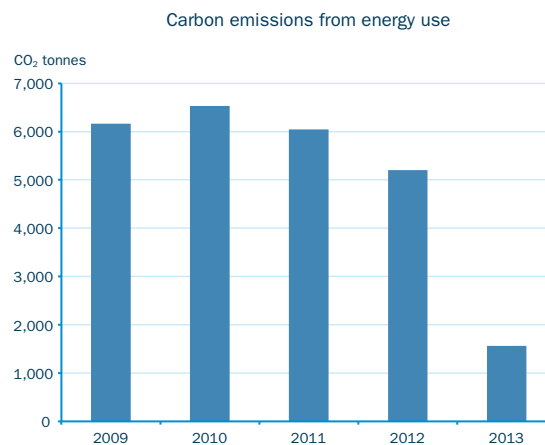
Environment

The greatest source of environmental impact at property companies is energy use in the operation of premises, redevelopment and maintenance. Consequently, long-term work is in progress to reduce our energy use and thus mitigate our climate impact. If we compare climate impact resulting from our operations since 2009, it has fallen by more than 70 per cent. This can be attributed largely to the transition to origin-labelled hydroelectricity, what is termed green electricity, and also the fact that district heating is generating lower emissions and that our overall energy use has fallen.

During the year we introduced the opportunity for both existing and new tenants to sign green leases. Green leases are a joint undertaking between the property owner and the tenant where both parties undertake to collaborate, among other things, on energy savings, choice of materials and waste.

We have already been environmentally certified according to the EU labelling system GreenBuilding. A GreenBuilding certificate means that the building has reduced its energy use by at least 25 per cent. The property Nordstaden 8:24 was granted GreenBuilding certification in spring 2013.

During the year, we applied for certification of two buildings according to the Swedish *Miljöbyggnad* classification system. *Miljöbyggnad* is a certification system based on the Swedish construction regulations, official regulations and



Swedish building practice. With *Miljöbyggnad*, we have an independent survey to ensure that the building satisfies energy, indoor environment and material requirements. In *Miljöbyggnad*, a building can be placed on one of three levels – bronze, silver or gold. Bronze is equivalent to the current statutory requirements.

During the year, the City of Stockholm commenced collaboration with us and other major property owners in Stockholm to establish the working group Stockholm City Forum for Sustainable Properties. The aim is to exchange experience in order to speed up energy-efficient, environmentally friendly solutions in the property sector.

Environmental work is led by the head of property development, who is also a member of the Executive Management. The Company has an Environmental Council with representatives from all departments. The task of the Environmental Council is to secure support and drive environmental work at the Company forward.

Long-term management

During construction and maintenance, there is a whole series of environmental and quality stipulations regarding purchased construction products and services, the aim being to minimize resource waste in conjunction with a change of tenant. The choice of products is made based on environmental impact, lifespan, quality and low energy use.

It is frequently the case that each tenant wants to bring its own style to the premises, which means that it is common for tenant adaptation to take place. The environmental impact of a property is greatest during the management phase. If a life cycle assessment is made of the environmental impact of a property, the property management phase usually accounts for around 85 per cent of the environmental impact and the construction phase for around 15 per cent.

To create sustainable premises, it is important as a property owner to build solutions that are flexible and which can be adapted easily to different wishes and requirements. During construction, stylistically durable products are chosen where the quality ensures less risk that they will need to be replaced in conjunction with a change of tenant.

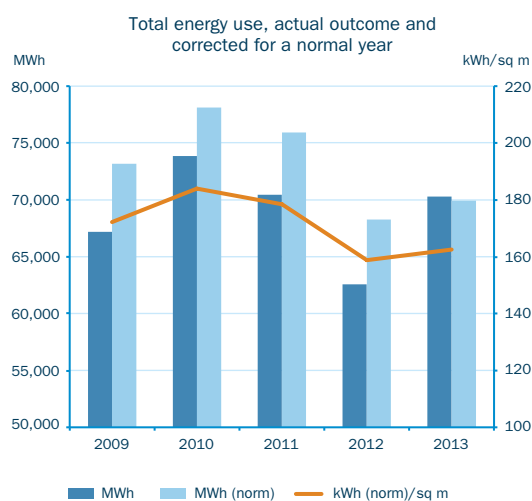
As Hufvudstaden has carried on operations since 1915, long-term thinking has become part of our soul and it is natural for us to plan for how the property will be used far into the future.

We are striving towards innovative thinking and a pioneering choice of technology to reduce energy use. This applies to heating, ventilation and cooling systems as well as the choice of lighting. Hufvudstaden is also available to support our tenants with regard to concrete proposals and solutions to reduce environmental impact.

When choosing construction products, we use the BVB system, which is the property industry's own environmental assessment database. In our projects, we demand that when choosing construction products, our consultants and contractors ensure that the products have been environmentally examined and that waste generated in construction projects is sorted at source.

Energy use

The property sector accounts for around 40 per cent of energy use in Sweden and has a significant impact on climate. Hufvudstaden has worked for a long time to improve efficiency in energy use in its properties. Since 2001, energy use in our comparable holdings, corrected for a normal year, has been reduced by around 20 per cent, equivalent to the energy used by 1,200 modern detached houses during the course of a year. This reduction could be achieved despite longer opening hours in the stores and the fact that an increasing number of office tenants have office landscapes with more persons per square metre, which increases energy use. In 2013, energy use, corrected for a normal year, increased by 2 per cent, which can be attributed to a long, cold winter combined with a warm summer. Compared to the average level of use over the past five years, the reduction has been approximately 4 per cent. If Hufvudstaden's energy used for heating is compared with the Statistics Sweden figures for non-residential premises, it can be noted that our use is approximately 60 per cent lower than the average.



Waste management

Hufvudstaden's target is to reduce the total volume of waste and to arrange a more efficient system for handling residual products. It is also our ambition that as much waste as possible is recycled or reused. Waste in Hufvudstaden's properties comes mainly from the tenants' operations and from projects. As a property owner, we have joint responsibility with our tenants for the efficient operation of the waste management system. As several of our properties are more than 100 years old and have limited common areas, the majority of the waste needs to be sorted directly by the tenant.

During the year, we continued to establish more joint waste sorting stations, for example for stores on the Pumpstocken block. By doing so we have been able to reduce the volume of transport and increase the level of sorting.

GRI

Global Reporting Initiative (GRI) is the most recognized and widely used principle for presenting and reporting sustainability information. It provides guidelines on what a sustainability report should include and the core indicators that should be reported. Hufvudstaden reports according to the GRI standard. The Company's sustainability report has been prepared according to application level C. A supplement to the GRI report and an index can be found on the Hufvudstaden website (www.hufvudstaden.se).

Quality and environmental objectives

Hufvudstaden's environmental programme should be structured with concrete objectives and activity plans. The table below shows our quality and environmental objectives for 2014. A follow-up of the objectives for 2013 is also presented.

The NK Clock

The NK Clock has over the years become an iconic landmark in Stockholm. For almost a century it has been lit using neon lights although in January they were replaced by LED lights. The change has reduced energy use by 90 per cent.



Quality and environmental objectives

Objectives 2013 and 2014	Outcome 2013	Comments
Improve energy use by 3 per cent	Increase of 2 per cent	The increase can be attributed to a long, cold winter, combined with a warm summer. Compared to the average level of use over the past five years, use has fallen by approximately 4 per cent.
Reduce Hufvudstaden's carbon emissions by 5 per cent	70 per cent	The major reduction can be attributed to the fact that we have signed agreements for origin-labelled hydroelectricity.
A top place in the <i>Fastighetsbarometern</i> annual customer satisfaction survey	Second place	During the past five years, we have come top on three occasions.
Continued development of quality and environmental work	Yes	Introduction of green leases. New energy follow-up system.
Further environmental certification of the properties	Yes	Nordstaden 8:24 GreenBuilding certified. An application for <i>Miljöbyggnad</i> certification of Orgelpipan 7 and Oxhuvudet 18 has been submitted.
Reduce the proportion of unsorted waste	Yes	New environmental station for sorting of waste for stores on the Pumpstocken block. Around 20 new office tenants have had a waste sorting station installed.
Guide Hufvudstaden's tenants in their waste sorting work	Yes	All new tenants are being informed about waste sorting matters. Existing tenants have also been invited to breakfast meetings.
Develop communication with our tenants regarding energy and environmental issues	Yes	A new information brochure has been produced dealing with our environment and sustainability work.



NORDISKA KOMPANIET

Hamngatan, Stockholm

Employees

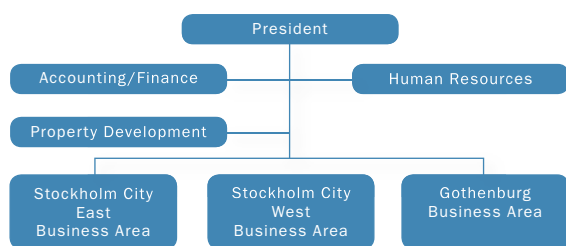
Organization

Hufvudstaden's operations are organized into three business areas: Stockholm City East, Stockholm City West (which includes the NK department stores in Stockholm and Gothenburg) and Gothenburg. The Accounting/Finance, Property Development and Human Resources functions support work on the operating level. We also carry on our own parking operations through the subsidiary Parkaden AB. Hufvudstaden's group management comprises the heads of our three business areas, the heads of Accounting/Finance, Property Development and Human Resources and the President.

At the end of 2013, 97 persons worked in the Group, of whom 94 were in the Parent Company and three at the subsidiary Parkaden AB. There were 85 employees in Stockholm and 12 in Gothenburg. At the year-end, the division was 39 per cent women and 61 per cent men. Of the Group's managers, 35 per cent were women. The average age in the Group was 44 years for men and 42 years for women.

Value-driven corporate culture

Our core values are quality, honesty, attentiveness and commitment. These values are our most important tool in the task of leading and controlling our operations towards achieving the Company's vision and objectives and



towards corporate social responsibility. They are also the basis of Hufvudstaden's corporate culture. They are embodied in everything we do; from recruitment and the introduction of new employees to regular appraisal discussions and information meetings. It involves listening actively, both internally and externally, being honest towards

others and towards oneself and being committed to one's work. We work with short lines of communication and clear mandates that extend far out into the organization. We believe this is a valuable source of motivation and at the same time promotes power of action and innovative thinking. We would like people to give that little extra and to think in terms of quality and for the long term – whatever the situation.

Diversity and equality

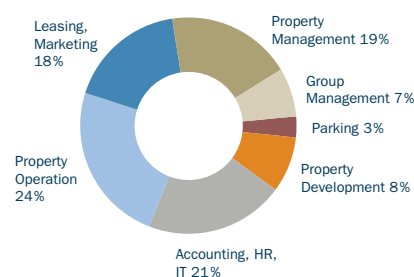
Hufvudstaden is striving for diversity in every part of the organization. We feel that a diverse organization has many advantages, such as greater creativity and innovative ability as well as improved knowledge and understanding of the varying needs of our stakeholders. We can also see that diversity increases in organizations that offer equal opportunities, as more groups of people would like to work there. In our equality programme, all employees are offered the same potential to develop and unfounded salary differences are counteracted. During the year we conducted a salary survey to ensure in a structured way that we have an equal and unbiased remuneration system. The results of the survey show that there are no unfounded salary differences.

Our human resources policy describes how we work to promote equality and combat discrimination in the organization. It is important to us to find employees with the correct knowledge and skills for their duties regardless of age, functional impairment, sexual disposition, religion or ethnic origin. No employee, customer or supplier must be subjected to discrimination.

Hufvudstaden as a workplace

Hufvudstaden is a workplace characterized by strong commitment on the part of employees. At the annual staff conference, all employees in the Group meet to exchange experience and increase the sense of affinity. The theme for this year's staff conference was

Employees per working area



'Future issues in our sub-markets, Stockholm and Gothenburg'.

Being an attractive employer is important for both current and future employees. To measure perception of our attractiveness as an employer, a number of key indicators have been produced. The key indicators are compared to those of other companies, both within and outside the industry, through the 'Attractive Employer Index' produced by the Institute of Human Resource Indicators. Hufvudstaden achieved a high score and we can note that the picture that emerged concurs with what we usually discern from our employee surveys.

Apart from stimulating duties with good potential for development, Hufvudstaden offers a variable remuneration system in the form of a bonus related to the Company's financial outcome and the results of the Customer Satisfaction Index. Staff turnover over the past five years has on average been 7 per cent and during the year the figure was 14 per cent. The increase can be attributed to several employees who have been with the Company for a long time deciding to leave. The average period of employment was 9 years and this supports our view that employees feel that Hufvudstaden is a pleasant place to work.

Working environment

Our working environment must comply with legal stipulations and agreements and be safe and healthy. All employees are covered by collective agreements. Working conditions at the Company, both physical and psychosocial, must

be suitable for women and men. A condition is that it must be possible for all employees to combine employment with parenthood. Our collective agreement promotes this principle and Hufvudstaden encourages both men and women to take parental leave.

Our aim is for Hufvudstaden to be a workplace our employees are proud of. We are part of each other's working environment and together we help each other to develop that environment. This is something that we measure on a regular basis, among other things through a health survey, where we score highly in areas related to the working environment.

The working environment is being developed continuously in a group made up of representatives from various parts of the organization. The group is charged with the task of reviewing and presenting proposals for measures and promoting development of the working environment.

Healthy employees

Hufvudstaden adopts a preventative approach to health through regular health checks, ongoing health-promoting activities and massage at the workplace. All employees are covered by health insurance, which ensures rapid, qualified care in the event of illness. We encourage physical activity both inside and outside work and we provide an annual health and fitness allowance. The success of these initiatives is reflected, for example, in a very low level of absenteeism due to illness, which for the year was 2 per cent. The aim is to maintain a low level. During the year we conducted a health survey in collaboration with our company health department. The results reveal that Hufvudstaden employees are physically active and have good dietary habits. This will lead to a reduced risk of disease and a healthier life.

Career and development

Expert, committed, service-oriented employees in all operating areas are a requirement at Hufvudstaden and contribute to achieving the Company's objectives. Finding new challenges and being able to grow within the Company are important. As far as possible, we try to fill vacant positions by recruiting from within the Company.

Employee development

Hufvudstaden's ambition is to develop and retain talented, dedicated employees. All new employees are offered a comprehensive induction programme, part of which is undertaken by all employees and part of which is designed in line with the person's position in the Company. The individual induction programme usually lasts between two and four weeks. We also have a joint day for all new employees where matters related to the Company's values and approaches are discussed. Another important element in employee development is the appraisal discussion. During these discussions, goals and achievement of goals, skills development and similar issues are examined, after which an individual activity plan is drawn up for the coming year. In our endeavour to maintain a high level of quality, Hufvudstaden invests in competence development in all working areas in the organization and we ensure that training initiatives are linked strongly to demands from the market and among customers. We also promote the development of our employees by allowing them to take part in projects that fall outside their main duties. This could involve a project that is within or outside their operating area. This offers a greater opportunity to exchange experience and promotes the transfer of skills. Increased co-operation also ensures that we work consistently throughout the whole organization.

Leadership development

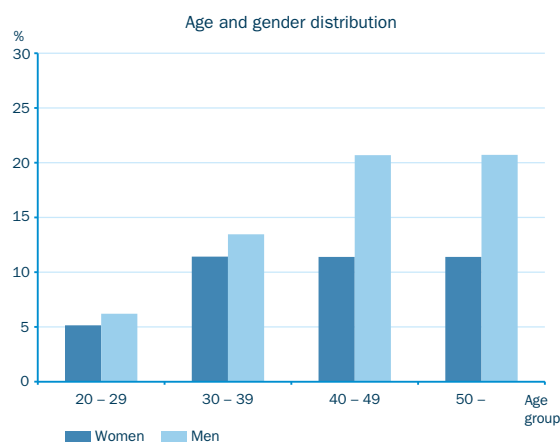
Continuously identifying and developing employees with leadership qualities is a priority area within the Company. Hufvudstaden's leadership should be characterized by courage and exemplary behaviour as well as being forward thinking and inspirational. Regular seminars for managers are arranged and an in-house manager network is now well established. The network has a range of functions and acts as a meeting place where our managers can exchange experience and discuss leadership issues.

At Hufvudstaden there is a deliberate focus on allowing younger employees to have the opportunity an early stage

to assume a management role and to have the opportunity to grow with this responsibility. Generally, Hufvudstaden's managers are responsible for relatively small groups, which statistically is strongly linked to a high degree of job satisfaction and a low level of absenteeism due to illness.

Employees of the future

To facilitate future recruitment needs, Hufvudstaden is building up relationships with students. Each year, Hufvudstaden offers work placement opportunities both during and after completion of studies. During the year, we arranged student days for students at the Royal Institute of Technology and Nackademinn. There is considerable interest in these days and the evaluation revealed that the majority of students could envisage working for Hufvudstaden in the future. These forms of collaboration are just a selection of our strategies to find the most professional employees in the industry in combination with reinforcing our brand. The student days resulted in several permanent appointments and work experience placements.



HUFVUDSTADEN

Gothenburg

“
*With properties in the most attractive
commercial locations, I find it inspiring to
work with development issues.*”

Cathrine Söderström
Head of Business Development, Stores



HUFVUDSTADEN

Stockholm

“
Long-term thinking, sound buildings and a company with a firm focus on service and quality feels like the right corporate profile for me.”

Joakim Grapne
Project Manager, Property Development

Property development

Hufvudstaden is working actively to develop the high quality and efficiency of its property portfolio. The aim is to create good growth in value and, in co-operation with the customers, adapt offices and stores to their conditions and needs. Adaptation of premises was carried out at several locations during the year to satisfy market demand for modern offices in attractive locations in the areas in which Hufvudstaden operates.

Development projects can be divided principally into maintenance projects and adaptation of existing properties as well as major development projects involving existing or new building rights. Development gives the buildings improved environmental performance, a higher technical standard and more efficient and flexible planning of available floor space. The customers have a better product and Hufvudstaden has a higher yield and a better net operating income in the long term.

Project development takes place in close collaboration with the property management organization. During the development process, we endeavour to achieve sustainable architecture with a distinct feeling of quality. The properties should be perceived as attractive, not only today but also well into the future. There is considerable emphasis on creating a product that is easy to maintain from a long-term management point of view. Projects are procured and controlled by Hufvudstaden's own project managers. They are involved in all stages of the project and work on a daily basis with project control, co-ordination with the tenant and working environment issues. This is necessary to satisfy Hufvudstaden's strict demands for quality, flexibility and long-term thinking.

During the past five years, Hufvudstaden has on average invested almost SEK 300 million per year in its projects. Approximately half of this amount can be attributed to adaptation of premises. Maintenance projects and major development projects each account for one quarter of the total investment. In 2013, the level of investment was lower than average, amounting to almost SEK 200 million.

The reason for this is that no major development projects have taken place.

Current project development

Härbärgatet block

In recent years, Hufvudstaden has gradually acquired properties on the Härbärgatet block in Gothenburg and now owns the whole block. The block comprises approximately 23,000 square metres and has a very central location on Fredsgatan. The acquisitions open up the possibility of assuming a holistic approach to the block. At the end of 2012, a planning decision was received from the City of Gothenburg, which means that detailed planning work for the block can probably commence during 2014. An architectural competition has been announced and an evaluation will be made during 2014.

Femman shopping precinct

The Femman shopping precinct in the Nordstan shopping centre is a well-known shopping destination in Gothenburg. The property was constructed at the beginning of the 1970s and over the years only minor maintenance work has been carried out. There is therefore a need for a review of the whole precinct. Surveys have been carried out during the year, including the location of entrances and communication areas. The idea is to create a more modern feeling within and around the precinct and the project is scheduled to commence during 2014.

Bibliotekstan

Bibliotekstan in Stockholm is one of Sweden's most exclusive commercial locations. For many years, Hufvudstaden has invested in developing retail trade in the area with new, high-class, international brands. 2013 was one of the most intensive years in terms of new store openings. The challenge has been to retain the classic design of the area and at the same time ensure that glazed sections, facades and entrances are renewed. We have also worked with the City of Stockholm on developing the street environment.

Adaptation of premises

Most redevelopment that takes place in the Hufvudstaden property holdings comprises adaptation of premises for new or existing tenants. When premises become vacant, an evaluation is made of the technical standard to assess whether there are any refurbishment requirements. Following initial refurbishment, the premises are adapted to the needs of the new tenant. Open-plan arrangements with more efficient use of floor space are being demanded more and more by tenants. This has increased the need for ventilation and cooling and older installations frequently need to be replaced by the latest technology to ensure an optimal indoor climate. Hufvudstaden owns many properties that are adjacent to each other. This facilitates the integration of premises with adjoining floor space, the aim being to optimize flexibility. In all redevelopment, the emphasis is on preserving the special character of the building and its architectural value.

During 2013, renovation and adaptation of approximately 21,000 square metres of floor space were completed. The adaptations were mainly for existing tenants in conjunction with an extension of the lease or an expansion of the leased floor space.

In 2011, Hufvudstaden acquired the Kåkenhusen 38 property, which is at the junction of Brunnsgatan and Norrlandsgatan in central Stockholm. The largest tenant in the property is the Swedish Financial Supervisory Authority. The property is located directly beside Kåkenhusen 39, which we already owned. The Financial Supervisory Authority has requested more office space and will expand into our adjoining property. We have worked together to produce a new, modern office concept, characterized by flexibility and highly efficient use of floor space.



NORDSTAN
Fyran, Gothenburg

Stockholm City East Business Area

Property holdings

Historically, the Stockholm City East Business Area has been the core of Hufvudstaden's property holdings since the Company was founded in 1915. It comprises 17 (17) properties and is made up of two management areas, Normalmstorg and Kungsgatan. The Normalmstorg Management Area comprises properties in Bibliotekstan. The Kungsgatan Management Area comprises properties on the eastern part of Kungsgatan and at the junction of Kungsgatan/Sveavägen. The properties are entirely commercial and consist of office and retailing premises.

Development of holdings

The task of developing Bibliotekstan into the foremost fashion area in Scandinavia continued during 2013. There has been considerable interest from high-class, international store brands and with several new store openings during 2013, Stockholm has gone head to head with Copenhagen in the race to be the principal fashion city in Scandinavia. New stores opened in 2013 included Prada, Armani Collezioni, Church's, Stella McCartney,

Michael Kors, Engelbert, Sephora and Zara Home. During the year, the Wienerkonditoriet premises at the junction of Mäster Samuelsgatan and Biblioteksgatan were also renovated. The business reopened in September under the name

Largest tenants

Office	Sq m
Danske Bank	8,900
Advokatfirman Vinge	7,700
Swedish Financial Supervisory Authority	5,700
Swedish Export Credit Agency	3,900
Cinnober	3,000

Retail	Sq m
Zara	2,500
Urban Outfitters	1,900
Stadium	1,600
Alewalds	1,300
McDonald's	1,300

Wienercaféet. Marketing of the Bibliotekstan brand takes place mainly through events and PR. The fashion week in August and the Christmas market at the beginning of Advent are examples of activities that took place during the year. The development of Bibliotekstan

as a retailing area has led to an increase in the stores' turnover, which has in turn meant that Hufvudstaden has had positive growth in profit with rents increasing for several years.

