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HUFVUDSTADEN

Interim Report January – March 2013

# HUFVUDSTADEN

## Interim Report January–March 2013

- **Gross profit from property management remained unchanged and amounted to SEK 264 million (264).**
- **Profit after tax for the period was SEK 266 million (341), equivalent to SEK 1.29 per share (1.65). The fall in profit can be attributed to a lower unrealized change in the value of the property holdings compared to the previous year.**
- **The fair value of the property holdings was set at SEK 24.5 billion (23.1 at the turn of the year). On March 7, acquisition of the property Nordstaden 8:26 in Gothenburg was completed. The purchase sum was SEK 1.3 billion.**
- **The net asset value, following a deduction for a dividend of SEK 2.60 per share, amounted to SEK 83 per share (84 at the turn of the year).**
- **The equity ratio was 54 per cent (54), the net loan-to-value ratio was 22 per cent (20) and the interest coverage ratio multiple was 7.8 (6.5).**
- **Consolidated net revenue amounted to SEK 390 million (381), an increase of 2 per cent.**
- **The rental vacancy level at the period-end was 5.0 per cent (3.9).**

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### GROUP

#### RESULTS

##### Property management<sup>1)</sup>

Net rents from property management during the period amounted to SEK 372