A number of the Business Area's major office tenants, such as Danske Bank and the Swedish Financial Supervisory Authority, have expanded their premises or will do so during 2014. Long leases have been signed for these premises.

Rental market

Market rents for offices in the Business Area were stable during the year. The greatest interest is in modern premises where efficient use can be made of the floor space. Market rents for office space in prime locations were between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement.

Rents for retailing premises have also shown good growth and market rents for prime locations were SEK 14,000 to SEK 21,000 per square metre per year, excluding the property tax supplement.

Property holdings

	2013	2012
Number of properties	17	17
Rentable floor space, sq m	150,962	151,010
– of which offices	103,205	103,245
– of which stores and restaurants	35,574	35,514
Annual rent, SEK m	743	707
Rental vacancy level, %	3.3	4.0
Floor space vacancy level, %	4.5	5.1

Profit, property management, comparable holdings

SEK m	2013	2012
Net revenue	699.7	677.4
Maintenance	-18.1	-22.1
Operation and administration	-73.9	-72.9
Other costs	-76.8	-67.1
Total costs	-168.8	-162.1
Gross profit	530.9	515.3

New leases and renegotiations

	2013	2012
New leases, sq m	8,300	6,800
New leases, annual rent, SEK m	42	33
Renegotiated leases, sq m	14,700	17,000
Renegotiated annual rent, SEK m	71	75

Customers

The office tenant structure within the Business Area consists mainly of companies that value centrally located, high-quality premises. The predominant sectors are banks, finance companies and law firms as well as recruitment, IT, management and media consultants. In total, there are 325 customers in the Business Area. The ten largest customers lease 44,000 square metres (43,000), representing annual rent revenue of SEK 225 million (210).

The majority of store tenants in Bibliotekstan are younger Scandinavian brands such as Hope, Fifth Avenue Shoe Repair, Whyred, WeSC, Rodebjer and Byredo, alongside larger international brands and retailing chains such as

Prada, Armani Collezioni, Ralph Lauren, Burberry, Filippa K, By Marlene Birger, GANT, Diesel, Zara and Georg Jensen.

The stores along Norrlandsgatan are specialized in sports fashion wear and include North Face, Haglöfs, Norröna and Quiksilver. The larger store tenants along Kungsgatan are mainly chain stores, such as Cervera, Telia, Telenor, Alewalds, Adidas, Stadium, Naturkompaniet and Nespresso.

The Business Area has a number of Stockholm’s more high-end restaurants and cafes, including Prinsen, Bistro Jarl, Zink Grill, Pontus, Vau de Ville and Wienercaféet. These restaurants and cafes are an important element in the attractiveness of the area.

Brands within the Business Area

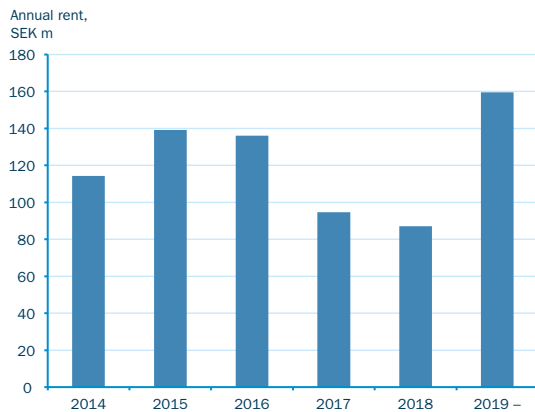
Bibliotekstan. The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan and which contains stores specializing in high-class brands.

Birger Jarlspassagen. The passage, located between Birger Jarlsgatan and Smålandsgatan, is of considerable cultural, historical and architectural value.

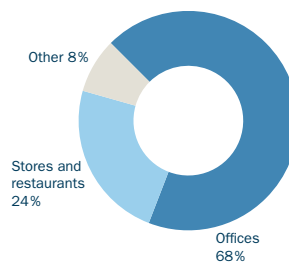
Norrmalmstorg 1. The building is a unique profile property and a commercial landmark in central Stockholm.



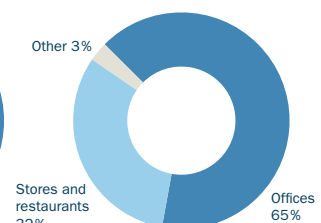
Lease term structure



Rentable floor space per type of premises



Annual rent per type of premises







BIBLIOTEKSTAN
Biblioteksgatan, Stockholm

Stockholm City West Business Area

Property holdings

The Stockholm City West Business Area comprises 8 (8) properties in Stockholm and 1 (1) in Gothenburg. It includes properties in the areas to the south and west of Hötorget and on Regeringsgatan and the NK properties in Stockholm and Gothenburg. The holdings are entirely commercial and comprise office and retailing properties as well as the Parkaden multi-storey car park. The properties are located on Drottninggatan, Klarabergsgatan, Hamngatan, Regeringsgatan, Västra Trädgårdsgatan and in Gamla Stan in Stockholm and on Östra Hamngatan in Gothenburg.

Development of holdings

Refurbishment and adaptation of premises was completed during 2013 on behalf of new and existing tenants. New office tenants include Timecut, Elinder-Sten Arkitekter. UBS and Bain have signed agreements for new, redeveloped premises within the NK Building. Extensive redevelopment of the Svärdfisken 2 property has been completed. The premises have been adapted to the needs of the tenant and offer modern, open office space that facilitates generous, efficient use with expanded ventilation and cooling capacity.

Work on developing the store mix within the Business Area is continuing in order to establish a more attractive marketplace.

The development of the NK department stores in both Stockholm and Gothenburg is an ongoing process with the aim of creating even more attractive

Largest tenants

Office	Sq m
Knowit	3,500
EnterCard	2,500
Investment AB Janus	2,100
Volvo Cars	1,600
Prime	1,600

Stores	Sq m
Departments & Stores	11,300
Rizzo	1,600
Harjak & Månsson	1,600
Northern Classic	1,600
ICA	1,500

department stores that can more than hold their own internationally. At NK Stockholm, the womenswear departments Diane Von Furstenberg and Phase Eight have opened. At NK Gothenburg, John Henric and Michael Kors have opened. A number of departments have also been redeveloped, including the menswear department NK Man and the bag department NK Väskor.

Rental market

The rental market for office space within the Business Area was stable during the year and there is still considerable interest in modern premises where efficient use can be made of the floor space.

The market rents for office premises in prime locations in Stockholm during the year were between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement. The rental market during the year for retailing premises continued to be good. The market rents for the best retailing space in prime locations, excluding NK, were between SEK 4,000 and SEK 12,000 per square metre per year, excluding the property tax supplement. At the NK department store, which occupies the very best location and the very best retailing space in Stockholm, market rents in conjunction with renegotiations and new leases are between SEK 14,000 and SEK 21,000 per square metre per year, excluding the turnover-based rent supplement and the property tax supplement. The equivalent rent levels for NK Gothenburg were between SEK 6,000 and SEK 13,000 per square metre.

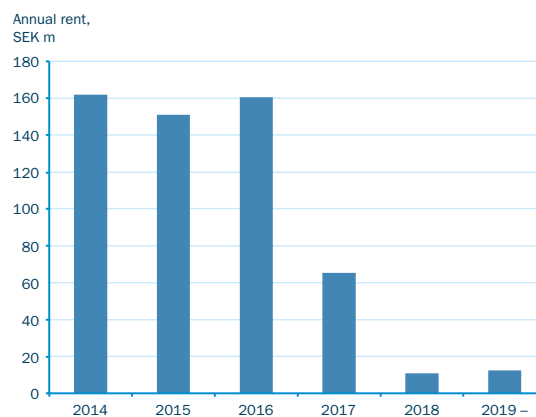
Property holdings

	2013	2012
Number of properties	9	9
Rentable floor space, sq m	149,356	149,713
– of which offices	45,892	45,812
– of which stores and restaurants	44,496	44,520
Annual rent, SEK m	626	606
Rental vacancy level, %	4.1	2.8
Floor space vacancy level, %	5.9	4.6

New leases and renegotiations

	2013	2012
New leases, sq m	1,500	2,800
New leases, annual rent, SEK m	7	15
Renegotiated leases, sq m	18,500	24,600
Renegotiated annual rent, SEK m	87	135

Lease term structure



Customers

The tenant structure within the Business Area comprises mainly companies that value centrally located, high-quality premises. The predominant sectors are law firms, advertising agencies, IT and media companies, organizations and banks. There are 215 customers in the Business Area. The ten largest customers lease 31,000 square metres (30,000), representing annual rent revenue of SEK 238 million (223).

The store tenants largely represent strong, well-known brands with very strict stipulations about establishing operations in attractive marketplaces. In the NK department stores, a large number of the very strongest international and Swedish brands are represented.

AB Nordiska Kompaniet

The wholly owned subsidiary AB Nordiska Kompaniet owns the NK properties in Stockholm and Gothenburg as well as the NK brand. The two department stores are included in the Stockholm City West Business Area.

The NK brand

NK has reinforced and developed its value since 1902 and is now one of Sweden's strongest and most well-known brands among both Swedish and international consumers. The vital task of preserving and implementing the long-term build-up of the brand is the basis of NK's ability to support retailing in the department stores, generating increased rent revenue and raising the value of the properties. This success is founded on close cooperation between the property owner and the proprietors through a proprietors' association. Cooperation is developed further by having the right mix of proprietors, a lively and attractive marketplace and continuous marketing directed at the right target groups.

Hufvudstaden and the proprietors' association work together to formulate annual marketing plans to reinforce NK as a brand and a marketplace.

Retail market

The retail trade as a whole reported growth in consumption during 2013. According to the Retail Survey Index, DHI, sales within the durable goods sector increased in terms of price by 1.2 per cent. Clothing sales increased by 0.1 per cent. Despite a generally unchanged sales volume in the clothing sector, turnover at NK increased by 1.9 per cent compared to 2012. The total turnover was in excess of SEK 2,900 million (2,850) thus making 2013 a new record year for both department stores.

Parking operations

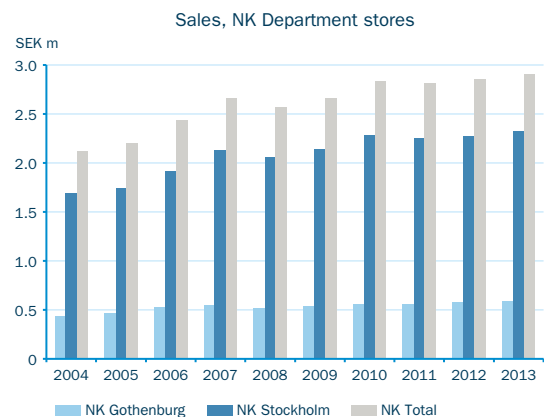
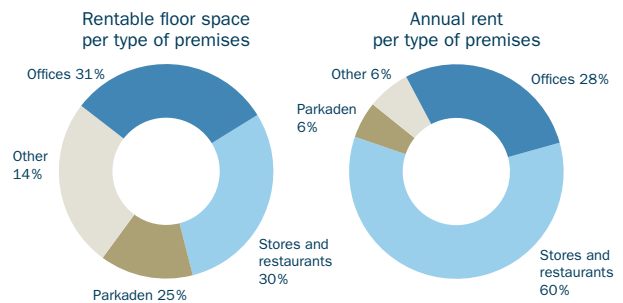
The wholly owned subsidiary Parkaden AB runs parking operations in two Hufvudstaden properties in Stockholm: Parkaden NK, the multi-storey car park on Regeringsgatan, opposite the NK department store, which has 800 parking spaces, and Parkaden Centralen in the Orgelpipan 7 property near the Central Station, with 435 parking spaces. Parkaden NK, one of the safest parking facilities in Stockholm, is an important service amenity for customers in the Hufvudstaden market areas.

Profit, property management, comparable holdings

SEK m	2013	2012
Net revenue	614.8	604.8
Maintenance	-9.9	-10.9
Operation and administration	-120.1	-118.7
Other costs	-66.0	-59.8
Total costs	-196.0	-189.4
Gross profit	418.8	415.4

NK Department stores

	2013	2012
<i>NK Stockholm</i>		
Rentable retailing space, sq m	24,024	24,020
Rentable storage space, sq m	3,534	3,493
Number of departments	99	99
Number of restaurants	8	8
Sales, including VAT, SEK m	2,320	2,270
<i>NK Gothenburg</i>		
Rentable retailing space, sq m	9,900	9,928
Rentable storage space, sq m	1,285	1,301
Number of departments	44	48
Number of restaurants	3	2
Sales, including VAT, SEK m	582	578





BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

NORDISKA KOMPANIET

Östra Hamngatan, Gothenburg



Gothenburg Business Area

Property holdings

The Gothenburg Business Area comprises 4 (4) properties, located in the Gothenburg CBD. The area is divided into two, the Härbärg block and Nordstan. In March, Hufvudstaden took over a new property, Fyran in Nordstan. The acquisition took place as part of a property reallocation and what was previously Nordstaden 8:26 is now part of Nordstaden 8:24. Following the acquisition, Hufvudstaden is one of the two larger individual partners in the Nordstan Cooperative Association, which owns and manages the Nordstan multi-storey car park as well as the square and pedestrianized streets.

Nordstan is one of the leading shopping centres in Northern Europe with attractive retail stores, parking and modern offices in the best possible commercial location. The centre receives around 37 million visitors each year and around 11 million visit Femman. Revenue was just over SEK 4 billion, of which Femman accounts for around SEK 800 million and Fyran around SEK 330 million.

The Femman building houses approximately 60 stores, cafes and restaurants on three floors. The largest retailing tenants are H&M, Nilson Group, Dressmann, Femman Sport and Indiska.

Acquisitions

On March 7, Hufvudstaden took over the property Nordstaden 8:26, located in the Nordstan shopping centre,

Largest tenants

Office	Sq m
Swedish Customs	9,100
Swedish Social Insurance Agency	3,800
Advokatfirman Vinge	2,600
Alektum Inkasso	2,500
Intrum Justitia	2,400

Stores	Sq m
Cassels	1,900
H&M	1,500
Nilson Group	1,400
KappAhl	1,400
Chilli	1,400

through a property reallocation. The purchase sum was SEK 1,265 million. The rentable floor space in the newly acquired property is approximately 20,700 square metres, comprising 11,300 square metres of office space, 8,900 square metres of stores and restaurants and 500 square metres of storage space. Major tenants include the Swedish Social Insurance Agency, the Second Swedish National Pension Fund, KappAhl, Esprit and Cassels.

Development of the holdings

The extension of the Femman precinct was completed in 2013. The project created approximately 5,100 square metres of modern, flexible office space with an outstanding view over central Gothenburg. Through the project, Hufvudstaden has upgraded the property's stairwells and entrances, thus creating an attractive environment for our customers. The project has also included new, energy-efficient technical systems for the whole property, such as ventilation, lighting and lifts. Active energy conservation work has resulted in a reduction in the total energy consumption for the whole Femman precinct, corrected for a normal year, by around 30 per cent. The building was granted GreenBuilding certification in spring 2013.

During 2013, adaptation of office premises was carried out for a number of tenants in conjunction with renegotiation of a lease or the signing of a new lease. The premises have thus been adapted to satisfy the tenants' conditions and needs. Tenants include Colliers, Adecco Sweden AB, Iterio, Speedledger and the KBT Group. In the Fyran property, the lease with the Swedish Social Insurance Agency has been extended and the agreement with Adecco Sweden AB has been renegotiated.

Property holdings

	2013	2012
Number of properties	4	4
Rentable floor space, sq m	87,169	66,408
– of which offices	49,634	38,265
– of which stores and restaurants	31,096	22,236
Annual rent, SEK m	268	191
Rental vacancy level, %	5.4	5.6
Floor space vacancy level, %	7.6	7.8

Profit, property management, comparable holdings

SEK m	2013	2012
Net revenue	258.2	252.6
Maintenance	-4.0	-2.6
Operation and administration	-43.8	-43.9
Other costs	-25.5	-24.0
Total costs	-73.3	-70.5
Gross profit	184.9	182.1

New leases and renegotiations

	2013	2012
New leases, sq m	2,600	5,800
New leases, annual rent, SEK m	6	13
Renegotiated leases, sq m	5,400	15,700
Renegotiated annual rent, SEK m	21	39

The Femman shopping precinct has only undergone minor maintenance work since it was constructed at the beginning of the 1970s. There has therefore been a need to carry out an overview and a survey was conducted during the year to ensure the long-term attractiveness of the precinct as a whole. The project is due to commence during 2014.

Hufvudstaden already owns the whole of the Hårbärg block and within the block there is an undeveloped plot with construction rights comprising approximately 2,000 square metres of commercial space. Our aim in time is to develop the block into an even more attractive marketplace for offices and stores in the best city location in Gothenburg. Following a positive planning decision from the City of Gothenburg, Hufvudstaden announced an architectural competition for the whole block with the aim of densifying and creating new, modern offices and reinforcing the retailing trade. Detailed planning work for the block can probably commence in 2014.

Rental market

The rental market for office premises during the year developed positively with a low level of vacant space and a slight rise in rent levels. The market rent for office space in prime locations was between SEK 2,000 and SEK 2,900 per square metre per year, excluding the property tax supplement. Top rents for modern offices are above this level. In the case of stores, the rent trend continued to be good. Prime location premises attracted rents of between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

Customers

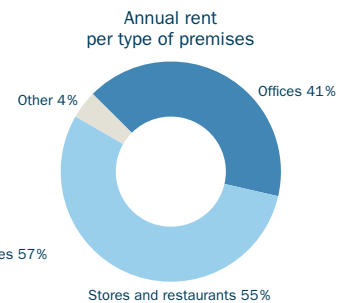
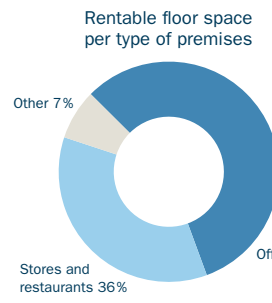
The Business Area's office customers are principally companies that appreciate centrally located, high-quality premises. The predominant sectors are law firms, accountants, the media, public authorities and organizations. The store customers appreciate our attractive, centrally located market and commercial locations. There are 166 customers in the Business Area. The ten largest customers

lease 31,000 square metres (29,000), representing annual rent revenue of SEK 88 million (69).

Brands within the Business Area

Femman. The Femman shopping precinct is one of the strongest brands in retailing in western Sweden and represents a wide range within the clothing and other non-food sectors.

Nordstan. Nordstan is one of Northern Europe's largest indoor shopping centres. Hufvudstaden is one of the two largest individual partners in the Nordstan Cooperative Association with a share of approximately 40 per cent.





VARUHUSET
Femman



NORDSTAN

Femman, Gothenburg



Administration Report

The Board of Directors and the President hereby present the Annual Report and the consolidated accounts for Hufvudstaden AB (publ), company registration number 556012-8240, NK 100, SE-111 77 Stockholm, visiting address Regeringsgatan 38, Stockholm.

Hufvudstaden is listed in the large cap list at Nasdaq OMX Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group.

It is proposed that the Income Statements and Balance Sheets included in the Annual Report be adopted at the Annual Meeting to be held on March 20, 2014.

CORPORATE GOVERNANCE REPORT

Rules and regulations and Articles of Association

Hufvudstaden is a Swedish publically listed company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, and the rules of Nasdaq OMX Stockholm for issuers, the Swedish Corporate Governance Code (the Code), and other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership and is intended to act as guidance in self-governance within Swedish industry, see www.bolagsstyrning.se. It is based on the principle of comply or explain, which means that companies can deviate from one or more rules in the Code if there is justification and an explanation and if the solution chosen can be presented.

Hufvudstaden complies with the Code with a deviation with regard to the Election Committee. The deviation from the Code is explained in more detail below.

Shares and shareholders

Hufvudstaden's share capital at the year-end amounted to SEK 1,056,359,665, divided into 211,271,933 shares, giving a par value of SEK 5 per share. Of the shares, 202,996,869 are series A shares, carrying one vote per share, and 8,275,064 are series C shares, carrying 100 votes per

share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is LE Lundbergföretagen AB, with a total of 45.3 per cent of outstanding shares and 88.1 per cent of the votes. Apart from LE Lundbergföretagen AB, there is no shareholder in the Company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the Company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request that their series C shares be converted into series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules. There is no pension fund or any other undertaking to the personnel with regard to shareholdings. For details of the call options issued by the main shareholder to the Executive Management, see Note 8, page 73.

Buy-back of Company shares

Since the Annual Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the Company. The mandate was renewed at the 2013 Annual Meeting. The aim is to give the Board the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders and/or to allow the Company's own shares to be used as liquidity in conjunction with or to finance the acquisition of a company or property. As at December 31, 2013, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of shares. The whole block was acquired in 2003 at an average price of SEK 27.30 per share. No shares were bought back during the year or after the reporting period (up to and including February 13, 2014).

Annual Meeting

A shareholder's right to decide in matters related to Hufvudstaden is exercised at

a general meeting. Shareholders who are registered in the shareholders' register on the record date and who have notified their intention to attend the meeting within the specified time, are entitled to attend and vote at the Annual Meeting, either in person or by proxy. Shareholders who have their shares registered with nominees must, in order to exercise their right to vote at the Annual Meeting, have their shares re-registered temporarily in their own name as stipulated in the summons to the meeting. Decisions at the meeting are normally reached through a simple majority. In certain matters, however, the Swedish Companies Act stipulates that a proposal must be approved by a higher proportion of the votes represented and cast at the meeting.

Individual shareholders who wish to have a matter taken up at the meeting can make a request to the Hufvudstaden Board of Directors at a separate address, which is published on the Company's website, well in advance of the issuing of a summons to the meeting.

The Annual Meeting must be held in Stockholm within six months of the end of the financial year. The Annual Meeting makes decisions in a range of matters, including adoption of the Income Statements and Balance Sheets; dividend; discharge of the members of the Board of Directors and the President from liability; election of members of the Board of Directors, the Chairman of the Board and auditors, as well as remuneration to the Board of Directors and auditors; principles for remuneration to senior executives and other important matters. Notice of a general meeting shall be issued in the form of announcements in *Post- och Inrikes Tidningar* and on the Company's website. Notification that the summons has been sent out is published in *Dagens Nyheter*.

The 2013 Annual Meeting was held on March 21, 2013. A total of 344 shareholders, representing 128,366,568 series A shares and 8,258,954 series C shares, were present and they represented 954,261,968 votes, equivalent to 93 per cent of the total number of outstanding votes. Present at the meeting were the Board of Directors, the members of the Executive Management and the auditor.

Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual Meeting to adopt the presented Income Statement and the Balance Sheet as well as the Consolidated Income Statement and the Consolidated Balance Sheet and to allocate the unappropriated earnings in such a way that SEK 2.60 per share was paid to the shareholders as a dividend. At the meeting, discharge from liability was granted to the members of the Board of Directors and the President and a decision was reached on the remuneration to the members of the Board of Directors and the auditors. In addition, all members of the Board of Directors were re-elected and the auditors were re-elected for the period up to the end of the next Annual Meeting. Finally, a decision was reached at the meeting on guidelines for remuneration to senior executives and authorization for the Board of Directors to decide on the acquisition and transfer of the Company's own series A shares.

The 2014 Annual Meeting will be held in Stockholm on March 20, 2014.

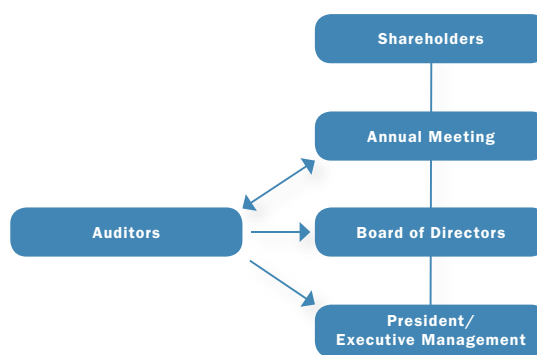
Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise, in addition to the members appointed according to law by a party other than the general meeting, a minimum of five and a maximum of ten members. Members are elected at a general meeting of the shareholders for the period up to the end of the first Annual Meeting to be held after the year in which the members of the Board of Directors were appointed. In the light of the concentrated ownership structure, there is no formally appointed Election Committee, which is a deviation from the Code. It is the duty of the Election Committee to prepare the decisions to be reached at the Meeting in matters relating to elections and fees although these are implemented by Hufvudstaden's main shareholder, LE Lundbergföretagen AB. The main shareholder proposes a person to chair the meeting, a Board of Directors, a Chairman and fees for the Board of Directors as well as an auditor and a fee for the auditor. Hufvudstaden must be notified of the proposal from the main

shareholder well in advance to ensure that the proposal can be presented in the summons to the Annual Meeting and at the same time presented on Hufvudstaden's website. Other shareholders have the opportunity to present nomination proposals at the address stated on the website. Proposals are made public no later than in conjunction with the summons to the Annual Meeting.

As a basis for its proposal prior to the 2014 Annual Meeting, the main shareholder has assessed whether the composition of the present Board of

Hufvudstaden's control structure



Directors is appropriate, among other things using applicable parts of the annual evaluation of the work of the Board of Directors as a guide. The Election Committee procedure applied at Hufvudstaden is a deviation from the Code.

Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the work of the Company. All members of the Board have been assessed based on skills, experience and background. The only member of the Executive Management on the Board is the President and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder LE Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For

further information about individual Board members, see pages 84–85. An external lawyer is engaged to act as secretary to the Board.

Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organization and management and for ensuring that control of the accounting records, management of funds and financial circumstances in general are satisfactory. The Board of Directors reaches decisions in matters regarding the Group's overall aims, strategic orientation and policies as well as more important issues regarding financing, acquisitions, divestments and investments. Other duties that are incumbent on the Board of Directors include the following:

- Continuous follow-up and assessment of the Company's financial position and business development.
- Continuous evaluation of the Company's operative management and the work of the President.
- Ensuring that there is satisfactory control of the Company's compliance with laws and other regulations and the continuous evaluation of the Company's internal control and risk management systems.

• Adopting the Company's ethical guidelines.

The work of the Board of Directors follows the rules of procedure adopted by the Board of Directors, which provide the framework for decisions regarding investments, financing, financial statements and other matters of a strategic nature. The rules of procedure also govern the undertakings of the Board of Directors and the President and the allocation of duties between the Board and the President. The relevance and validity of the rules of procedure are reviewed each year.

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to follow the Group's operations and development on an ongoing basis. The Chairman of the Board consults with the President on strategic matters, represents the Company in ownership matters and passes on the views of the shareholders to the Board.

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The Board also evaluates the work of the President, although without the person in question being present, and approves more material assignments carried out by the President outside the Company.

Work of the Board of Directors

During the 2013 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. Economic and financial reports and operational reports from the Business Areas are presented at each Board meeting. In addition, key matters of a principle nature or of major financial significance are taken up at each ordinary meeting. During the year, the work of the Board of Directors has been directed specifically at strategy discussions, issues pertaining to the economic climate and financing as well as investments. Other matters dealt with during the year were property acquisitions in Gothenburg, development planning for the Härbärg block in Gothenburg and expansion of the MTN programme. Company officials attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2012 was approved and the Board meeting in August in conjunction with the examination of the Company's six-monthly report.

Audit

According to the Articles of Association, the Company must have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the 2013 Annual Meeting, KPMG AB was elected as the auditing company for a period of one year. George Pettersson is lead auditor.

George Pettersson's other major assignments include LE Lundbergföretagen AB, Holmen AB, Sandvik AB and Skanska AB.

The Board meets the Company's auditor twice a year, once in the absence of the President. On these occasions, the auditor presents a report and there is a discussion about the audit orientation and observations. Internal routines and control systems are examined continuously during the year. A final examination of the annual accounts and the Annual Report takes place in January–February. The six-monthly report is examined on a general basis. The fee to the auditors, including the fee for advisory services, is reported in Note 9.

Audit Committee

The Board has examined the matter of establishment of an Audit Committee but has chosen not to appoint such a committee and will instead handle matters that rest with such a committee within the framework of the ordinary work of the Board of Directors. The full expertise of the Board can be utilized and the meetings can be made more efficient. This means that the whole of the Board of Directors perform the duties that rest with an Audit Committee.

Executive Management

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to reach well-informed decisions.

In addition to the President, the Executive Management comprises the three business area heads, as well as the Head of Finance, the Head of Property Development and the Head of Human Resources. The Executive Management meets approximately once a month to discuss current issues. For information about individual members, see pages 86–87.

Remuneration Committee

The Board of Directors has ex-

amined the question of setting up a Remuneration Committee but has opted not to set up such a committee and will instead handle the matter within the framework of the normal work of the Board of Directors. The full expertise of the Board can be utilized and the meetings can be made more efficient. This means that the whole of the Board of Directors, apart from the President, perform the duties that rest with a Remuneration Committee, including following up and evaluating current programmes and programmes concluded during the year for variable remuneration to executives. The Board of Directors also follows and evaluates the application of the guidelines governing remuneration to executives, as decided at the Annual Meeting, and governing Company remuneration structures and remuneration levels for executives.

Remuneration

Board of Directors

Remuneration to the Board of Directors is decided at the Annual Meeting. At the Annual Meeting in 2013 it was decided that remuneration for Board work for 2013, totalling SEK 1,800,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. The Chairman received SEK 400,000 and the other seven non-employed members received SEK 200,000 each.

Executive Management

Guidelines for salaries, bonuses and other remuneration to the Company's executives are decided at the Annual Meeting. It was decided at the meeting that the same guidelines decided at the 2012 Annual Meeting should be applied for 2013, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited, profit-related bonus scheme as described below. The Company has no incentive schemes related to share price. These guidelines have been followed since the 2013 Annual Meeting and with the exception of an addendum regarding a direct pension to the President, the guidelines that will be presented at the 2014 Annual Meeting are unchanged. The report by the Board of Directors covering the evaluation of variable remuneration programmes for the Executive Management, the application of guidelines for remuneration to executives and current

Name	Function	Attendance 2013 ¹⁾	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Bengt Braun		7	Yes	Yes
Peter Egardt		7	Yes	Yes
Louise Lindh		7	Yes	No
Hans Mertzig		7	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg		7	Yes	Yes
Ivo Stopner	President	7	No (employee)	Yes

¹⁾ Seven Board meetings were held during the year, of which five were after the Annual Meeting.

Company remuneration structures and remuneration levels for executives will be published on the Company's website, www.hufvudstaden.se, no later than two weeks prior to the 2014 Annual Meeting. The auditor's statement on whether guidelines for remuneration to executives, which were adopted at the Annual Meeting in 2013, have been followed is available on the Company's website www.hufvudstaden.se no later than three weeks prior to the Annual Meeting and will be attached to the documents distributed at the Annual Meeting. The statement is also available from the Company on request.

Remuneration to the President is proposed by the Chairman of the Board and is confirmed by the Board of Directors. The President does not take part in this decision. The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

For further information regarding salaries and remuneration as well as guidelines for remuneration to executives, as adopted at the 2013 Annual Meeting, see Note 8.

Bonus

Other permanent employees in the Group were included in a bonus scheme during the year. The bonus payment criteria are 'operating results' and 'customer satisfaction'. In the case of managers with HR responsibility, there is also a personal assessment with individual objectives.

In the case of both bonus schemes, a decision is made one year at a time and is subject to a ceiling. A bonus is only payable if the Company reports a positive result with no consideration given to unrealized changes in value. In 2013, the bonus cost for all employees was SEK 3.1 million (3.5) or an average of SEK 17,000 per employee. For the Executive Management, including the President, the average was SEK 231,000 per person. The bonus is not pensionable.

Internal control and risk management

The Board of Directors has overall responsibility for ensuring that Hufvudstaden has a satisfactory internal control system. The President is responsible for ensuring that such a system is in place and covers any material risk of error in the financial statements. Hufvudstaden's internal control systems cover the control

environment, risk assessment, control measures, information, communication and follow-up.

Control environment

The control environment is the basis for internal control of financial reporting. Hufvudstaden's internal control structure is based, among other things, on a clear allocation of responsibility and duties between the Board of Directors and the President and within the Company's operations. The Executive Management and the Board of Directors continuously document and evaluate policies and guidelines, such as the Company's valuation principles, information policy and accounting handbook. To ensure continuous operational follow-up, there are routines in place for financial reporting and analysis. The routines include monthly and quarterly reports, budget follow-ups and forecasts. These tasks are handled by the accounting and control function on the Business Area and Group level.

Risk assessment

Based on ongoing discussions and meetings in the organization, the Hufvudstaden Executive Management identify, analyse and decide on the Company's material risk areas, whereupon the Board of Directors confirms these areas. The Executive Management is responsible for handling the risk of error in the financial statements. The Board of Directors examines the outcome of the Company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects and handling of tax matters.

Control measures

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventative nature, i.e. measures aimed at avoiding losses or errors in the reporting, and of an identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the Company's result, and which have carefully formulated control measures, are property valuation, maintenance, redevelopment, interest payments and leasing. Controls are carried out, among other things, using deviation analyses and quarterly meetings between the business area, Executive Management and controller function.

Information and communication

In-house information and external communication are governed on a general level by, among other things, an information policy. Internal communication to and from the Board and Executive Management takes place, among other things, by the management holding regular information meetings, both for the whole Company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through the intranet, all employees have access to up-to-date information. Internal policies, guidelines, instructions and equivalent documents that control and support operations are published on the intranet. Feedback on internal control work takes place at quarterly meetings, management team meetings and Board meetings.

Follow-up

The Hufvudstaden Executive Management evaluates on an ongoing basis internal control of financial reporting, particularly through its own analyses, questioning and familiarization with the work of the controller function. To follow up identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including the Executive Management's comments on operations, the Board receives the Executive Management's comments on how operations and internal control are working and whether identified risks ought to be changed. The Company's auditor attends Board meetings on two occasions each year and reports his observations regarding the Company's internal routines and control systems. The members of the Board then have the opportunity to ask questions. Each year, an examination is made of material risk areas, whereupon the Board adopts a position on risks in the financial reporting system and evaluates the internal controls.

Internal audit statement

The Hufvudstaden Executive Management has systematically examined and structured the internal documentation of the in-house control system. Nothing has emerged to indicate that the control system is not functioning in the manner intended. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.

BIBLIOTEKSTAN

Biblioteksgatan, Stockholm





NORDISKA KOMPANIET

Östra Hamngatan, Gothenburg

OPERATIONS

Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden's business concept is to offer successful companies high-quality office and retailing premises in attractive marketplaces.

Key events during the financial year

The global economy remained uncertain during 2013. The financial problems in Europe were followed by high unemployment, a low rate of growth and the risk of deflation. The ECB has implemented financial support initiatives and the key rate at the end of the year stood at 0.25 per cent. In the USA, signs of an improvement in the economy could be detected although with some uncertainty regarding a recovery. Under the circumstances, Sweden has fared relatively well despite weak exports and a weak industrial climate with rising unemployment. The employment trend has been strong, which can be attributed to the growing service sector. Inflation, however, is at a very low level and the Swedish Central Bank reduced the key rate at the end of the year to 0.75 per cent.

The cities have managed relatively well compared to the rest of the country. Investment in current infrastructure projects in both Stockholm and Gothenburg has boosted growth in the regions. The strong increase in employment in the service sector has also had a positive impact as the two regions are weighted towards this sector. Tourism has continued to be strong and relatively good household finances have benefited consumption.

Demand on the office market in Stockholm was stable during the year. The uncertain state of the economy has meant the market has been slightly reticent and that decision-making processes have been more protracted. The relocation of banking and insurance institutions will begin during 2014 although in some respects these have already affected the market. No new major projects were completed in the CBD, which has meant limited access to high-quality premises. Vacant space has been on the 4–5 per cent level. The office rental market has developed positively in Gothenburg and there has been good demand for modern, flexible, centrally located premises. This has meant increased rents and continued low levels of vacant

space. In the case of retailing space in Stockholm and Gothenburg, there is virtually no vacant space and it has been possible to raise rent levels slightly.

In March, the Company took possession of the property Nordstaden 8:26, which was acquired through a property reallocation. Store projects in progress in conjunction with the acquisition have now been completed and the property has generated a good net operating income. In the other property that Hufvudstaden owns in Nordstan, Femman, a review has commenced of the retailing areas and the design of the commercial areas. On the Härbärgat block, development of the area has continued with further office and retailing space. An architectural competition has been announced and an evaluation of the alternatives will be made during 2014. The position of Bibliotekstan has been reinforced even further through the establishment of several international brands during the year, including Prada, Michael Kors and Armani Collezioni. The important meeting point in the area, Wienercaféet, has been refurbished. Rent negotiations have resulted in an increase of 4 per cent, of which stores and offices have contributed in roughly equal proportions.

Hufvudstaden's financial position is strong and operating profit is stable. The equity ratio was 58 per cent and the net loan-to-value ratio was 20 per cent. Low interest rates have resulted in the interest coverage multiple increasing to 8.3. During the year, the MTN programme limit was increased by SEK 2 billion to SEK 4 billion. A commercial paper programme of SEK 2 billion was already in place. At the end of the year, the outstanding volume of bonds was SEK 1.9 billion and commercial paper SEK 1.0 billion.

Increased competition in the banking sector and an efficient credit market have contributed to a property market with good liquidity. Transaction volumes totalled SEK 103 billion, which is on a par with the previous year. As a result of low yield requirements and slightly higher rents, the value of the property holdings was written up during the year.

Property holdings

At the end of the year, Hufvudstaden owned 30 properties (30). The rentable floor space was 284,000 square metres in Stockholm and 103,500 square metres in

Gothenburg, making a total of 387,500 square metres (367,100). The increase can be attributed to acquisitions following reallocation of a property in Gothenburg.

The total rental vacancy level in the Group as at December 31, 2013 was 4.0 per cent (3.7) and the floor space vacancy level was 5.7 per cent (5.4). In Stockholm, the rental vacancy level was 3.7 per cent and in Gothenburg 4.9 per cent.

During the year, 38,600 square metres (57,300) were renegotiated at a total value of SEK 179 million per year and new leases were signed for 12,400 square metres (15,400).

Property value and net asset value

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as at December 31, 2013. To assure the valuation, external valuations were commissioned from three valuation companies. The external valuations made at the turn of the year were equivalent to 35 per cent of the fair value and the equivalent proportion for the whole of 2013 was 66 per cent.

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 830 million
Property costs	SEK 50/sq m	SEK 415 million
Rental vacancy level	1.0 percentage points	SEK 350 million
Yield requirement	0.25 percentage points	SEK 1,400 million

The fair value of the property holdings as at December 31, 2013 was set at SEK 25.9 billion (23.1). The unrealized change in value was SEK 1,357.9 million (620.6).

Valuation method

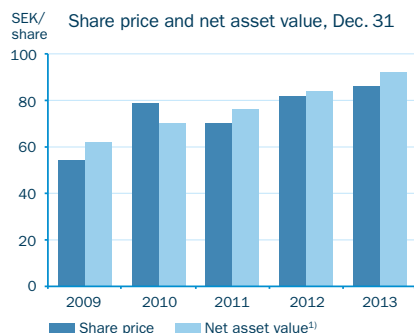
A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place based on a valuation made according to a variant of the location price method, known as the net capitalization method, where the market yield requirement is set against the net operating income of the properties.

A presentation of the valuation method and assumptions can be found in Note 17 Properties.

Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 18.9

billion or SEK 92 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 5 per cent of the difference between the assessed fair value of the properties and the residual value of the properties for tax purposes. The assessment is made in the light of current tax legislation, which means



1) The estimated deferred tax for costing purposes was set at 5 per cent from December 31, 2012. The figure was 10 per cent for previous periods.

that properties can be sold via a limited company without tax implications. The purchaser, however, loses the basis for

Net asset value, December 31, 2013

SEK billion	0%	5%	22%
Reported equity	15.3	15.3	15.3
Reversal of reported deferred tax	4.7	4.7	4.7
Net asset value before tax	20.0	20.0	20.0
Calculated deferred tax	-	-1.1	-4.7
Net asset value after tax	20.0	18.9	15.3
Net asset value per share	SEK 97	SEK 92	SEK 74

depreciation, which could justify some compensation, which has been set at 5 per cent. The table shows the net asset value with different assumed deferred tax rates.

Opportunities and risks

Uncertainty in recent years on the financial markets has resulted in a more restrictive and more regulated credit market. The capital market has also been utilized to an increasing extent for property financing.

This trend has led to reporting of financial position and assessment of operational orientation becoming increasingly important elements. There has therefore been a significant focus on operating risks. The Company's financial risks are reviewed on a continuous basis. Hufvudstaden's financing potential has been guaranteed through long-term loan assurances. The frame-

work is SEK 4,000 million, of which SEK 1,100 million was unutilized. The Company has satisfactory margins in relation to the lenders' restrictions (covenants) regarding the loan agreements. Loans that will fall due in 2014 amount to SEK 200 million, see Note 25. The interest risk has been handled by hedging the interest level for SEK 3,550 million of the total borrowing of SEK 5,750 million. The fixed interest period was 41 months and the average annual equivalent rate was 2.3 per cent. The Company's financing alternatives have been broadened by raising the MTN programme limit to SEK 4 billion. The programme covers long-term financing from 1–15 years. The short-term commercial paper programme totals SEK 2 billion. To minimize bad debts, new customers are subject to credit checks and there is continuous monitoring of accounts receivable and rent receivables.

Hufvudstaden's potential to influence profits in current operations in the short term is limited. Revenue is governed by relatively long leases – normally three to five years – and operating costs are difficult to change in the short term without sacrificing service and quality. Hufvudstaden's profitability and operations are affected mainly by macro-economic factors, such as the business climate, interest rates, regional development in Stockholm and Gothenburg as well as political decisions. Planning well in advance and clear strategies are vital if a property company is to handle opportunities and risks successfully. The Company has identified material risks and uncertainty factors as described below.

Changes in value in the property holdings

Changes in the fair value of the properties due to fluctuations in the economy and other factors represent both a risk and an opportunity. However, the risk is limited by the concentration of the properties in the most attractive commercial locations.

Rent trend

The rent trend involves both risks and opportunities. The risk, however, is limited by Hufvudstaden's concentration on properties in the most attractive commercial locations. The rent levels for vacant office premises are affected

quickly in the event of a strengthening or weakening of the economy. Rents for central retailing locations are more stable. The rent level for occupied premises with leases of three years or longer is linked to the consumer price index. The majority of leases are not affected by a fall in the index. Rent changes take place when the leases are renegotiated.

Property tax

Property tax increases constitute a risk although this risk is limited as a significant proportion of the property tax is passed on to Hufvudstaden's tenants.

Rent losses on vacant premises

In the event of a slowdown in the economy, the risk of an increase in vacant space is greater for Hufvudstaden's office premises than for retail premises. There should always be some vacant space in order to offer the tenants potential for expansion, to permit redevelopment to take place and to test the market's willingness to accept higher rent levels.

Lease term

A long average lease term is an advantage when market rents are falling and a disadvantage when they are rising. Excessively frequent relocation and vacation of premises give rise to considerable adaptation costs for premises. These costs cannot always be compensated for by increased rents. Normally, Hufvudstaden seeks to sign leases with a long lease term.

Turnover-based rent

Turnover-based rent is mainly applied at the NK department stores. Hufvudstaden is striving to increase the proportion of lease agreements with turnover-based rent as they offer upward potential while at the same time the guaranteed minimum rent in turnover-based leases limits the risk of a fall in rents.

Operation and maintenance

Hufvudstaden is working actively to optimize the properties' energy use and in doing so reduce operating costs. Energy procurement takes place regularly through forward agreements to reduce sensitivity to fluctuations in energy prices.

Hufvudstaden's property holdings are well maintained. The Company is very focused in the way it works with follow-up and control of costs in each individual property, thus reducing the risk of unforeseen cost increases.

Concentration on central Stockholm and central Gothenburg

The concentration of a property portfolio in a geographical market area could involve a potential increase in risk because of reduced diversification. In Hufvudstaden's case, however, the risk is limited as the assessment is that in time Stockholm and Gothenburg will be the country's strongest market areas and the most interesting growth markets.

Financial risks

Apart from its own funds, the Company's operations are also financed through loans. Consequently, the Group is exposed to financing, interest rate and credit risks. A presentation of the Company's Finance Policy and the manner in which financial risks are handled, as well as credit risks attributable to accounts receivable and rent receivables, can be found in Note 2.

Sensitivity analysis

The effects on pre-tax profit on a full-year basis, excluding changes in value, in conjunction with changes in a number of factors are reported below.

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs, property tax and interest expense, refer to the effects that would have occurred during the 2013 financial year if the changes had occurred at the beginning of 2013.

The reported effects on profit should only be seen as an indication and do not include any effect resulting from compensatory measures that could be taken by the Executive Management.

Non-financial result indicators

Corporate social responsibility, both internally and externally, is a prerequisite

for success. Hufvudstaden contributes to the development of society by assuming responsibility for its properties and the surrounding environment. The Company ensures that it complies with current laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are an active tool in the day-to-day work.

Environmental impact

Hufvudstaden is working actively to reduce negative environmental impact by, for example, reducing energy use and demanding the use of environmentally adapted products. Sustainability information for the Company is presented according to the Global Reporting Initiative standard. See also the Company's GRI Annex on the website www.hufvudstaden.se.

Stock market information

All publishing of information is governed by the Company's information policy. The Annual Report and interim reports are published in Swedish and English and are distributed to shareholders and other parties who have expressed an interest.

Reports and press releases are available on the Company's website, www.hufvudstaden.se, where subscription applications can be made as well as requests for information.

Key events after the year-end

No events of material significance took place after the end of the financial year.

The future

The recovery in the Swedish economy has taken longer and has been weaker than expected. Uncertain development in Europe, coupled with a winding down of stimulation measures in the USA, mean that help from the international economy could take time. Our assessment is that the economy will not strengthen until the end of 2014. The rate of growth is expected to be better than in 2013 as Sweden's good financial position provides scope for an expansive finance policy which, combined with rising employment, could generate conditions for improved growth. Significant infrastructure investments have also commenced in Stockholm and Gothenburg, which is positive for our market

areas. Rent levels were stable or up slightly in 2013 and our assessment is that the rental market will strengthen somewhat. The bank relocations that are due to commence during 2014 will affect the market and although the majority of floor space will be developed, this will not be completed until later. Vacant space in our property holdings has been in the lower part of the range that could be considered normal, 4–6 per cent. In the light of the above, our assessment is that vacant space will increase slightly although it is still within the normal range. The increased purchasing power of households and considerable interest from international fashion brands will contribute to a slight increase in rents for retail premises and continued very low levels of vacant space.

Hufvudstaden's strong financial position and good earning capacity open up the opportunity to develop the property holdings. In Gothenburg, a review has commenced of the Femman shopping precinct and concrete plans are currently being formulated for the Hårbärg block. These projects will make our market areas more attractive and in the long term increase the Company's profitability.

The Swedish property market has functioned well considering the conditions that have characterized the global economy. Our assessment is that the property market will continue to be attractive and that transaction volumes will remain on the same level or rise slightly. Yield levels are considered to be stable. Hufvudstaden will continue to investigate the possibility of making additional acquisitions.

Dividend and allocation of profit

The Board has proposed a dividend of SEK 2.75 per share, or a total of SEK 567.2 million. The Board of Directors' proposed allocation of unappropriated earnings is presented in full on page 82.

A statement regarding the dividend proposal, complete with reasons, can be found on the Company's website www.hufvudstaden.se, and will be enclosed with the documents at the Annual Meeting. The statement is also available from the Company on request.

Change in pre-tax profit, excluding changes in value

	Change	Impact on profit, excluding changes in value before tax, +/-
Rent level	SEK 100/sq m	SEK 39 million
Vacancy level ¹⁾	1 percentage point	SEK 13 million
Operation and maintenance	10 per cent	SEK 15 million
Property tax ²⁾	1 per cent	SEK 13 million
Interest rate ³⁾	1 percentage point	SEK 58 million

1) Vacant floor space is estimated at SEK 3,500 per square metre.

2) Taking into account the fact that the costs are in part passed on to the tenants within the framework of the lease agreements.

3) Without taking into account the fixing of interest through derivatives. For details of the effect, including derivatives, see Note 2, page 69.

Church's



BIBLIOTEKSTAN

Smålandsgatan, Stockholm

Income Statements – Group

SEK m	Note	2013	2012
<i>Net revenue</i>			
Property management	4, 5	1,572.7	1,472.0
Parking operations		67.7	69.7
	3	1,640.4	1,541.7
<i>Property management costs</i>			
– Maintenance		-32.0	-35.5
– Operations and administration	6	-237.8	-227.1
– Ground rents		-16.1	-16.3
– Property tax		-152.2	-128.2
Property management expenses		-438.1	-407.1
Parking operations, costs	3, 6	-49.7	-49.4
Cost of operations		-487.8	-456.5
Gross profit		1,152.6	1,085.2
– of which Property management	3	1,134.6	1,064.9
– of which Parking operations	3	18.0	20.3
Central administration		-35.7	-34.1
Operating profit before changes in value	8–11	1,116.9	1,051.1
<i>Changes in value</i>			
– Properties	12	1,357.9	620.6
– Interest derivatives		59.6	-25.4
Operating profit		2,534.4	1,646.3
<i>Financial income and expense</i>			
Financial income	13	8.5	4.3
Financial expense	14	-136.3	-165.0
		-127.8	-160.7
Profit before tax		2,406.6	1,485.6
Tax	16	-530.5	453.8
PROFIT FOR THE YEAR AFTER TAX		1,876.1	1,939.4
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		1,876.1	1,939.4
Profit for the year per share before and after dilution, SEK		9.10	9.40
Ordinary dividend per share, SEK (proposed)		2.75	2.60

Comments

Property management

Net revenue from property management during the year totalled SEK 1,572.7 million (1,472.0), equivalent to an increase of 7 per cent. The increase can be attributed mainly to the acquired Fyran property in Nordstan in Gothenburg as well as higher gross rents in conjunction with renegotiations and new leases. During the year, Hufvudstaden renegotiated leases equivalent to SEK 179 million in annual rent revenue. Renegotiations for both office and retail premises resulted in an average increase in rent levels of around 4 per cent (10). The cost of vacant space also increased slightly and the level of vacant space rose during the year from 3.7 per cent to 4.0 per cent.

The turnover-based rent supplement was SEK 10.3 million (9.4), of which the NK properties accounted for SEK 9.6 million (8.8). Turnover at the NK department stores was approximately SEK 2,900 million (2,850). Apart from the turnover-based rent supplement, there are no material seasonal variations with regard to rents.

Maintenance costs amounted to SEK 32.0 million (35.5). Operating costs amounted to SEK 177.4 million (169.5). The higher operating costs can be attributed mainly to the acquired property.

Administration costs totalled SEK 60.4 million (57.6). Property tax increased to SEK 152.2 million (128.2) following a general property tax assessment in 2013. The cost of property tax has mainly been passed on to the tenants. Overall, this means that the total cost for property management amounted to SEK 438.1 million (407.1).

The gross profit for the year was SEK 1,134.6 million (1,064.9), an increase of 7 per cent.

Parking operations

Parking operations comprise parking operations at Parkaden AB.

Net revenue was SEK 67.7 million (69.7). Costs amounted to SEK 49.7 million (49.4) and gross profit amounted to SEK 18.0 million (20.3).

Changes in value

Changes in the value of properties totalled SEK 1,357.9 million (620.6). The unrealized change in value can be attributed to the effect of a slightly lower yield requirement as well as higher rents in conjunction with new and renegotiated leases. The average yield requirement in conjunction with the above valuation was 4.7 per cent (4.8).

Changes in the value of interest derivatives totalled SEK 59.6 million (-25.4).

Hufvudstaden uses interest derivatives to reduce the impact on profit of changes in interest levels by achieving fixed interest periods that take into account the lease renewal structure. See also Interest risk section in Note 2.

Financial items

Financial income was SEK 8.5 million (4.3). Financial expense amounted to SEK -136.3 million (-165.0). Interest expense fell despite the fact that the level of borrowing increased in conjunction with property acquisitions, which can be explained by a lower rate of interest on loans.

Tax

The Group's tax expense was SEK -530.5 million (453.8), of which SEK -141.0 million (-176.2) was current tax and SEK -389.5 million (630.0) was deferred tax. The positive figures for the previous year can be attributed to a recalculation of deferred tax from 26.3 per cent to 22 per cent as a result of a reduction in corporation tax. The total non-recurring income was SEK 887.6 million.

Profit for the year

The profit for the year was SEK 1,876.1 million (1,939.4).

Balance Sheets – Group

SEK m	Note	31-12-2013	31-12-2012
ASSETS			
Fixed assets			
Properties	17	25,869.1	23,057.5
Tangible fixed assets	18	5.5	4.3
Non-current receivables	20	43.6	6.7
Total fixed assets		25,918.2	23,068.5
Current assets			
Accounts receivable	21	13.4	11.2
Prepaid tax		10.6	49.9
Other receivables		1.1	1.0
Prepaid expenses and accrued income	22	27.8	25.0
Current investments		–	150.0
Cash and bank holdings	23	504.6	347.5
Total current assets		557.5	584.6
TOTAL ASSETS		26,475.7	23,653.1
EQUITY AND LIABILITIES			
Equity			
Share capital		1,056.4	1,056.4
Other contributed capital		628.1	628.1
Profit brought forward, including profit for the year		13,576.2	12,236.4
Total equity	24	15,260.7	13,920.9
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	25	4,550.0	3,150.0
Deferred tax liabilities	26	4,930.8	4,541.3
Other non-current liabilities		17.3	34.5
Other provisions	27	8.8	8.4
Total non-current liabilities		9,506.9	7,734.2
<i>Current liabilities</i>			
Current interest-bearing liabilities	25	1,200.0	1,550.0
Accounts payable		89.4	78.5
Other liabilities	28	98.4	82.7
Accrued expenses and prepaid income	30	320.3	286.8
Total current liabilities		1,708.1	1,998.0
Total liabilities		11,215.0	9,732.2
TOTAL EQUITY AND LIABILITIES		26,475.7	23,653.1

Comments

Properties

The carrying amount for properties in the Group was SEK 25,869.1 million (23,057.5). The increase in the properties' fair value can be attributed to unrealized changes in value totalling SEK 1,357.9 million (620.6) and acquisitions and investments in the property holdings during the year totalling SEK 1,453.7 million (185.7). Properties in the Group are reported at fair value according to IAS 40, which means that there is no impairment. The valuation method is described in Note 17, Properties. The properties' fiscal residual value was SEK 3.7 billion.

Cash and cash equivalents

Cash and cash equivalents, the sum of cash and bank holdings as well as current investments, amounted to SEK 504.6

million (497.5). Rent payments take place mainly at the turn of the quarter, whereupon a temporary surplus could arise. This surplus liquidity is normally used for amortization of loans or is invested in short-term instruments with high liquidity and low risk. There are no limits on the right of use of cash and cash equivalents. In addition to cash and cash equivalents, there were unutilized overdraft facilities of SEK 40 million (40).

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 2,850.0 million (3,600.0). During the year, Hufvudstaden commercial paper increased by SEK 400.0 million and at the year-end totalled SEK 1,000.0 million (600.0). Bonds of SEK 1,400.0 million were issued during the year and the liability

was SEK 1,900.0 million (500.0). The MTN programme was expanded by SEK 2.0 billion to SEK 4.0 billion. Borrowing totalled SEK 5,750.0 million (4,700.0). The average fixed interest period was 41 months (47), the capital tie-up period was 44 months (47) and the average annual equivalent interest cost at the year-end was 2.3 per cent (2.1). Net debt totalled SEK 5,245.4 million (4,202.5). Financial items included in net debt are listed in Note 2, page 70.

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 4,930.8 million (4,541.3). The change can be attributed to deferred tax on unrealized changes in value.



Changes in equity – Group

SEK m	Share capital	Other contributed capital	Retained earnings, including profit for the year	Total
Opening equity 01-01-2012	1,056.4	628.1	10,802.4	12,486.9
Profit for the year			1,939.4	1,939.4
Other comprehensive income for the year			–	–
Comprehensive income for the year			1,939.4	1,939.4
Dividend			-505.4	-505.4
Closing equity 31-12-2012	1,056.4	628.1	12,236.4	13,920.9
Opening equity 01-01-2013	1,056.4	628.1	12,236.4	13,920.9
Profit for the year			1,876.1	1,876.1
Other comprehensive income for the year			–	–
Comprehensive income for the year			1,876.1	1,876.1
Dividend			-536.3	-536.3
Closing equity 31-12-2013	1,056.4	628.1	13,576.2	15,260.7

The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of all shares. At the Annual Meeting on March 21, 2013, the Board of Directors was given a renewed mandate to buy back a maximum of 10 per cent of all shares with the aim of giving the Board of Directors the opportunity to adjust

the capital structure in order to create increased value for the Company's shareholders and/or to allow the Company's own shares to be used as liquidity in conjunction with or to finance the acquisition of companies or properties. No buy-backs took place during 2013.

During 2013, a dividend of SEK 2.60 per share was paid to the Company's shareholders, totalling SEK 536,291,426.

The proposed dividend according to the allocation of unappropriated earnings is SEK 567.2 million. (See Definitions, page 95, Dividend)



BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

Cash flow statements – Group

SEK m	2013	2012
Current operations		
Profit before tax	2,406.6	1,485.6
Depreciation and impairment of assets	3.2	7.3
Unrealized change in value, properties	-1,357.9	-620.6
Unrealized change in value, interest derivatives	-59.6	-160.6
Other changes	0.4	0.7
Income tax paid	-101.6	-203.5
Cash flow from current operations before changes in working capital	891.1	508.9
Cash flow from changes in working capital:		
Decrease (+) / Increase (-) in operating receivables	-6.2	20.1
Increase (+) / Decrease (-) in operating liabilities	65.8	-10.8
Cash flow from current operations	950.7	518.2
Investments		
Investment in properties	-1,453.7	-185.7
Investment in equipment	-3.6	-1.3
Cash flow from investments	-1,457.3	-187.0
Financing		
Loans raised	4,100.0	1,100.0
Amortization of loans	-3,050.0	-775.0
Dividend paid	-536.3	-505.4
Cash flow from financing	513.7	-180.4
Cash flow for the year	7.1	150.8
Cash and cash equivalents at the beginning of the year	497.5	346.7
Cash and cash equivalents at the year-end	504.6	497.5
Supplementary information, cash flow statements		
Interest received	9.4	5.1
Interest paid	107.6	176.3

Comments

Cash flow from current operations

Cash flow from current operations before changes in operating capital increased by SEK 382.2 million to SEK 891.1 million (508.9). The increase can be attributed to the previous year's realized undervalues in interest derivatives, which also had an effect on tax paid for the year. Changes in working capital increased cash flow by SEK 59.6 million (9.3). Cash flow from current operations thus totalled SEK 950.7 million (518.2).

Cash flow from investments

Cash flow from investments amounted to SEK -1,457.3 million (-187.0). Investments comprise the acquisition of the Fyran property for SEK 1,265.0 million and investment in existing holdings and equipment totalling SEK 192.3 million (187.0).

Cash flow from financing

Cash flow from financing increased by SEK 694.1 million to SEK 513.7 million (-180.4). Net borrowing increased by SEK 1,050 million compared to an increase of SEK 325 million the previous year. No buy-back of Company shares took place during the year.

The cash flow for the year was SEK 7.1 million (150.8).

Cash and cash equivalents

The Group's cash and cash equivalents totalled SEK 504.6 million (497.5), of which cash and bank holdings amounted to SEK 504.6 million (347.5) and current investment of surplus liquidity was SEK 0 million (150.0). Including unutilized overdraft facilities, liquidity amounted to SEK 544.6 million (537.5).

As at December 31, 2013, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. At the year-end, SEK 1.1 billion was unutilized. The commercial paper programme was SEK 2.0 billion, of which SEK 1.0 billion was outstanding at the year-end. The unutilized amount is SEK 1.0 billion. The Company's MTN programme has a limit of SEK 4.0 billion, of which SEK 1.9 billion has been issued. The unutilized amount is SEK 2.1 billion.

There are no limits on the right of use of cash and cash equivalents.



Hufvudstaden AB – Parent Company

Income Statements			
SEK m	Note	2013	2012
Net revenue		987.9	890.9
Operating costs		-429.9	-415.5
Gross profit		558.0	475.4
Central administration		-35.7	-34.1
Changes in value	12	59.6	-25.4
Operating profit	6 – 11	581.9	415.9
Profit from financial items			
Group contributions received		358.4	373.1
Financial income	13	8.3	3.9
Financial expense	14	-136.2	-161.7
		230.5	215.3
Profit after financial items		812.4	631.2
Appropriations	15	-105.2	-24.9
Profit before tax		707.2	606.3
Tax	16	-157.2	-17.8
PROFIT FOR THE YEAR		550.0	588.5

Statement of Comprehensive Income			
SEK m	Note	2013	2012
Profit for the year		550.0	588.5
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		550.0	588.5

Balance Sheets			
SEK m	Note	31-12-2013	31-12-2012
ASSETS			
Fixed assets			
Properties	17	7,588.9	6,352.4
Tangible fixed assets	18	3.6	3.0
		7,592.5	6,355.4
<i>Financial fixed assets</i>			
Participations in Group companies	19	3,091.2	3,091.1
Other non-current receivables	20	43.6	6.7
<i>Total financial fixed assets</i>		3,134.8	3,097.8
Total fixed assets		10,727.3	9,453.2
Current assets			
<i>Current receivables</i>			
Accounts receivable	21	3.9	1.1
Other receivables		3.2	3.2
Prepaid tax		13.7	48.9
Receivables from Group companies		668.8	680.5
Prepaid expenses and accrued income	22	22.7	19.5
<i>Total current assets</i>		712.3	753.2
Other current investments		–	150.0
Cash and bank holdings	23	504.4	347.2
Total current assets		1,216.7	1,250.4
TOTAL ASSETS		11,944.0	10,703.6

Balance sheets, cont'd			
SEK m	Note	31-12-2013	31-12-2012
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital (211,271,933 shares)		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
Total restricted equity		1,978.7	1,978.7
<i>Non-restricted equity</i>			
Retained earnings		1,636.4	1,584.2
Profit for the year		550.0	588.5
Total non-restricted equity		2,186.4	2,172.7
Total equity	24	4,165.1	4,151.4
<i>Untaxed reserves</i>			
	29	714.6	609.4
<i>Provisions</i>			
Pension provisions	27	8.6	8.2
Provisions for taxes	26	953.2	937.4
Total provisions		961.8	945.6
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	25	4,550.0	3,150.0
Liabilities to Group companies		0.7	0.7
Other liabilities		16.2	34.3
Total non-current liabilities		4,566.9	3,185.0
<i>Current liabilities</i>			
Current interest-bearing liabilities	25	1,200.0	1,550.0
Accounts payable		36.3	42.0
Liabilities to Group companies		19.8	9.7
Other liabilities	28	40.8	22.0
Accrued expenses and prepaid income	30	238.7	188.5
Total current liabilities		1,535.6	1,812.2
Total liabilities		7,778.9	6,552.2
TOTAL EQUITY AND LIABILITIES		11,944.0	10,703.6

SEK m	Note	31-12-2013	31-12-2012
Pledged assets	31	1,660.0	1,962.8
Contingent liabilities	31	None	None

Changes in equity

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings, including profit for the year	Total
Opening equity 01-01-2012	1,056.4	124.2	798.1	2,089.5	4,068.2
Profit for the year				588.5	588.5
Other comprehensive income for the year				-	-
Comprehensive income for the year				588.5	588.5
Dividend, Parent Company				-505.4	-505.4
Closing equity 31-12-2012	1,056.4	124.2	798.1	2,172.7	4,151.4
Opening equity 01-01-2013	1,056.4	124.2	798.1	2,172.7	4,151.4
Profit for the year				550.0	550.0
Other comprehensive income for the year				-	-
Comprehensive income for the year				550.0	550.0
Dividend, Parent Company				-536.3	-536.3
Closing equity 31-12-2013	1,056.4	124.2	798.1	2,186.4	4,165.1

Comments

The gross profit amounted to SEK 558.0 million (475.4). The increase can be attributed mainly to the result from the acquired property Fyran in Gothenburg and higher rents. Net revenue was SEK 987.9 million (890.9).

Net financial income and expense was SEK 230.5 million (215.3). The profit for the year includes group contributions from subsidiaries totalling SEK 358.4 million (373.1).

Cash and cash equivalents at the year-end totalled SEK 504.4 million (497.2). Investments comprise the acquisition of the Fyran property for SEK 1,265.0 million and investments in existing holdings and equipment totalling SEK 65.5 million (68.2).

Cash Flow Statements

SEK m	2013	2012
Current operations		
Profit after financial items	812.4	631.3
Depreciation and impairment of assets	93.0	87.9
Unrealized changes in value, interest derivatives	-59.6	-160.6
Group contribution	-358.4	-373.1
Other changes	0.4	0.7
Income tax paid	-106.3	-181.9
Cash flow from current operations before changes in working capital	381.5	4.3
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	364.2	403.7
Increase (+) / Decrease (-) in operating liabilities	78.3	-8.6
Cash flow from current operations	824.0	399.4
Investments		
Investment in properties	-1,328.2	-67.1
Investment in equipment	-2.3	-1.1
Cash flow from investments	-1,330.5	-68.2
Financing		
Loans raised	4,100.0	1,100.0
Amortization of loans	-3,050.0	-775.0
Dividend paid	-536.3	-505.4
Cash flow from financing	513.7	-180.4
Cash flow for the year	7.2	150.8
Cash and cash equivalents at the beginning of the year	497.2	346.4
Cash and cash equivalents at the year-end	504.4	497.2
Supplementary information, cash flow statements		
Interest received	8.9	4.4
Interest paid	107.6	173.0

Notes

Note 1. Accounting principles

General information

Hufvudstaden AB (publ) is a limited liability company with its registered office in Stockholm. Hufvudstaden is quoted in the large cap list on Nasdaq OMX Stockholm. The Group's principal area of business is the ownership, development and management of commercial properties. The Company's address is Hufvudstaden AB (publ), NK 100, SE-11177 Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Consolidated Financial Statements for Hufvudstaden AB (publ) for 2013 have been approved for publication according to a decision reached by the Board on February 13, 2014. It is proposed that the Annual Report and Consolidated Financial Statements be adopted at the Annual Meeting on March 20, 2014.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the EU. In addition, the Swedish Financial Accounting Standards Council recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, has been applied. Hufvudstaden's Income Statements are classified according to function and are adapted to the Company's operations.

The Parent Company applies the same accounting principles as the Group except in those cases stated below under the section 'Parent Company accounting principles'. The deviations that arise between the Parent Company's and the Group's principles are attributable to limits on the potential to apply IFRS in the Parent Company as a result of the Annual Accounts Act, the Safeguarding of Pension Commitments Act and in certain cases for tax reasons.

Prerequisites in conjunction with the drawing up of the financial statements

The Group's functional currency is Swedish kronor, which is also the reporting currency for the Group and the Parent Company. Assets and liabilities are reported at the historical acquisition values, apart from certain financial assets and liabilities as well as properties valued at fair value. Financial assets and liabilities valued at fair value comprise derivatives and assets classified as financial assets valued at fair value in profit or loss. Valuation at fair value of properties and financial derivatives is the accounting principle that has greatest impact on the consolidated financial statements.

The accounting principles stated below for the Group have been applied to all periods that are presented in the consolidated financial statements unless stated otherwise below. The Group's accounting principles have been applied to reporting and consolidation of the Parent Company and subsidiaries.

In certain cases, rounding-off has taken place, which means that tables and calculations do not always tally.

Assessments and estimates

In order to prepare statements in compliance with IFRS, the Executive Management makes use of a number of material accounting estimates. In addition, it is required that the Executive Management makes certain assessments in conjunction with the application of the Group's accounting principles.

The most important sources of uncertainty in the estimates are presented below.

Properties

The value of a property can only be determined with certainty when payment has been received following its sale. In the final accounts, an estimate is made of the market value, which in accounting terms is known as the fair value. The fair value is determined based on a valuation according to a variation on the location price method, which is known as the net capitalization method. The method means that the market yield requirement is put in relation to the net operating income of the properties. In this valuation, assessment is made of the yield requirement of each individual property. The properties' net operating income is calculated based on the market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Hufvudstaden's internal property valuation is checked with external valuation companies, where an uncertainty range of +/- 5 per cent of the assessed fair value is given for the property level. If Hufvudstaden's valuation is outside the uncertainty range, an explanation for the deviation is given.

External changes could mean that an assumption made by the Executive Management needs to be reviewed. This could result in a considerable variation

in the value of the property holdings, which can be seen in the sensitivity analysis in Note 17.

Amended accounting principles

IFRS 13, Fair Value Measurement, has been applied since 2013, which has resulted in expanded disclosure requirements. Other amendments to IFRS have not had any impact on the consolidated financial statements.

New IFRS

A number of new and amended IFRS will only come into effect in the forthcoming financial year and have not been applied in the preparation of these financial statements.

Classification etc.

Fixed assets and non-current liabilities in the Parent Company and Group comprise amounts that are expected to be recovered or paid after more than twelve months, calculated from the period-end. Current assets and current liabilities in the Parent Company and the Group comprise amounts that are expected to be recovered or paid within twelve months, calculated from the period-end. Fixed assets, the carrying amount of which is estimated to be recovered following their sale within one year, are classified as fixed assets held for resale and are reported according to IFRS 5.

Consolidated accounts

The consolidated accounts cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued at fair value according to the acquisition analysis. If the acquisition does not refer to operations that are normal in conjunction with the acquisition of properties, the acquisition costs are divided among the individually identifiable assets and liabilities according to their fair value at the time of acquisition without any reporting of goodwill or deferred tax receivable/liability in conjunction with the acquisition. Untaxed reserves have been divided into a deferred tax liability and equity. Intra-Group receivables, liabilities and profits or losses that arise from intra-Group transactions have been eliminated in conjunction with the preparation of the consolidated accounts. Consolidation in conjunction with acquisitions takes place from the date on which we acquire a controlling influence and in conjunction with disposals up to the date on which the controlling influence ceases.

Reporting of income and costs

Net revenue from property management includes rental income as well as costs passed on, such as property tax and media costs. Rental income is allocated to a specific period on a linear basis over the period of the lease. Rent paid in advance is thus reported as prepaid rental income.

Income from property sales

Income from property sales is reported on the completion date. In addition, account is taken of circumstances that could affect the outcome of the transaction and which are beyond the control of the seller and/or purchaser.

Intra-Group rents and costs

Intra-Group rents and costs are on market terms and are reported in their entirety as incurred.

Administration costs

Administration costs have been split into property management administration costs, which are included in gross profit, and central administration costs, which are included in operating profit.

Financial income and expense

Financial income and expense comprises interest income and interest expense, dividends from subsidiaries and unrealized and realized gains on financial investments. Interest income and interest expense are reported in the Income Statement for the period to which they refer, apart from borrowing expenses that are attributable directly to investments and where the financing cost is of material significance. Interest income attributable to accounts receivable is included in the gross profit. Interest income and interest expense are calculated according to the annual equivalent interest rate method.

Note 1 continued on page 67.

Leases

All the Group's lease agreements for the leasing of premises are classified as operational lease agreements with the Group as the lessor. All rental, leasehold and tenancy agreements which the Group has entered into as lessee are classified as operational lease agreements. The cost of these is expensed on an ongoing basis.

Remuneration to employees

Remuneration to employees, such as salaries, paid holidays and social insurance costs etc., are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported in line with the employee performing services during the term of the programme.

As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO pension agreement. During the 2013 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in the Income Statement when they arise.

Tax

Tax is reported in the profit for the year apart from the fact that the underlying transaction is reported under Other Comprehensive Income or under equity, whereupon the associated tax effect is reported under Other Comprehensive Income or equity. Current tax is the tax to be paid or received for the year in question. This also includes an adjustment of current tax attributable to previous periods. Deferred tax is calculated according to the Balance Sheet method, using temporary differences between carrying amounts and tax values of assets and liabilities as a starting point. The amounts are calculated based on how the temporary differences are expected to be realized and on application of the tax rates and tax rules that had been decided or notified as of the year-end. In the Parent Company, untaxed reserves are reported inclusive of the deferred tax liability.

Deferred prepaid taxes recoverable in respect of deductible temporary differences and deficit deductions are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

The Group classifies financial assets as follows: Financial assets valued at fair value in profit or loss, Loan receivables and Accounts receivable. The financial liabilities are classified as follows: Financial liabilities valued at fair value in profit or loss or Other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

A financial instrument is valued initially at the fair value with a supplement for transaction costs, with the exception of the 'financial asset' and 'financial liability' categories valued at fair value in profit or loss, which are reported at the fair value excluding transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to an agreement. An account receivable is recorded in the Balance Sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists even if an invoice has not yet been received. A financial asset (or part thereof) is removed from the Balance Sheet when the rights in the agreement are realized or fall due, or when the Company transfers in all material respects the risks and benefits that are linked to ownership. A financial liability (or part thereof) is removed from the Balance Sheet when the obligation in the agreement is performed or is extinguished in some other manner.

A financial asset and a financial liability are set off and reported as a net amount in the Balance Sheet only when there is a legal right to set off the amounts and when there is an intention to settle the items at a net amount or at the same time realize the asset and settle the liability. Hufvudstaden has not identified any embedded derivatives that should be separated from their host contracts and reported separately.

Financial assets and liabilities valued at fair value in profit or loss

This category comprises two sub-groups: financial assets and liabilities, which comprise a holding for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term, and other financial assets and liabilities which the Company has initially chosen to place in this category (according to what is known as the Fair Value Option). Derivatives are classified as being held for trading purposes if they are not identified as hedges. Financial assets in this category are valued continuously at fair value with changes in value reported in the Income Statement.

This category includes interest derivatives.

Loan receivables and accounts receivable

Receivables are valued at the accrued acquisition value. The accrued acquisition value is determined based on the annual equivalent rate of interest calculated at the time of acquisition. The expected term of the account receivable is short and consequently the value is reported at the nominal amount without discounting. Accounts receivable and loan receivables are reported at the amounts at which they are expected to be paid, i.e. following a deduction for doubtful receivables.

Cash and bank holdings are reported at the nominal value. The overdraft facility is related to loan liabilities under current liabilities.

Receivables with a remaining term of more than 12 months are reported at the accrued acquisition value.

This category includes rent receivables, customer receivables, cash and bank holdings, loan receivables and other receivables.

Other financial liabilities

All loans are reported at the accrued acquisition value, which means that the value is adjusted by any discounts or premiums in conjunction with the raising or repayment of the loan as well as costs in conjunction with raising the loan, allocated over the term of the loan. The period allocation is calculated based on the annual equivalent rate of interest for the loan. Any profit or loss that arises when the loan is repaid is reported in the Income Statement.

Liabilities are reported initially at fair value and thereafter at the accrued acquisition value. This category includes loans as well as other financial liabilities, such as accounts payable.

Derivatives

Derivatives are reported in the Balance Sheet on the contract date and are valued at fair value, both initially and in conjunction with subsequent revaluations. The Group uses derivatives of financial instruments to reduce interest risks. Borrowing at a variable rate of interest is switched to fixed interest loans through interest swap contracts. The Group reports interest swap contracts as financial instruments valued at fair value in profit or loss.

Impairment of financial instruments

At each period-end, the Group assesses whether there are any objective grounds for impairment of a financial asset. A provision for a decrease in value of accounts receivable is made when there are objective grounds for the Group not being able to receive all the amounts that have fallen due according to the original terms and conditions of the receivables. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or undergo a financial reconstruction and where payments will not be made or will be delayed (fallen due more than 60 days) are regarded as indicators that there could be a need for impairment of a receivable. The size of the provision comprises the difference between the carrying amount of the asset and the current value of assessed future cash flows, discounted using the original annual equivalent rate of interest. Changes in value are reported in the Income Statement on a separate line and paid interest and accrued interest are reported as a financial expense.

Tangible fixed assets

Tangible fixed assets are reported as an asset in the Balance Sheet if it is probable that there will be future financial benefits for the Company. Tangible fixed assets are valued at cost with a deduction for accumulated depreciation and any impairments. If an investment is made, borrowing costs that are directly attributable are expensed in those cases where the financing cost is of material significance.

Depreciation, Property Management

Depreciation of tangible fixed assets used in administration is included in Property Management administration.

Depreciation, Parking Operations

Depreciation of tangible fixed assets is included in the cost of Parking Operations.

Depreciation principles

Depreciation according to plan is based on the original acquisition values and the estimated useful life. The estimated useful life for equipment is 3–5 years.

Properties

Properties are properties that are held for the purposes of securing rental income and/or an increase in value. Initially, properties are reported as an acquisition expense, which includes expenses directly attributable to the acquisition. After the initial report, properties are reported in the Balance Sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations normally take place each quarter. To assure the valuation, valuations are made by external valuation companies at least once a year.

The external valuations normally cover 20–30 per cent of the internally assessed fair value of the property holdings and the selection of properties represents different property categories, towns, locations, technical standards and construction standards. There is a continuous update during the year of the internal valuation of the properties to take account of purchases, sales and investments. Hufvudstaden also investigates on an ongoing basis if there are other indications of changes in the fair value of the properties. These indications could take the form, for example, of major leases, terminations and material changes in the yield requirements.

Both unrealized and realized changes in value are reported in the Income Statement. Changes in value are reported net.

Additional expenses are only capitalized when it is probable that the future financial advantages that are associated with the asset will accrue to the Group, that the cost can be calculated reliably and that measures refer to replacement of an existing component or the inclusion of a new, identified component. Other repair and maintenance costs are expensed continuously during the period in which they arise.

The loan charges attributable to the construction of what are termed qualified assets are capitalized as part of the acquisition value of the qualified asset. In the Group, this mainly involves construction or major redevelopment projects related to properties. Calculation of loan charges is based on the financing requirements of the project and the Group's borrowing cost.

Impairments

The carrying amounts for the Group's assets – with the exception of properties, fixed assets held for resale, financial assets and deferred prepaid tax – are examined at each period-end to assess whether there is an indication that the carrying amount cannot be recovered. If there is such an indication, the recoverable amount of the asset is calculated. The asset is impaired to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value minus sales expenses and its value in use. See above for impairment of financial assets.

Share capital

Acquisition of Company shares is reported as a reduction in equity. The sum received from the disposal of Company shares is reported as an increase in equity.

Profit per share

Calculation of the profit per share is based on the consolidated profit for the year and on the weighted average number of shares during the year.

Fixed assets held for resale and discontinued operations

Assets that are to be disposed of are classified as assets held for resale. Operations that are to be disposed of are classified as assets, liabilities and result from discontinued operations.

Provisions

Provisions are reported in the Balance Sheet when there is a legal or informal obligation arising from an event and when it is likely that the obligation will be fulfilled and the amount can be calculated reliably. If the effect of the time when the payment is made is material, the value of the provision is determined by calculating the current value of the expected future cash flow using a discounting factor (before tax) that reflects the market's current valuation of the time value and any risks that are attributable to the obligation. A provision for a deferred tax liability is not subject to discounting.

Contingent liabilities

A contingent liability is reported when there is a possible undertaking that arises from events that have occurred and the occurrence of which is only confirmed by one or more uncertain future events or when there is an undertaking that is not reported as a liability or provision due to the fact that it is not probable that an outflow of resources will be required.

Statements of Cash Flows

The Statements of Cash Flows have been prepared according to the indirect method.

Segment reporting

From an accounting point of view, a segment is an identifiable part of the Group that provides services that are exposed to risks and opportunities that are different from other segments. The Group's operations are divided into two segments, Property Management and Parking Operations. This division is in compliance with the manner in which operations are followed up internally.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board for listed companies have also been applied. RFR 2 means that in the annual report for the legal entity the Parent Company shall apply all EU-endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act and the Safeguarding of Pension Commitments Act and with consideration given to the link between the accounts and taxation. The recommendation states the exceptions and additions that should be made to IFRS. The differences between the Group accounting principles and the Parent Company accounting principles are stated below.

Group contributions received are reported under Financial items and group contributions granted are reported under Investment in shares in subsidiaries.

The Parent Company makes allocations to untaxed reserves within the framework of current tax rules.

Properties

The Parent Company's properties are valued at cost with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, cost of title deeds and value-enhancing improvements. Hufvudstaden only capitalizes charges that generate a permanent increase in the value of the properties. Development costs of a maintenance nature are charged to profit. Loan charges are not capitalized in the Parent Company.

Valuation of properties and tangible fixed assets

The carrying amount of properties and tangible fixed assets is examined with regard to possible impairment requirements when events or a change in conditions indicate a possibility that the carrying amount might not be recovered. If there are such indications, and if the carrying amount exceeds the expected recoverable amount, the assets are impaired to the recoverable amount. The recoverable amount is equivalent to the maximum of the net realizable value and the value in use. The net realizable value is set through comparison with the sale of similar objects. The value in use comprises the current value of the expected future cash flows according to a discounting factor before tax, which reflects the market's current estimate of the time value and the risks associated with the asset.

For assets that do not generate independent cash flows to a predominant extent, the recoverable amount is set for the cash-generating unit to which the asset belongs. Any impairment is reported in the Income Statement. Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount. Reported revaluations of properties have been made at the fair value with a deduction for deferred tax.

Information about the properties' fair values as of the year-end can be found in Note 17.

Depreciation – properties

The Parent Company's depreciation according to plan is based on the original acquisition values, adjusted where applicable for revaluations and impairments and the estimated useful life. The estimated useful life for buildings is 50–100 years and for building equipment 5–20 years.

Depreciation of properties with mixed operations has been calculated by weighing together each floor space category's percentage for depreciation. For a property with a dominant (75 per cent) category, the percentage for the category in question is applied to the whole property. The revaluation is depreciated over the remaining depreciation period of the underlying asset. Percentages for depreciation are reported in Note 17.

Note 2. Financial risks

Hufvudstaden is mainly exposed to financing risks and interest risks. The Group endeavours to have a loan portfolio with a diverse credit renewal structure that facilitates possible amortizations. No loans are raised in foreign currency and consequently the Group is not exposed to a currency exchange risk. Borrowing

normally takes place with short fixed interest periods and interest swaps are used to achieve the desired fixed interest structure. Derivatives are only used for the purpose of minimizing the risk and should be linked to an underlying exposure. At present, the Group has derivatives reported in the category financial assets and liabilities valued at fair value in profit or loss. Hedge accounting is not applied.

Hufvudstaden's finance function is a Group function charged with central responsibility for financing and liquidity planning. The work is governed by the Finance Policy decided by the Board of Directors, which aims to secure the Group's financing requirements at the lowest possible cost and risk. Within the Finance function, there are instructions, systems and rules of procedure to achieve good internal control and follow-up of operations. Major financing solutions and derivative transactions should be approved by the Chairman of the Board and the Board is informed at each Board meeting about financial issues.

Hufvudstaden's aim is to use surplus liquidity to amortize existing loans. Surplus liquidity not used for amortization may only be invested in instruments with high liquidity and low risk. Information regarding borrowing, loan frameworks and terms and conditions can be found in Note 25.

Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. The aim is to have financing from at least three of the major banks and a loan portfolio with a spread of due dates and long terms. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company must have loan assurances that cover the rescheduling of loans and investments. In addition, the Company has a commercial paper programme and an MTN programme. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. The Executive Management prepares rolling forecasts for the Group's liquidity on the basis of expected cash flows. Hufvudstaden's borrowings amounted to SEK 5,750 million at the year-end. The average fixed interest period was 41 months (47), the average capital tie-up period was 44 months (47) and the average annualized equivalent interest cost was 2.3 per cent (2.1). Net debt totalled SEK 5,245.4 million compared to SEK 4,202.5 million at the end of 2012. As at December 31, 2013, the Group had non-current loan assurances of SEK 4 billion, of which SEK 1.1 billion was unutilized, a commercial paper programme of SEK 2 billion, of which SEK 1.0 billion was unutilized, as well as an MTN programme of SEK 4 billion, of which SEK 2.1 billion was unutilized. The Company has satisfactory margins with regard to the lenders' restrictions (covenants) in the loan agreements.

Due date structure, interest and capital, December 31, 2013

Year due	Interest payment, SEK m	Of which swaps, SEK m	Nominal amount, SEK m ¹⁾	Proportion, %
2014, Q 1	32.8	5.9	–	–
2014, Q 2	32.8	5.9	–	–
2014, Q 3	32.8	5.9	–	–
2014, Q 4	32.8	5.9	200.0	3
2015	98.4	23.7	200.0	3
2016	97.7	23.7	1,000.0	18
2017	97.4	21.3	2,650.0	46
2018	34.1	11.9	1,200.0	21
2019	3.2	2.2	500.0	9
Total	462.0	106.4	5,750.0	100

1) Capital tie-up in respect of commercial paper loans has been calculated based on the underlying loan assurances.

In addition to the above, there are other liabilities, which also include accounts payable, which normally fall due within 30 days, as well as derivatives with a positive value of SEK 36.6 million.

Interest risk

The interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income and expense. Hufvudstaden's financing sources are primarily equity, cash flow from current operations, the raising of loans and loan assurances. Investment of surplus liquidity is made in financial instruments with a short fixed interest period, thus limiting the Group's exposure to an interest risk in investments.

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's finance policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest structure for the net debt should normally be 12–48 months. Loans are normally raised at a variable rate of interest and derivatives are used to achieve the desired fixed interest structure. As at December 31, 2013, the Group's fixed interest period was 41 months. A change in the interest level of +/- 1 percentage point, assuming

an unchanged loan volume and fixed interest period according to current derivative agreements, would affect Hufvudstaden's interest expense in 2014 to the amount of +/- SEK 38 million (9). At the same time, the change in interest would mean a change in value in interest derivatives to the amount of SEK 132 million (168) in the result.

Fixed interest structure, December 31, 2013 (Including effect of interest derivatives)

Year due	Volume, SEK m	Proportion, %	Average AER, %
2014	1,200.0	21	2.0
2016	500.0	9	2.0
2017	1,500.0	26	1.8
2018	1,800.0	31	2.6
2019	750.0	13	2.9
Total	5,750.0	100	2.3

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and collateral does not cover the Group's claims. The aim is to minimize the credit risk through advance rent payments and to only enter into credit transactions with large financing institutions. A credit risk can be attributed mainly to outstanding accounts receivable/rent receivables, cash and cash equivalents as well as financial derivative agreements with positive values, which as of the year-end had a collective carrying value of SEK 554.6 million, which means that the Group has limited exposure to credit risks.

Losses on accounts receivable/rent receivables occur when tenants are put into receivership or for other reasons they are unable to meet their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks, the financial position of the Group's customers is checked in terms of their credit rating by obtaining information from different credit information companies. In accordance with Hufvudstaden's Credit Policy, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rent receivables are invoiced in advance.

The Group's ten largest tenants represent 24 per cent of the total contracted rent and the single largest customer accounts for 8 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited. Exposure regarding financial derivative agreements is limited by the Group policy of only entering into such agreements with major financial institutions with a high rating and with whom the Company has a long-term relationship. In addition, there are general agreements with these institutions regarding the set-off of different derivative agreements, which further reduces the credit risk exposure.

Concentration of credit risk, December 31, 2013¹⁾²⁾

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0 – 99	90	3,706	0.3
100 – 499	113	31,583	2.1
500 – 999	132	98,021	6.4
1,000 – 2,499	160	246,508	16.1
2,500 – 4,999	84	301,609	19.8
5,000 – 9,999	44	289,246	18.9
10,000 –	26	555,701	36.4
Total	649	1,526,374	100.0

1) Excluding vacant floor space and space (storage and office) for Hufvudstaden's own use.

2) Annual rent as at December 31, 2013.

Fair value

The fair value of financial instruments traded on an active market (such as financial assets held for resale) is based on listed market prices on the reporting date. The listed price used is the current purchase price. The fair value of financial instruments not traded on an active market is set with the aid of valuation techniques. Fair values are set by discounting future payment flows to the current market rate of interest for similar instruments. For financial instruments such as accounts receivable, accounts payable and so on, which are reported at the accrued acquisition value with a deduction for possible impairment, the fair value is considered to be in line with the carrying value as these instruments have a very short term. Interest-bearing liabilities mainly have a three-month fixed interest period, whereupon the fair value is considered to concur essentially with the carrying value.

Continuation, Note 2.

Information regarding fair values, financial instruments										
SEK m	Items valued at fair value								Total carrying amount	
	through profit or loss									
	Derivatives		Accounts receivable and loan receivables		Other liabilities		Non-financial items		2013	2012
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
GROUP										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables	36.6		7.0	6.7					43.6	6.7
Current receivables			38.4	33.0			3.9	4.2	42.3	37.2
Cash and cash equivalents			504.6	497.5					504.6	497.5
Non-current liabilities		23.0			4,576.1	3,169.9			4,576.1	3,192.9
Current liabilities					1,431.2	1,759.3	276.9	238.7	1,708.1	1,998.0
PARENT COMPANY										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables	36.6		7.0	6.7					43.6	6.7
Current receivables			26.7	219.1			3.1	2.5	29.8	221.6
Cash and cash equivalents			504.4	497.2					504.4	497.2
Non-current liabilities		23.0			4,574.8	3,169.5			4,574.8	3,192.5
Current liabilities					1,354.5	1,669.6	161.3	132.9	1,515.8	1,802.5

The fair value concurs essentially with the carrying value. For bond loans with a fixed rate of interest the premium is SEK 12.3 million. The fair value of all instruments valued at fair value in the Balance Sheet is attributable to level 2 in IFRS 13. i.e. the value has been calculated based on official market listings.

Note 3. Segment information

The Group's operations are divided into two segments, Property Management and Parking Operations. The Property Management segment is divided into business areas that follow the operative control of the Company's business, which mainly follows the geographical division of the rental market into sub-markets. In the Parent Company, there is only the Property Management segment. The following presentation shows income and costs, assets and investments for the different business areas for 2013 and the comparison year 2012.

Property Management

SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
GROUP								
<i>Income and costs¹⁾</i>								
Net revenue	699.7	677.4	614.8	604.8	258.2	189.8	1,572.7	1,472.0
<i>(of which turnover-based rent supplement)</i>	(0.7)	(0.6)	(9.6)	(8.8)	(-)	(-)	(10.3)	(9.4)
Maintenance	-18.1	-22.1	-9.9	-10.9	-4.0	-2.5	-32.0	-35.5
Operations and administration	-73.9	-72.9	-120.1	-118.7	-43.8	-35.5	-237.8	-227.1
Ground rent	-0.2	-0.3	-15.9	-16.0	-	-	-16.1	-16.3
Property tax	-76.6	-66.8	-50.1	-43.8	-25.5	-17.6	-152.2	-128.2
Gross profit, property management	530.9	515.3	418.8	415.4	184.9	134.2	1,134.6	1,064.9
Parking operations			18.0	20.3			18.0	20.3
Central administration							-35.7	-34.1
<i>Changes in value</i>								
Properties							1,357.9	620.6
Interest derivatives							59.6	-25.4
Operating profit							2,534.4	1,646.3
Financial income and expense							-127.8	-160.7
Profit before tax							2,406.6	1,485.6
Assets								
Properties	12,373.1	11,759.1	9,366.7	8,456.2	4,129.3	2,842.2	25,869.1	23,057.5
Rent receivables	0.7	-0.2	2.6	1.0	0.2	-0.2	3.5	0.6
Investments								
Properties and equipment	80.0	56.8	76.3	52.6	1,301.0	77.6	1,457.3	187.0

1) For comparable holdings, see Business areas in figures, page 90.

Continuation, Note 3.

Parking Operations		
The Parking Operations segment includes parking operations at Parkaden AB.		
SEK m	2013	2012
GROUP		
Net revenue	67.7	69.7
Rental costs	-40.8	-40.8
Operations and administration	-8.3	-8.1
Depreciation	-0.6	-0.5
Gross profit	18.0	20.3
Total assets amounted to SEK 3.6 million (3.4).		

Note 4. Profit trend – summary										
SEK m	Jan–Mar		Apr–June		July–Sept		Oct–Dec		Jan–Dec	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
GROUP										
<i>Property management</i>										
Net revenue	372.9	363.2	388.0	364.9	391.8	365.7	420.0	378.2	1,572.7	1,472.0
Maintenance	-8.5	-5.8	-2.4	-11.4	-9.5	-6.4	-11.6	-11.9	-32.0	-35.5
Operations and administration	-64.3	-58.0	-53.4	-53.7	-50.5	-50.7	-69.6	-64.7	-237.8	-227.1
Other costs	-36.6	-35.9	-38.1	-36.1	-38.1	-36.2	-55.5	-36.3	-168.3	-144.5
Property management costs	-109.4	-99.7	-93.9	-101.2	-98.1	-93.3	-136.7	-112.9	-438.1	-407.1
Other operations, net	4.7	5.2	4.5	5.0	2.5	3.4	6.3	6.7	18.0	20.3
Gross profit	268.2	268.7	298.6	268.7	296.2	275.8	289.6	272.0	1,152.6	1,085.2
Central administration	-8.4	-7.8	-8.5	-8.6	-8.5	-8.2	-10.3	-9.5	-35.7	-34.1
<i>Changes in value</i>										
Properties	73.2	194.7	434.2	225.1	44.4	–	806.1	200.8	1,357.9	620.6
Interest derivatives	39.0	47.9	50.6	-15.3	-1.5	-39.9	-28.5	-18.1	59.6	-25.4
Financial income and expense	-29.8	-39.7	-32.6	-42.6	-33.0	-38.9	-32.4	-39.5	-127.8	-160.7
Tax	-76.3	-123.2	-164.3	-114.2	-65.7	-49.5	-224.2	740.7	-530.5	453.8
Profit for the period after tax	265.9	340.6	578.0	313.1	231.9	139.3	800.3	1,146.4	1,876.1	1,939.4

Note 5. Operational lease agreements – Group as lessor							
The Group has commercial lease agreements for the property holdings, which comprise offices, stores, warehouses and other non-residential premises. The remaining term is between 1 and 11 years.							
<i>Renewal structure¹⁾²⁾³⁾</i>							
	2014	2015	2016	2017	2018	2019–	Total
<i>Number of agreements</i>							
Offices	79	79	71	50	24	26	329
Stores	105	117	86	53	7	14	382
Other	395	268	146	126	23	30	988
Total	579	464	303	229	54	70	1,699
Proportion, %	34.1	27.3	17.8	13.5	3.2	4.1	100.0
<i>Annual rent, SEK m</i>							
Offices	144.1	120.3	117.4	112.5	94.5	150.3	739.1
Stores	168.8	192.8	186.1	80.6	21.8	50.8	700.9
Other	26.6	35.5	20.5	18.9	6.1	6.7	114.3
Total	339.5	348.6	324.0	212.0	122.4	207.8	1,554.3
Proportion, %	21.8	22.4	20.9	13.6	7.9	13.4	100.0
1) Including leases signed for future occupancy/commencement, whereupon the corresponding present floor space is excluded.							
2) Excluding vacant floor space and floor space (storage and office) for Hufvudstaden's use.							
3) Excluding residential leases.							

Note 6. Depreciation, tangible fixed assets and properties

SEK m	Group		Parent Company	
	2013	2012	2013	2012
<i>Depreciation per type of asset</i>				
Properties	-1)	-1)	91.7	84.3
Tangible fixed assets	2.5	2.6	1.7	1.8
Total	2.5	2.6	93.4	86.1
<i>Depreciation per function</i>				
Property management	1.9	2.0	93.4	86.1
Parking operations	0.6	0.5	-	-
Total	2.5	2.6	93.4	86.1

1) Properties in the Group are reported at fair value and consequently there is no depreciation.

Note 7. Average number of employees

Average number of employees	2013		2012	
		Of which men, %		Of which men, %
Parent Company	93	61	92	61
of which senior executives	7	86	7	86
<i>Wholly owned subsidiaries</i>				
Parkaden AB	3	67	2	67
Total, Group	96	61	94	61
of which executives	7	86	7	86

Of the Group's 26 managers (27), 9 are women (9) or 35 per cent (33). The Board of the Parent Company comprised 7 men (7) and 2 women (2). In the Group, there is one other male member of the Board (1 man). The Group only has employees in Sweden.

Note 8. Salaries and remuneration

SEK k	Group				Parent Company			
	2013	Of which bonus	2012	Of which bonus	2013	Of which bonus	2012	Of which bonus
<i>Salaries and other remuneration</i>								
Fee to the Chairman of the Board	388		350		388		350	
Fee to other Board members	1,381		1,245		1,356		1,225	
Remuneration and benefits, President	4,868	831	4,179	411	4,868	831	4,179	411
Remuneration and benefits, other senior executives	9,218	784	8,723	974	9,218	784	8,723	974
Remuneration and benefits, other employees	43,621	1,474	42,908	2,124	42,289	1,455	41,810	2,094
Total	59,476	3,089	57,405	3,509	58,119 ¹⁾	3,070	56,287 ¹⁾	3,479
<i>National insurance expenses, including special employer's contribution</i>								
Chairman of the Board	122		110		122		110	
Other Board members	352		308		344		301	
President	1,792		1,622		1,792		1,622	
Other senior executives	3,284		3,126		3,284		3,126	
Other employees	14,666		14,409		14,276		14,096	
Total	20,216		19,575		19,818		19,255	
<i>Pension expenses</i>								
President	1,452		1,350		1,452		1,350	
Other senior executives	1,996		1,651		1,996		1,651	
Other employees	5,536		5,154		5,469		5,086	
Total	8,984		8,155		8,917		8,087	

1) Salaries and other remuneration also include non-monetary benefits.

Note 8 continued on page 73.

Continuation, Note 8.

An expensed director's fee was reported for 2013 for the Chairman of the Board Fredrik Lundberg to the amount of SEK 387,500 and for Board members Claes Boustedt, Bengt Braun, Peter Egardt, Hans Mertzig, Sten Peterson, Anna-Greta Sjöberg and Louise Lindh to the amount of SEK 193,750 each. President Ivo Stopner does not receive any payment for his work on the Board. Within the Group, there is also Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 25,000.

Guidelines for salary, bonus and other remuneration to senior executives are decided at the Annual Meeting. For 2013, the meeting decided that the following guidelines should be applied.

Salary conditions for senior executives shall be formulated in line with the market plus an incentive element in the form of a bonus, which is only payable if the Company reports a positive result without consideration given to unrealized changes in value. Such a bonus shall be decided for one year on each occasion, shall be linked to predetermined, quantifiable criteria, and shall be subject to a ceiling. The bonus part, which shall not be pensionable, aims to provide the management with a special incentive to work to achieve positive results for the Company and thus support the interests of the shareholders.

Payment to both the President and other senior executives shall comprise a fixed permanent salary with the possibility of a bonus, which is paid in the manner stated subject to achievement of objectives for the Company and for the individual.

The bonus for the President can amount to a maximum of three months' salary per year and for other senior executives a maximum of the higher of three months' salary or SEK 250,000 per person per year. The bonus payable to the current number of senior executives, at the present salary level, can amount to a maximum of SEK 2.7 million.

The retirement age for the President is 65 years, although with the right for the President or the Company to decide on retirement with a full pension from the age of 60. Pensions for members of the Group management, including the President, are covered by the ITP plan and are defined benefit plans. In addition, there is a defined contribution pension for the President for the part of the salary not covered by the ITP plan.

If the President and other senior executives are given notice of termination of employment by the Company, the total fixed salary during the period of notice plus severance pay shall not exceed an amount equivalent to the fixed salary for two years. In the case of notice of termination of employment being given by the President or other senior executives, the period of notice shall be a maximum of six months, without any right to severance pay. In all cases, any payment received from a new employer shall be offset.

These guidelines shall cover the persons who during the time the guidelines apply are members of the Executive Management. The guidelines apply to agree-

ments entered into following a decision at the Annual Meeting and in those cases where changes are made in existing agreements after this point in time.

The Board of Directors shall be entitled to deviate from the guidelines if in an individual case there are particular reasons for doing so. These guidelines were followed during 2013 and with the exception of a supplement regarding the direct pension to the President it is the unchanged guidelines that will be presented at the 2014 Annual Meeting.

Pensions for Group employees, including the President, are covered by the ITP plan and are defined benefit pensions. Alecta's surplus in the form of the collective consolidation level as of December had not been published at the time of the signing of this Annual Report and consequently this figure cannot be given. Alecta's most recent official consolidation level, as of December 31, 2013, amounted to approximately 148 per cent (129). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

For the President and senior executives there was a bonus scheme in place during the year based on result, customer satisfaction and personal objectives as described above. Other permanent employees in the Group were also covered by a bonus scheme during the year. The bonus criteria were 'operating result' and 'customer satisfaction'. For managers with HR responsibility there was also a personal assessment and individual objectives. The bonus payable was a maximum of half a month's salary, although subject to a minimum of SEK 15,000 for full-time employees. For managers, the bonus was a maximum of one month's salary.

The bonus schemes are subject to a decision being made for one year on each occasion and the bonuses are subject to a ceiling. A bonus is only payable if the Company reports a positive result without taking into account unrealized changes in value. The bonus is not pensionable.

In the final accounts, a provision has been made for a bonus for profit targets and customer satisfaction. For personal objectives, a provision is made equivalent to 75 per cent of the maximum outcome. The bonus outcome for 2013 has been charged with a cost for 2012 of SEK 49,740.

Call options held by the Executive Management

As at June 28, 2013, all members of the Executive Management acquired call options in Hufvudstaden AB subject to market terms and conditions. The President has acquired 100,000 call options and the other six members of the Executive Management acquired a total of 190,000 call options. The options were issued by KW Kapitalförvaltning AB, a company wholly owned by Fredrik Lundberg. The transaction does not entail any cost for Hufvudstaden AB.

Note 9. Fees and cost reimbursements to auditors

SEK m	Group		Parent Company	
	2013	2012	2013	2012
KPMG AB				
Audit work	1.0	1.0	1.0	1.0
Other assignments	0.6	0.1	0.6	0.1
Total	1.6	1.1	1.6	1.1

Note 10. Operational lease agreements – Group as the Lessee

Annual charges, SEK m	Group		Parent Company	
	2013	2012	2013	2012
- 1 year	12.3	3.5	7.9	-
1 year - 5 years	4.4	17.0	0.2	8.1
5 years -	3.9	0.6	0.3	0.3

Agreements entered into refer to ground rents, tenant charges and lease agreements with an external property owner.

Note 11. Operating costs per cost category

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Maintenance	31.2	34.4	92.3	113.6
Operation and administration	232.1	222.5	80.7	70.8
Ground rent	16.1	16.3	8.1	8.1
Property tax	152.2	128.2	103.0	85.6
Depreciation	2.5	2.6	93.4	86.1
Personnel costs	90.3	87.5	88.5	85.9
Total	524.4	491.5	466.0	450.1

Note 12. Changes in value

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Unrealized changes in value, properties	1,357.9	620.6		
Unrealized changes in value, interest derivatives	59.6	160.6	59.6	160.6
Realized changes in value, interest derivatives	-	-186.0	-	-186.0
Total	1,417.5	595.2	59.6	-25.4

Note 13. Financial income

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Interest income on bank holdings	4.5	3.0	4.3	2.8
Interest income on current investments	3.9	1.2	3.9	1.1
Interest income, other	0.1	0.1	0.1	-
Total	8.5	4.3	8.3	3.9

All financial income refers to financial instruments not valued at fair value.

Note 14. Financial expense

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Interest expense to credit institutions	114.8	114.0	114.8	114.0
Interest expense, swaps	14.0	42.4	14.0	42.4
Interest expense, other	7.5	8.6	7.4	5.3
Total	136.3	165.0	136.2	161.7

Of the financial expense, SEK 122.3 million (122.6) refers to financial instruments not valued at fair value.

Note 15. Appropriations

SEK m	Parent Company	
	2013	2012
Change in accumulated additional depreciation	9.8	8.1
Change in tax allocation reserve	-115.0	-33.0
Total	-105.2	-24.9

Note 16. Income taxes

SEK m	Group		Parent Company	
	2013	2012	2013	2012
<i>Current tax expense</i>				
Tax expense for the year	-141.3	-118.6	-141.3	-117.9
Tax attributable to previous years	0.3	-57.6	-0.1	-40.8
<i>Deferred tax expense/tax income</i>				
Difference between fiscal and accounting depreciation of properties	-58.4	-51.5	-2.7	-1.6
Unrealized change in value, properties	-298.7	-163.0	-	-
Unrealized change in value, interest derivatives	-13.2	-42.2	-13.2	-42.2
Effect, pension provision	0.1	1.5	0.1	1.5
Effect, allocation to untaxed reserves	-19.3	-2.4	-	-
Recalculation, deferred tax 22%	-	887.6	-	183.2
Total tax	-530.5	453.8	-157.2	-17.8
<i>Profit before tax</i>	2,406.6	1,485.6	707.2	606.3
Tax according to the current tax rate, 22% (26.3)	-529.5	-390.7	-155.6	-159.5
Tax attributable to previous years	0.3	-57.6	-0.1	-40.8
Revaluation of deferred tax attributable to previous years	-	15.8	-	-
Non-taxable income	0.2	0.1	0.2	0.1
Non-deductible expenses	-0.5	-1.6	-0.5	-0.6
Utilization of previous deficit deductions	0.1	0.4	0.1	-
Standard income, tax allocation reserve	-1.3	-1.6	-1.3	-1.6
Other	0.2	1.4	-	1.4
Recalculation, deferred tax 22%	-	887.6	-	183.2
Total tax	-530.5	453.8	-157.2	-17.8

In the Group, there was a deficit deduction of SEK 0.4 million. There were no deficit deductions in the Parent Company as at the year-end. The Swedish Tax Agency has commenced a VAT audit at Hufvudstaden AB.

Note 17. Properties

GROUP		
Properties were reported according to the fair value method.		
SEK m	2013	2012
Properties, Group	25,869.1	23,057.5

Information about changes in the carrying amounts of properties

SEK m	Properties	
	Purchased	Owned for the full year
2013		
Opening fair value	-	23,057.5
Acquisition value	1,265.0	-
Investment in properties	1.9	186.8
Unrealized change in value	2.0	1,355.9
Closing fair value	1,268.9	24,600.2

2012	Properties	
	Owned for the full year	
Opening fair value		22,251.2
Investment in properties		185.7
Unrealized change in value		620.6
Closing fair value		23,057.5

All properties generated rental income during the year, apart from a property in Gothenburg, which only comprises an undeveloped plot. For income and costs attributable to properties, reference can be made to Note 3.

All properties are owned by the Group and are classified as properties for investment purposes. They cover the Balance Sheet items Buildings, Building Equipment and Land and Development in Progress. Properties are valued according to level 3 in the fair value hierarchy. The property holdings only include commercial properties comprising office and retailing space and are treated as one type of asset. Fair value is based on an internal valuation.

Valuation method

Valuation of the property holdings was done by assessing the fair value of each individual property. The assessment took place in the form of a valuation according to a variation on the location price method, known as the net capitalization method. The method means that the market yield requirements are put in relation to the net operating income of the properties.

The assessment of the yield requirements is based on information gathered on the market yield on investment requirements for purchases and sales of comparable properties in similar locations. If few or no deals were concluded in the property's sub-area, transactions in the adjoining area are analysed. Deals not concluded also provide guidance on the market yield requirements. Account has also been taken of the property type, technical standard and building construction. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with valuation and consulting companies. Hufvudstaden's average yield requirement since 2008 has varied between 4.7 per cent and 5.3 per cent and as at December 31, 2013, the figure was 4.7 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.25 percentage points higher.

The net operating income is based on market-adapted rental revenue. Rental revenue is adapted to the market by adjusting existing rents using newly signed and renegotiated leases and with account taken of the expected rent trend.

Revenue has been reduced to take into account an assessed, long-term rental vacancy level. The vacancy level is based on the true outcome of the property holdings over a business cycle and the expected rental situation for the individual property. In the valuation, an average vacancy level of 5 per cent has been estimated. The actual vacancy level during the period 2004–2013 varied between 3 and 8 per cent and as at December 31, 2013, the figure was 4.0 per cent.

A deduction has been made of standard costs for operation and maintenance, excluding costs passed on and part of the property administration. These are based on the actual outcome and are adjusted for non-permanent deviations. The average cost per square metre over the most recent five-year period has been in the range SEK 400–500 and the estimated cost in the valuation as at December 31, 2013 was on the same level.

Continuation, Note 17, page 75.

Continuation, Note 17.

The following information has been used in the valuation:

Office and retailing	Range (weighted average)
Net operating income (SEK/sq m)	1,260 – 5,790 (3,110)
Vacant space (%)	2 – 6 (5)
Yield requirement, Stockholm (%)	4.3–4.9 (4.6)
Yield requirement, Gothenburg (%)	4.7–6.0 (5.0)
Yield requirement, total (%)	4.3–6.0 (4.7)

External valuation

To assure the valuation, external valuations were obtained from three valuation companies, Forum Fastighetsekonomi AB, NAI Svefa AB and Newsec Advice AB. The external valuations cover seven properties and are equivalent to 35 per cent of the internally assessed fair value. The corresponding figure for the whole of 2013 was 66 per cent. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Hästen 19 and 20, Medusa 1, Oxhuvudet 18, Pumpstocken 11, Rännilen 11 and Rännilen 18 in Stockholm and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a fair value of SEK 9.4 billion. Hufvudstaden's internal valuation of the same properties was SEK 9.1 billion. The internal valuations thus concur well with the external valuations.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of valuation. The price, however, can only be set when a transaction has been completed. In conjunction with a property valuation, a range is often given to indicate the degree of uncertainty surrounding the fair value estimates. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 25.9 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- SEK 1.3 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation

	Change, +/-	Impact on value, +/-
Rent revenue	SEK 100 per sq m	SEK 830 m
Property costs	SEK 50 per sq m	SEK 415 m
Rental vacancy level	1.0 percentage points	SEK 350 m
Yield requirement	0.25 percentage points	SEK 1,400 m

Tax values, properties, Group

SEK m	2013	2012
Tax values, buildings	8,885.6	7,226.8
Tax values, land	6,925.2	5,637.8
	15,810.8	12,864.6

PARENT COMPANY

Properties are reported according to the principles for tangible fixed assets but without the possibility of applying the fair value method.

SEK m	2013	2012
Properties, Parent Company	7,588.9	6,352.4

Properties, excluding land

SEK m	2013	2012
Opening acquisition values	2,563.0	2,495.9
Investments for the year	843.4	67.1
Closing acquisition values	3,406.4	2,563.0
Opening depreciation	-826.8	-756.3
Depreciation for the year	-77.9	-70.5
Closing depreciation	-904.7	-826.8

Opening revaluation according to the adopted

Balance Sheet for the previous year	1,104.9	1,118.7
Depreciation for the year	-13.8	-13.8
Closing revaluation	1,091.1	1,104.9

Closing residual value according to plan	3,592.8	2,841.1
--	---------	---------

Land

SEK m	2013	2012
Opening acquisition value	469.9	469.9
Investments for the year	484.8	–
Closing acquisition value	954.7	469.9

Opening value, revaluation	3,041.4	3,041.4
Closing value, revaluation	3,041.4	3,041.4

Closing residual value according to plan	3,996.1	3,511.3
--	---------	---------

Properties are divided into different categories, which are depreciated as follows:

- Buildings: Offices 1 per cent
- Buildings: Department stores, multi-storey car parks, restaurants 2 per cent
- Building equipment: 5–20 per cent
- Land improvements: 3.75–5 per cent

Information about the fair value of properties

SEK m	2013	2012
Properties, Parent Company	16,394.9	14,019.5

In the valuation of the Parent Company's properties at fair value, the same valuation method is used as for the Group.

Tax values, properties, Parent Company

SEK m	2013	2012
Tax values, buildings	5,727.4	4,504.3
Tax values, land	4,756.4	4,085.8
	10,483.8	8,590.1

Note 18. Tangible fixed assets

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Opening acquisition value	31.1	30.9	18.0	17.9
Investments for the year	3.6	1.4	2.3	1.1
Disposals	-3.2	-1.2	-3.2	-1.0
Closing acquisition value	31.5	31.1	17.1	18.0
Opening depreciation	-26.8	-25.3	-15.0	-14.1
Depreciation for the year	-2.5	-2.6	-1.7	-1.8
Disposals	3.2	1.1	3.2	0.9
Closing accumulated depreciation	-26.0	-26.8	-13.5	-15.0
Closing residual value according to plan	5.5	4.3	3.6	3.0

Note 19. Participation in Group Companies

	Company reg. no.	Reg. office	Capital (votes), %	Number	Nominal value, SEK 1,000	Carrying amount 2013, SEK m
PARENT COMPANY						
<i>Shares in subsidiaries</i>						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
Aktiebolaget Hamngatsgaraget	556068-6601	Stockholm	100	3,000	300	231.2
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.6
Fastighets AB Kåkenhusen	556834-3460	Stockholm	100	50,000	50	203.0
Inom Vallgraven Fastighets AB	556722-5643	Stockholm	100	1,000	100	63.4
						3,090.9
<i>Shares in dormant companies</i>						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	0.0
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	0.0
Förvaltnings AB Normalmstorg nr. 1	556019-5405	Stockholm	100	150	150	0.0
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
Parent Company, Total						3,091.2
OTHER GROUP COMPANIES						
<i>Owned by AB Citypalatset</i>						
Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	239.5
<i>Owned by Fastighetsaktiebolaget Stockholms City</i>						
Hotel Stockholm Aktiebolag	556031-4303	Stockholm	100	10,000	1,000	3.4
<i>Owned by AB Nordiska Kompaniet</i>						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
						0.5
Other Group companies, total						243.4

No changes in the level of ownership have taken place compared to the previous year. In order to facilitate administration in the Group and to improve efficiency in property management, two mergers between subsidiaries and the Parent Company have commenced. Fastighets AB Kåkenhusen and Inom Vallgraven Fastighets AB will be merged with Hufvudstaden AB.

Change in Parent Company's holdings in Group companies

SEK m	Parent Company	
	2013	2012
Opening carrying amount	3,091.1	3,091.1
Group contribution granted	0.1	0.0
Closing carrying amount	3,091.2	3,091.1

The Group has no foreign subsidiaries.

Note 20. Other non-current receivables				
SEK m	Group		Parent Company	
	2013	2012	2013	2012
Opening carrying amount	6.7	6.1	6.7	6.1
Change in value, interest derivatives	36.6	–	36.6	–
Change for the year	0.3	0.6	0.3	0.6
Closing carrying amount	43.6	6.7	43.6	6.7

Note 21. Accounts receivable				
SEK m	Group		Parent Company	
	2013	2012	2013	2012
Accounts receivable	9.9	10.6	1.9	0.8
Rent receivables	3.5	0.6	2.0	0.3
Total	13.4	11.2	3.9	1.1

Accounts receivable and rent receivables are reported at the accrued acquisition value, which normally means the nominal value.

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 0.7 million (4.8). Accounts receivable that have fallen due, but which have not been impaired, amounted to SEK 5.0 million (3.6).

Note 22. Prepaid expenses and accrued income				
SEK m	Group		Parent Company	
	2013	2012	2013	2012
Accrued rent revenue	18.1	15.1	13.8	11.3
Prepaid expenses	8.4	8.1	7.6	6.4
Accrued interest income	1.3	1.8	1.3	1.8
Total	27.8	25.0	22.7	19.5

Note 23. Cash and bank holdings				
SEK m	Group		Parent Company	
	2013	2012	2013	2012
Bank balances	504.6	347.5	504.4	347.2
Total	504.6	347.5	504.4	347.2

The Company receives interest on bank balances at a variable rate of interest based on the banks' daily investment rate.

Note 24. Equity				
GROUP				
Other capital contributed				
Refers to equity contributed by the owners. This includes share premium reserves paid out in conjunction with share issues.				
Retained earnings, including profit for the year				
The retained earnings, including profit for the year, include profit in the Parent Company and its subsidiaries. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.				
Dividend				
In 2013, a dividend was paid of SEK 2.60 per share or a total of SEK 536,291,426. For 2013, the Board of Directors proposes a dividend of SEK 2.75 per share or a total of SEK 567,231,316.				
Asset management				
The Company's capital is defined as the Group's reported equity. The Company's financial aims are to have good dividend growth and an equity ratio of at least 40 per cent.				

Continuation, Note 24.

Share capital				
SEK m	2013		2012	
	<i>Breakdown of share series</i>			
A 202,996,869 shares, par value SEK 5	1,015.0		1,015.0	
C 8,275,064 shares, par value SEK 5	41.4		41.4	
Total	1,056.4		1,056.4	

Hufvudstaden AB (publ) has two share series, series A and series C. Both share series are registered on Nasdaq OMX Stockholm. Series A carry one vote per share and series C carry 100 votes per share. All shares carry the same right to a proportion of the Company's assets and liabilities.

Shareholders are entitled to request conversion of series C shares into series A shares. No such conversion took place during the year.

Hufvudstaden's own holding is 5,006,000 series A shares. No buy-back of shares took place during the year. The average number of outstanding shares was 206,265,933, which is unchanged compared to the preceding year.

There are no instruments that mean that a dilution of the number of shares can take place.

Hufvudstaden's aim is to increase profit on current operations and to have a well-consolidated Balance Sheet with an equity ratio of at least 40 per cent over time. The shareholders should have good dividend growth over time and the dividend should be more than half of the net profit from current operations unless investments or the Company's financial position generally justify a deviation.

PARENT COMPANY

Restricted funds

Restricted funds may not be reduced through a dividend.

Statutory reserve. The aim of the statutory reserve has been to save part of the net profit that is not used to cover a retained loss.

Revaluation reserve. In the event of a revaluation of a tangible or financial fixed asset, the revaluation amount is allocated to the revaluation reserve.

Non-restricted equity

Retained earnings. This comprises non-restricted equity from previous years after dividends are paid. Retained earnings, together with the profit for the year, is the amount available for payment of a dividend to the shareholders.

Note 25. Interest-bearing liabilities				
SEK m	Group		Parent Company	
	2013	2012	2013	2012
<i>Non-current liabilities</i>				
Bank loans	2,850.0	2,650.0	2,850.0	2,650.0
Bond loans	1,700.0	500.0	1,700.0	500.0
Total	4,550.0	3,150.0	4,550.0	3,150.0
<i>Current liabilities</i>				
Bank loans	–	950.0	–	950.0
Bond loans	200.0	–	200.0	–
Commercial paper loans	1,000.0	600.0	1,000.0	600.0
Total	1,200.0	1,550.0	1,200.0	1,550.0
Credit facility granted	40.0	40.0	40.0	40.0
Loan assurances	4,000.0	1,500.0	4,000.0	1,500.0

As at December 31, 2013, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. The loan assurances are subject to undertakings regarding the equity ratio and interest coverage ratio. At the year-end, SEK 2.9 billion was utilized.

Continuation, Note 25, page 78.

Continuation, Note 24, next column.

Continuation, Note 25.

Information regarding maturity, loan terms and annual equivalent rate of interest.

Borrowing 31-12-2013

Group and Parent Company

Year due	Average AER, % ¹⁾	Nominal amount, SEK m		
		Bank loans ²⁾	Bonds ³⁾	Commercial paper ⁴⁾
2014	1.5	–	200.0	–
2015	1.4	–	200.0	–
2016	2.0	–	–	1,000.0
2017	1.2	2,650.0	–	–
2018	2.7	200.0	1,000.0	–
2019	3.4	–	500.0	–
Total		2,850.0	1,900.0	1,000.0

1) All loans are denominated in SEK.

2) Interest terms are three months Stibor with an interest margin supplement. Interest is paid quarterly.

3) As 1) or fixed interest with an annual coupon.

4) Interest terms are 3–12 months Stibor with an interest margin supplement. Interest is paid at the time of issue. Capital tie-up is calculated based on underlying loan assurances.

Loans raised are normally secured by means of a property mortgage and are supplemented in many cases by a guarantee regarding the equity ratio and interest coverage level. Bond loans and commercial paper loans are not secured.

Interest swaps 31-12-2013

Group and Parent Company

Year due	Average AER		Nominal amount, SEK m	Fair value, SEK m
	Fixed interest, %	Variable interest, % ¹⁾		
2016	1.5	1.0	500.0	0.3
2017	1.6	1.0	1,500.0	11.9
2018	1.7	1.0	1,300.0	18.7
2019	1.9	1.0	250.0	5.7
Total			3,550.0	36.6

1) Interest terms are three months Stibor. Interest is paid quarterly.

Swap contracts are denominated in SEK.

For a presentation of the Finance Policy, risks and interest exposure, see Note 2.

Note 26. Deferred tax liability

SEK m	Group			Parent Company	
	2013	2012	2013	2013	2012
Properties	4,745.4	4,388.3	947.0		944.3
Interest derivatives	8.1	-5.1	8.1		-5.1
Untaxed reserves	179.2	159.9	–		–
Pension provision	-1.9	-1.8	-1.9		-1.8
Total	4,930.8	4,541.3	953.2		937.4

As at the year-end December 31, 2013, there was a deficit deduction in the Group of SEK 0.4 million (1.4).

Change in deferred tax

SEK m	Balance as at January 1	Reported within profit or loss	Balance as at December 31
GROUP			
2013			
Properties	4,388.3	357.1	4,745.4
Interest derivatives	-5.1	13.2	8.1
Untaxed reserves	159.9	19.3	179.2
Pension provision	-1.8	-0.1	-1.9
	4,541.3	389.5	4,930.8
2012			
Properties	5,031.3	-643.0	4,388.3
Interest derivatives	-48.3	43.2	-5.1
Untaxed reserves	189.0	-29.1	159.9
Pension provision	-0.6	-1.2	-1.8
	5,171.4	-630.1	4,541.3
PARENT COMPANY			
2013			
Properties	944.3	2.7	947.0
Interest derivatives	-5.1	13.2	8.1
Pension provision	-1.8	-0.1	-1.9
	937.4	15.8	953.2
2012			
Properties	1,127.2	-182.9	944.3
Interest derivatives	-48.3	43.2	-5.1
Pension provision	-0.6	-1.2	-1.8
	1,078.3	-140.9	937.4

Note 27. Other provisions

A provision has been made in the Balance Sheet for a pension liability in respect of endowment insurance for the President as well as former employees of the Company.

Note 28. Other liabilities

SEK m	Group		Parent Company	
	2013	2012	2013	2012
VAT settlement	64.4	43.1	38.7	17.0
Other	34.0	39.6	2.1	5.0
Total	98.4	82.7	40.8	22.0

Note 29. Untaxed reserves

SEK m	Parent Company	
	2013	2012
<i>Accumulated depreciation in excess of plan</i>		
Opening balance	65.4	73.5
Depreciation for the year	-9.8	-8.1
Closing balance	55.6	65.4
Tax allocation reserves	659.0	544.0
Total	659.0	544.0
Total untaxed reserves	714.6	609.4

Note 30. Accrued expenses and prepaid income

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Accrued interest expense	34.8	7.1	34.8	7.1
Advance rent payments	276.9	238.7	161.3	132.9
Other accrued expenses	8.6	41.0	42.6	48.5
Total	320.3	286.8	238.7	188.5

Note 31. Pledged assets and contingent liabilities

SEK m	Group		Parent Company	
	2013	2012	2013	2012
Property mortgages for liabilities at credit institutions	1,653.1	1,956.2	1,653.1	1,956.2
(of which mortgages on subsidiaries' properties)			(906)	(905)
Other non-current receivables	6.9	6.6	6.9	6.6
Total	1,660.0	1,962.8	1,660.0	1,962.8

Pledged assets for own liabilities include mortgages which Hufvudstaden has lodged as collateral for loans on its own properties. Mortgages not used to raise loans are filed with the Company.

Note 32. Affiliations

Hufvudstaden AB is under the controlling influence of LE Lundbergföretagen and Fredrik Lundberg. No material transactions have taken place with LE Lundbergföretagen. Fredrik Lundberg's director's fee for 2013 was SEK 387,500. Details of payments to Board members and senior executives can be found in Note 8.

In addition to the affiliations that have been stated for the Group, the Parent Company also has affiliations, which means that it has a controlling influence over its subsidiaries, see Note 19.

Note 33. Events after the year-end

No events of material significance occurred after the end of the financial year.

PARKADEN

Regeringsgatan, Stockholm





BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

Proposed distribution of unappropriated earnings

The Board of Directors proposes that the funds available for appropriation at the Annual Meeting, as reported in the Parent Company Balance Sheet, be distributed as follows.

A statement giving reasons for the proposed distribution of earnings is available on the Company's website, www.hufvudstaden.se, or from the Company on request.

Retained earnings	SEK 1,636,376,661
Profit for the year	SEK 550,039,497
	<hr/>
	SEK 2,186,416,158
Dividend to the shareholders	
SEK 2.75 per share	SEK 567,231,316 ¹⁾
To be carried forward	SEK 1,619,184,842
	<hr/>
	SEK 2,186,416,158

1) See Definitions, page 95, Dividend.

The Board of Directors and the President hereby certify that to the best of their knowledge the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and the Council (EC), dated July 19, 2002, regarding the application of international accounting standards. The Annual Report and the Consolidated Accounts provide a true and fair picture of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and the Group provides a true and fair overview of the development, financial position and results of the Parent Company and the Group and describes material risks and uncertainties facing the Parent Company and the companies that form part of the Group.

Stockholm, February 13, 2014



Fredrik Lundberg
Chairman



Claes Boustedt
Board Member



Bengt Braun
Board Member



Peter Egardt
Board Member



Louise Lindh
Board Member



Hans Mertzig
Board Member



Sten Peterson
Board Member



Anna-Greta Sjöberg
Board Member



Iyo Stopner
President
Board Member

Our audit report was submitted on February 17, 2014

KPMG AB



George Pettersson
Authorized Public Accountant

Auditor's Report

To the annual meeting of the shareholders of Hufvudstaden AB (publ), corporate identity number 556012-8240

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Hufvudstaden AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 46–82.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Hufvudstaden AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm 17 February 2014

KPMG AB



George Pettersson
Authorized Public Accountant

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual Meeting. The members include persons who have links to Hufvudstaden's largest shareholder LE Lundbergföretagen. The President is also a member of the Board

of Directors. Other executives in the Company take part in Board meetings to present specific points. During the 2013 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. The work of the Board of Directors complies with

the rules of procedure adopted by the Board, governing the undertakings of the President and the Board and the allocation of duties between the Board and the President.



Fredrik Lundberg

Born 1951. MSc, MBA, Honorary PhD in Economics, Honorary PhD in Engineering. Chairman, Board member since 1998.

President and CEO of LE Lundbergföretagen AB.

Chairman of Holmen AB and Indutrade AB.

Deputy Chairman of

Svenska Handelsbanken AB.

Board member of LE Lundbergföretagen AB,

AB Industrivärden, Sandvik AB

and Skanska AB.

Holding in Hufvudstaden: 1,659,412 shares.



Claes Boustedt

Born 1962. MBA.

Board member since 1998.

Vice President of

LE Lundbergföretagen AB.

President of

LE Lundberg Kapitalförvaltning AB.

Holding in Hufvudstaden: 1,000 shares.



Bengt Braun

Born 1946. MBA, LL.M.

Board member since 2000.

Chairman of the Board of Euro Comfort Holding GmbH and Aleris Holding AB.

Deputy Chairman of Bonnier AB and Hjärnfonden.

Board member of Bonnier Holding AB, Bonnier Corporation, TV4, MTV OY and Mertzig Asset Management AB.

Previous experience includes the position of President and CEO of Bonnier AB.

Holding in Hufvudstaden: 3,750 shares.

Auditors

KPMG AB with George Pettersson, born 1964, Authorized Public Accountant, as lead auditor.



Peter Egardt

Born 1949. BA.

Board member since 2003.

*County Governor, County of Uppsala.
Chairman of the Swedish National Space Board
and the Swedish National College of Defence.*

*Member of the Board of Governors
of the Bank of Sweden.*

*Previous experience includes the position of
President of the Stockholm Chamber of Commerce
and the Association of*

Swedish Chambers of Commerce.

Holding in Hufvudstaden: 18,000 shares.



Louise Lindh

Born 1979. MBA.

Board member since 2007.

Vice President, Fastighets AB LE Lundberg.

Member of the Board of

*LE Lundbergföretagen AB, Holmen AB
and Fastighets AB LE Lundberg.*

Holding in Hufvudstaden: 29,166 shares.



Hans Mertzig

Born 1941. Economist.

Board member since 2000.

President of Mertzig Asset Management AB.

*Member of the Swedish Central Bank
Anniversary Fund Foundation.*

*Member of the finance committee of the Swedish
Central Bank Anniversary Fund Foundation.*

*Previous experience includes the position of
asset manager at Ramsbury AB
and the KK Foundation.*

Holding in Hufvudstaden: –



Sten Peterson

Born 1956. MSc.

Board member since 2006.

President of Byggnads AB Karlsson & Wingsjö.

*Member of the Board
of LE Lundbergföretagen AB,*

*Fastighets AB LE Lundberg and
Byggnads AB Karlsson & Wingsjö.*

Holding in Hufvudstaden: 2,000 shares.



Anna-Greta Sjöberg

Born 1967. MBA.

Board member since 2006.

President of Crispa AB.

Member of the Board of Tryggstiftelsen.

*Previous experience includes
the position of Managing Director of
the Royal Bank of Scotland, Nordic Branch.*

Holding in Hufvudstaden: 3,000 shares.



Ivo Stopner

Born 1962. MSc.

President and Board member since 1999.

No other material assignments outside the Group.

*Holding in Hufvudstaden: 3,300 shares
(including family) and 100,000 call options.*

*Ivo Stopner and family have no material
shareholding or partnership in companies*

*with which the Company
has significant business relations.*

Secretary

Mattias Karlsson *born 1965. Lawyer at Mannheimer Swartling Advokatbyrå AB. Secretary to the Board since 2008.*

Senior Executives

Ivo Stopner

*Born 1962. MSc. President. Employed since 1990.
Holding in Hufvudstaden: 3,300 shares (including family)
and 100,000 call options.*

*Ivo Stopner and family have no material shareholding
or partnership in companies with which the Company
has significant business relations.*

Ki Hummelgren

*Born 1968. Head of Human Resources. Employed 2008.
Holding in Hufvudstaden: 20,000 call options.*

Magnus Jacobson

*Born 1958. MBA. Head of Finance. Employed 2002.
Holding in Hufvudstaden: 50,000 call options.*

Daniel Massot

*Born 1970. MSc. Head of the Gothenburg Business Area.
Employed 2009. Holding in Hufvudstaden: 30,000 call options.*

Anders Nygren

*Born 1970. MSc. Head of Property Development. Employed 2006.
Holding in Hufvudstaden: 10,000 call options.*

Mattias Nygårds

*Born 1972. MSc. Head of the Stockholm City West Business Area.
Employed 2011 (previously employed 2005-2009).
Executive management since July 2013.
Holding in Hufvudstaden: 40,000 call options.*

Bo Wikare

*Born 1963. MSc. Head of the Stockholm City East Business Area.
Employed 1994. Holding in Hufvudstaden: 62 shares
and 40,000 call options.*



*Hufvudstaden Executive Management. Standing, from the left: Ivo Stopner, Magnus Jacobson and Bo Wikare.
Sitting, from the left: Anders Nygren, Mattias Nygårds, Ki Hummelgren and Daniel Massot.*

NORRLANDSGATAN

Stockholm



Multi-year review – Group

Income Statements					
SEK m	2013	2012	2011	2010	2009
<i>Net revenue</i>					
Property management	1,573	1,472	1,369	1,321	1,305
Parking operations	68	70	68	71	67
	1,640	1,542	1,437	1,392	1,372
<i>Operating expenses</i>					
Maintenance, operation and administration	-270	-263	-283	-263	-248
Ground rents	-16	-16	-16	-13	-16
Property tax	-152	-128	-126	-124	-117
Property management	-438	-407	-425	-401	-381
Parking operations	-50	-49	-48	-47	-47
	-488	-457	-473	-448	-428
Gross profit	1,153	1,085	965	944	944
– of which Property management	1,135	1,065	945	920	924
– of which Parking operations	18	20	20	24	20
Central administration	-36	-34	-32	-31	-29
<i>Changes in value</i>					
Properties	1,358	621	1,245	1,490	-1,239
Interest derivatives	60	-25	-99	51	-26
Operating profit	2,534	1,646	2,079	2,455	-350
Financial income and expense	-128	-161	-122	-103	-128
Profit before tax	2,407	1,486	1,956	2,352	-478
Tax	-531	454	-521	-619	121
Profit for the year	1,876	1,939	1,435	1,733	-357
Balance Sheets					
Assets					
Properties	25,869	23,058	22,251	20,148	18,125
Other non-current assets	49	11	12	13	14
Current assets	558	585	432	378	461
Total assets	26,476	23,653	22,695	20,539	18,600
Equity and liabilities					
Equity	15,261	13,921	12,487	11,526	10,226
Interest-bearing liabilities	5,750	4,700	4,375	3,600	3,400
Other liabilities and allocations	5,465	5,032	5,833	5,413	4,974
Total equity and liabilities	26,476	23,653	22,695	20,539	18,600
Property holdings					
Fair value, SEK bn	25.9	23.1	22.3	20.1	18.1
Tax assessment value, SEK bn	15.8	12.9	12.9	12.6	11.8
Rentable floor space, 1,000 sq m	387	367	365	358	354
Rental vacancy level, %	4.0	3.7	3.9	5.1	6.2
Floor space vacancy level, %	5.7	5.4	5.9	6.8	7.4
Investments in properties, SEK m	1,454	186	945	533	281
Net operating income, SEK per sq m ¹⁾	2,927	2,900	2,637	2,579	2,610
Financial key ratios					
Gross margin, %	70.3	70.4	67.1	67.8	68.8
Return on equity, %	12.9	14.7	12.0	15.9	-3.4
Return on capital employed, %	12.8	9.3	13.1	17.2	-2.5
Equity ratio, %	57.6	58.9	55.0	56.1	55.0
Interest coverage ratio, multiple	8.3	6.4	7.0	7.7	7.0
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	20.3	18.2	18.1	16.1	16.4
Cash flow from current operations, SEK m	951	518	559	691	664
Cash flow for the year, SEK m	7.1	150.8	-1.2	-77	-14
Average number of employees in the Group	96	94	93	92	88
Share data					
Profit for the year, SEK ²⁾	9.10	9.40	6.96	8.40	-1.73
Dividend, SEK	2.75 ³⁾	2.60	2.45	2.30	2.10
Dividend proportion, %	30.2	27.7	35.2	27.4	–
Equity, SEK	73.99	67.49	60.54	55.88	49.58
Fair value of properties, SEK	125.42	111.79	107.88	97.68	87.87
Cash flow from current operations, SEK	4.61	2.51	2.71	3.35	3.22
Cash flow for the year, SEK	0.03	0.73	-0.01	-0.37	-0.07
Net asset value, SEK ⁴⁾	92.00	84.00	76.00	70.00	62.00
Share price, series A, at the year-end, SEK	86.15	81.95	70.05	78.55	54.25
P/E ratio, multiple	9.5	8.7	10.1	9.3	–
Share price series A/equity, %	116.4	121.4	115.7	140.6	109.4
Yield, %	3.2	3.2	3.5	2.9	3.9
Number of outstanding shares at the year-end	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Total number of issued shares at the year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933

1) The calculation was based on the number of square metres at the year-end. Acquired properties are adjusted upwards to the value for the year. For Definitions, see page 95.

2) No dilution effect.

3) In accordance with a proposal by the Board.

4) Since December 31, 2012, the estimated deferred tax used for costing purposes has been set at 5 per cent. The figure for previous periods was 10 per cent.

Business Areas in figures

Property holdings (comparable holdings)	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	2013		2012		2013		2012		2013		2012		2013		2012	
	SEK/		SEK/		SEK/		SEK/		SEK/		SEK/		SEK/		SEK/	
	SEK m	sq m	SEK m	sq m	SEK m	sq m	SEK m	sq m	SEK m	sq m	SEK m	sq m	SEK m	sq m	SEK m	sq m
Gross rent, including charge for consumables	726.9	4,815	705.1	4,669	642.7	4,303	625.6	4,179	274.4	3,148	271.4	3,116	1,644.0	4,243	1,602.1	4,131
<i>(of which property tax supplement)</i>	73.0	484	63.9	423	43.4	291	39.6	264	23.0	264	21.7	249	139.4	360	125.2	323
Rent losses on vacant space	-28.0	-185	-26.2	-174	-26.8	-179	-18.0	-120	-15.8	-181	-18.4	-211	-70.6	-182	-62.6	-161
Bad debt losses	0.8	5	-1.5	-10	-1.1	-7	-2.8	-19	-0.4	-5	-0.4	-5	-0.7	-2	-4.7	-12
Net sales	699.7	4,635	677.4	4,485	614.8	4,116	604.8	4,040	258.2	2,962	252.6	2,900	1,572.7	4,059	1,534.8	3,957
Maintenance	-18.1	-120	-22.1	-146	-9.9	-66	-10.9	-73	-4.0	-46	-2.6	-30	-32.0	-83	-35.6	-92
Operations	-47.5	-315	-46.5	-308	-96.6	-647	-95.8	-640	-33.3	-382	-33.3	-382	-177.4	-458	-175.6	-453
Administration	-26.4	-175	-26.4	-175	-23.5	-157	-22.9	-153	-10.5	-120	-10.6	-122	-60.4	-156	-59.9	-154
Ground rent	-0.2	-1	-0.3	-2	-15.9	-106	-16.0	-107	-	-	-	-	-16.1	-42	-16.3	-42
Property tax	-76.6	-507	-66.8	-443	-50.1	-335	-43.8	-293	-25.5	-293	-24.0	-276	-152.2	-393	-134.6	-347
Total property expenses	-168.8	-1,118	-162.1	-1,074	-196.0	-1,312	-189.4	-1,266	-73.3	-841	-70.5	-809	-438.1	-1,131	-422.0	-1,088
Gross operating profit	530.9	3,517	515.3	3,411	418.8	2,804	415.4	2,774	184.9	2,121	182.1	2,091	1,134.6	2,928	1,112.8	2,869

Property data	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	2013	2012	2013	2012	2013	2012	2013	2012
December 31								
Number of properties	17	17	9	9	4	4	30	30
Floor space, sq m	150,962	151,010	149,356	149,713	87,169	66,408	387,487	367,131
Rental vacancy level, %	3.3	4.0	4.1	2.8	5.4	5.6	4.0	3.7
Floor space vacancy level, %	4.5	5.1	5.9	4.6	7.6	7.8	5.7	5.4
Total rentable parking spaces	169	170	1,276	1,295	51	49	1,496	1,514

Rentable space and annual rent	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m
December 31, 2013								
Offices	103,205	485.8	45,892	177.9	49,634	110.2	198,731	773.9
Shops and restaurants	35,574	235.3	44,496	373.2	31,096	146.7	111,166	755.2
Storage and miscellaneous	6,416	13.3	19,627	33.5	4,410	8.5	30,453	55.3
Garages	4,668	6.2	39,038	41.4	1,250	1.7	44,956	49.3
Residential	1,099	2.0	303	0.3	779	0.8	2,181	3.1
Total	150,962	742.6	149,356	626.3	87,169	267.9	387,487	1,636.8

Floor space vacancy level and rental vacancy level	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m
December 31, 2013								
Offices	5,138	21.7	4,881	18.7	4,139	8.4	14,158	48.8
Shops and restaurants	-	-	1,101	3.7	1,549	4.7	2,650	8.4
Storage and miscellaneous	1,144	2.2	2,648	3.0	897	1.2	4,689	6.4
Garages	270	0.3	216	0.2	50	0.3	536	0.8
Residential	203	0.4	-	-	-	-	203	0.4
Total	6,755	24.6	8,846	25.6	6,635	14.6	22,236	64.8

Lease term structure ¹⁾²⁾³⁾ December 31, 2013							
NUMBER OF CONTRACTS	2014	2015	2016	2017	2018	2019-	Total
Stockholm City East Business Area							
Offices	46	51	31	30	16	20	194
Stores	9	23	33	21	3	8	97
Other	263	145	55	62	19	21	565
Total	318	219	119	113	38	49	856
Proportion, %	37.2	25.6	13.9	13.2	4.4	5.7	100.0
Stockholm City West Business Area							
Offices	17	15	29	8	5	3	77
Stores	61	62	40	24	2	1	190
Other	110	97	63	24	3	6	303
Total	188	174	132	56	10	10	570
Proportion, %	33.0	30.4	23.2	9.8	1.8	1.8	100.0
Gothenburg Business Area							
Offices	16	13	11	12	3	3	58
Stores	35	32	13	8	2	5	95
Other	22	26	28	40	1	3	120
Total	73	71	52	60	6	11	273
Proportion, %	26.7	26.0	19.1	22.0	2.2	4.0	100.0
Hufvudstaden, total							
Offices	79	79	71	50	24	26	329
Stores	105	117	86	53	7	14	382
Other	395	268	146	126	23	30	988
Total	579	464	303	229	54	70	1,699
Proportion, %	34.1	27.3	17.8	13.5	3.2	4.1	100.0
ANNUAL RENT, SEK M							
Stockholm City East Business Area							
Offices	95.7	85.0	40.5	60.2	68.1	126.5	476.0
Stores	10.5	42.0	88.9	28.8	13.7	27.2	211.1
Other	7.8	12.4	6.8	5.7	5.4	6.3	44.4
Total	114.0	139.4	136.2	94.7	87.2	160.0	731.5
Proportion, %	15.6	19.1	18.6	12.9	11.9	21.9	100.0
Stockholm City West Business Area							
Offices	27.2	24.4	68.8	19.0	6.9	11.4	157.7
Stores	121.7	107.9	80.5	35.1	3.5	1.1	349.8
Other	13.0	18.4	10.9	11.1	0.6	0.1	54.1
Total	161.9	150.7	160.2	65.2	11.0	12.6	561.6
Proportion, %	28.9	26.8	28.5	11.6	2.0	2.2	100.0
Gothenburg Business Area							
Offices	21.2	10.9	8.1	33.3	19.5	12.4	105.4
Stores	36.6	42.9	16.7	16.7	4.6	22.5	140.0
Other	5.8	4.7	2.8	2.1	0.1	0.3	15.8
Total	63.6	58.5	27.6	52.1	24.2	35.2	261.2
Proportion, %	24.3	22.4	10.6	19.9	9.3	13.5	100.0
Hufvudstaden, total							
Offices	144.1	120.3	117.4	112.5	94.5	150.3	739.1
Stores	168.8	192.8	186.1	80.6	21.8	50.8	700.9
Other	26.6	35.5	20.5	18.9	6.1	6.7	114.3
Total	339.5	348.6	324.0	212.0	122.4	207.8	1,554.3
Proportion, %	21.8	22.4	20.9	13.6	7.9	13.4	100.0

1) Including leases signed for future occupation/implementation, whereupon the corresponding current rent has been excluded.

2) Excluding vacant floor space and floor space (storage and offices) occupied by Hufvudstaden for its own use.

3) Excluding residential leases.

Properties

Property designation	Address	Site area, sq m	Year of purchase	Year of construction/ redevelopment	Tax assessment 2013, SEK m
Stockholm City East Business Area					
<i>Kungsgatan Management Area</i>					
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	327.0
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	369.0
Kåkenhusen 38 ²⁾	Brunnsgatan 1–3, Norrlandsgatan 31–33	1,146	2011	1932	329.0
Kåkenhusen 39	Kungsgatan 4–10, Brunnsgatan 5–9, Norrlandsgatan 29	3,788	1921	1926/28/30/84/85/89/91	691.0
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmkillnadsgatan 39	4,509	1926	1931/85/89/91	1,191.0
<i>Total</i>		11,830			2,907.0
<i>Norrmalmstorg Management Area</i>					
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	198.0
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	377.0
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	211.0
Norrmalm 2:63 ³⁾	Norrmalmstorg		1992	1993	13.2
Packarhuset 4 ¹⁾⁴⁾	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,017.0
Pumpstocken 10 ¹⁾	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78 91/2000	1865/97/1901/29/84 96/97/2006	783.4
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	170.0
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	164.0
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	407.0
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39 2007	1902/42/64/90/2002	627.0
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001	599.0
Vildmannen 7 ¹⁾	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	221.0
<i>Total</i>		17,663			4,787.6
Total, Stockholm City East Business Area		29,493			7,694.6
Stockholm City West Business Area					
<i>NK Stockholm Management Area</i>					
Hästen 19 ^{1, 6)} and 20 ^{5, 6)} , Spektern 14 ^{5, 6)}	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	2,428.0
<i>NK Gothenburg Management Area</i>					
Inom Vallgraven 10:9 ⁶⁾	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	628.0
<i>Parkaden Management Area</i>					
Hästskon 10 ⁷⁾	Regeringsgatan 47–55, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	839.0 ¹⁴⁾
<i>West Management Area</i>					
Achilles 1 ⁸⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th Century/1974	150.0
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	250.0
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	120.0
Medusa 1 ¹⁾⁹⁾	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	71.0
Orgelpipan 7 ¹⁰⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	726.0
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	194.0 ¹⁴⁾
<i>Total</i>		12,075			1,511.0
Total, Stockholm City West Business Area		30,391			5,406.0
Gothenburg Business Area					
Inom Vallgraven 12:8	Drottninggatan 50–52, Södra Hamngatan 45, Fredsgatan 2–4	1,712	1967/2010	1875/1929/30	137.4
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	228.0
Inom Vallgraven 12:2 ¹¹⁾	Södra Hamngatan 47	415	2011		15.0
Nordstaden 8:24 ¹²⁾	Postgatan 26–32, Nordstadstorget 2-8, Spannmålsgatan 19, Nils Ericssonsgatan 17, Götgatan 9–11, Köpmansgatan 28–34, Postgatan 39–43, Östra Hamngatan 26–28	12,678	1979/2012	1972/2005/11	2,023.0
Nordstaden GA:5 ¹³⁾	Nordstadstorget and others				306.8 ¹⁴⁾
Total, Gothenburg Business Area		18,962			2,710.2
TOTAL		78,846			15,810.8

Rentable space, sq m								
Offices	Stores	Restaurants	Cinemas	Storage	Garage	Residential	Other	Total
4,971	1,866			239				7,076
6,418	1,809			1,031				9,258
5,497		1,103		100				6,700
11,602	3,338	548		502				15,990
20,886	5,078			2,001	1,581		5	29,551
49,374	12,091	1,651		3,873	1,581		5	68,575
2,845	800			286	792			4,723
3,523	2,709	243		232	206			6,913
2,465	534	203		256				3,458
	52	137						189
10,883	3,269	704		437				15,293
7,785	3,847	495		73		192	1	12,393
2,022	741							2,763
1,630	869	539		2				3,040
5,179	948	444		288				6,859
7,854	2,139			530	984			11,507
7,710	1,642			411	1,105			10,868
1,935	1,517			21		907	1	4,381
53,831	19,067	2,765		2,536	3,087	1,099	2	82,387
103,205	31,158	4,416		6,409	4,668	1,099	7	150,962
11,411	21,934	2,090		3,534			16	38,985
5,164	9,693	207		1,285			2	16,351
	2,696	515		8,680	24,482		1	36,374
4,000	351			604				4,955
7,572	378	263		871				9,084
2,775				8				2,783
1,283	242	271		103		303		2,202
9,962	3,762	1,919		2,070	13,450		1	31,164
3,725	175		1,893	559	1,106			7,458
29,317	4,908	2,453	1,893	4,215	14,556	303	1	57,646
45,892	39,231	5,265	1,893	17,714	39,038	303	20	149,356
2,117	1,634			473		779		5,003
10,430	3,115	404		1,107	1,250			16,306
37,087	25,049	894		2,778			52	65,860
49,634	29,798	1,298		4,358	1,250	779	52	87,169
198,731	100,187	10,979	1,893	28,481	44,956	2,181	79	387,487

- 1) The property is classified as being of cultural and historical importance.
- 2) Owned by the subsidiary Fastighets AB Kåkenhusen.
- 3) The property is held on a lease.
- 4) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- 5) Hästen 20 and Spektern 14 are leaseholds. The ground rent for Hästen 20 is SEK 3.3 million and is fixed until May 1, 2022. The ground rent for Spektern 14 is SEK 0.6 million and is fixed until October 1, 2015. The ground rents are adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 43.0 million.
- 6) Owned by the subsidiary AB Nordiska Kompaniet.
- 7) Owned by the subsidiary AB Hamngatgaraget. Leasehold. The ground rent is SEK 4.4 million, fixed until September 1, 2014 and adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 553.0 million.
- 8) The property is a listed building.
- 9) Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- 10) Leasehold. The ground rent is SEK 7.9 million, fixed until November 1, 2014 and adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 295.0 million.
- 11) Owned by the subsidiary Inom Vallgraven Fastighets AB.
- 12) The property includes the former Nordstaden 8:26, which was acquired through a property reallocation, with completion on March 7, 2013.
- 13) The property is jointly owned and includes parking operations, certain leasing of premises as well as servicing and maintenance of pedestrian precincts, loading areas, cooling and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.
- 14) A review of the tax assessment for 2013 has been requested.

BIBLIOTEKSTAN

Norrmalmstorg, Stockholm



Definitions and glossary

Annual rent. Gross rent, including supplements, at the end of the year, calculated on an annual basis. Vacant premises are reported at the market rent.

Average interest on interest-bearing liabilities. Interest expense in relation to the average interest-bearing liabilities.

Average number of outstanding shares. The average value of the number of outstanding shares during the year.

Bibliotekstan. The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan and which contains stores with high-class brands.

Capital employed. Total assets less non-interest-bearing liabilities and deferred tax liabilities.

Cash flow from current operations per share. Cash flow from current operations in relation to the average number of outstanding shares during the year.

Cash flow for the year per share. Cash flow for the year in relation to the average number of outstanding shares during the year.

CBD. Central Business District. The most central part of a city for office and retailing properties.

Central administration. The costs for the Executive Management and Group staff functions as well as the cost of maintaining the Company's stock exchange listing and other Company costs.

Comparable holdings. Properties disposed of during the year are excluded. Properties acquired during the year are included and the previous year is adjusted for the equivalent period.

Debt/equity ratio. Net liabilities in relation to equity at the year-end.

Dividend proportion. Dividend per share divided by the profit per share for the year.

Dividend. The total dividend is calculated on the total number of outstanding shares as of the date on which the annual accounts are published. The amount could change depending on any buy-back of Company shares during the period up to the record date.

Equity per share. Equity in relation to the number of outstanding shares at the year-end.

Equity ratio. Equity at the year-end in relation to total assets.

Fair value. The estimated market value of the properties.

Fair value, properties. The amount for which the properties could be assigned on condition that the transaction takes place between parties that are independent of each other and which have an interest in the transaction being implemented. In accounting terms, this is known as fair value.

Floor space vacancy level. Vacant premises in square metres in relation to the total rentable floor space.

Free Float. Shares available for trading, excluding shares held by a shareholder with a controlling interest.

Gross rent. The contracted rent, including the estimated market rent for vacant premises.

Interest coverage ratio. Profit after financial items, excluding unrealized changes in value, plus interest expense, in relation to interest expense.

Investments. Expenses related to value-enhancing improvements that generate future financial benefits are capitalized. Rebuilding costs of an ongoing maintenance nature are charged to profit.

MTN programme. Medium Term Note is a bond programme with a term of 1–15 years.

Net liabilities. Interest-bearing liabilities minus current investments and cash and bank holdings.

Net loan-to-value ratio, properties. Net liability in relation to the carrying value of the properties.

Net operating income. Net property management revenue less the cost of special projects, maintenance, operation and administration, ground rent and property tax.

Net profit on current operations. Profit before tax, excluding changes in value, properties and derivatives and items affecting comparability charged with 22 per cent (26.3 and 28) standard tax.

New leases. Leases signed during the year with a new tenant other than the tenant that leased the property previously or for premises that were previously vacant.

Outstanding shares. The total number of shares reduced by the shares bought back by the Company.

P/E ratio. The share price at the year-end in relation to profit per share for the year.

Profit per share. Profit for the year after tax in relation to the average number of outstanding shares during the year.

Properties' carrying amount per share. The carrying amount of the properties in relation to the number of outstanding shares at the year-end.

Property tax supplement. Reimbursement of property tax from tenants.

Renegotiated leases. New or extended leases with existing tenants whose earlier leases came to an end during the year.

Rentable floor space. Total floor space available for renting.

Rental losses. Loss of revenue as a result of vacancies.

Rental vacancy level. Vacant floor space at an estimated market rent in relation to the total annual rent.

Return on capital employed. Profit before tax plus interest expense in relation to the average capital employed.

Return on equity. Profit for the year after tax in relation to the average equity.

Share price/equity. The share price at the year-end in relation to equity per share.

Surplus ratio. The gross profit in relation to net revenue.

Special projects. Costs for the development and improvement of the property holdings. In the Income Statement, this refers to the part of the cost that has been expensed.

Tax. The Group's total tax comprises current tax and deferred tax.

Turnover-based rent supplement. Rent in addition to the guaranteed minimum rent, based on a store's net turnover.

Yield. Dividend per share in relation to the share price at the year-end.

Yield, properties. Net operating income in relation to the fair value of the properties.

In some cases there has been rounding off, which means that tables and calculations do not always tally.

Annual Meeting

The Annual Meeting will take place at 4pm on Thursday, March 20, 2014 at the Grand Hôtel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan. Notice to attend the Annual Meeting will be published on the *Post- och Inrikes Tidningar* website www.bolagsverket.se/poit and on the Company's website www.hufvudstaden.se. Notification that a summons has been issued will be published in *Dagens Nyheter*.

Notification

Shareholders who wish to attend the meeting must:

- be registered in the shareholders' register kept by Euroclear Sweden AB by Friday, March 14, 2014, whereupon shareholders who have their shares registered with nominees must have the shares re-registered temporarily in their own name at Euroclear Sweden AB to be entitled to attend the meeting. Registration must be completed by March 14, 2014.

- notify Hufvudstaden by Friday March 14, 2014 at the latest, preferably before 4pm. Notification must be sent using the Company's website www.hufvudstaden.se, by e-mail at anm@hufvudstaden.se, by telephone on +46 8 762 90 00, by fax on +46 8 762 90 01, or in writing to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification must include the name, civic registration number or company registration number, daytime telephone number, the number of shares and the names of any assistants who will be attending. Shareholders attending through a representative must issue a proxy to the representative. If the proxy is issued by a legal entity, a copy of a registration certificate for the legal entity (or, if such a document does not exist, an equivalent authorization document) must be enclosed. To facilitate admission to the meeting, the proxy and authorization documents should be received by the

Company at the above address by March 14, 2014 at the latest. A proxy form is provided on request and is available on the Company's website.

Dividend

The Board of Directors proposes that a dividend of SEK 2.75 per share, totalling SEK 567.2 million, be paid for 2013, with the record date set as March 25, 2014. Payment is expected to be made on March 28, 2014.

Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed name, address or account number, should notify Euroclear Sweden AB of the change as soon as possible through the institution at which their account is registered.

Calendar

Interim Report, Jan – Mar 2014 May 20, 2014
Interim Report, Jan – June 2014 August 21, 2014
Interim Report Jan – Sept 2014 November 5, 2014
Year-End Report 2014 February 12, 2015
Annual Report 2014 March 2015

Contact persons

Ivo Stopner, *President*
Telephone: +46 8-762 90 00, ivo.stopner@hufvudstaden.se
Magnus Jacobson, *Head of Finance*
Telephone: +46 8-762 90 00, magnus.jacobson@hufvudstaden.se

This information is also published on www.hufvudstaden.se. The Annual Report is distributed to all new shareholders and to other shareholders on request.

Addresses

Hufvudstaden AB (publ)

NK 100

SE-111 77 STOCKHOLM

Visiting address: Regeringsgatan 38

Telephone +46 8 762 90 00

Fax +46 8 762 90 01

E-mail info@hufvudstaden.se

Website www.hufvudstaden.se

Company reg. no. 556012-8240

Registered office Stockholm

Gothenburg

Hufvudstaden AB (publ)

Kyrkogatan 54

SE-411 08 GOTHENBURG

Telephone +46 31 710 21 00

Fax +46 31 710 21 88

E-mail info@hufvudstaden.se

Website www.hufvudstaden.se

Parking operations

Parkaden AB

NK 100

SE-111 77 STOCKHOLM

Visiting address: Regeringsgatan 47

Telephone +46 8 762 92 00

E-mail info@parkaden.se

Website www.parkaden.se

NK Department Stores

NK Stockholm

NK 100

SE-111 77 STOCKHOLM

Visiting address: Hamngatan 18-20

Telephone +46 8 762 80 00

Fax +46 8 762 80 01

Website www.nk.se

NK Gothenburg

NK 331

Drottninggatan 39

SE-411 07 GOTHENBURG

Visiting address: Östra Hamngatan 42/
Fredsgatan 5

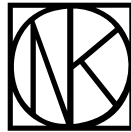
Telephone +46 31 710 10 00

Fax +46 31 710 11 89

Website www.nk.se

Group brands

normalmstorg1



BIBLIOTEKSTAN
EVOLVED SINCE 1885

BJP
BIRGER JARLSPASSAGEN



VARUHUSET
Femman



BIBLIOTEKSTAN

Smålandsgatan, Stockholm



HUFVUDSTADEN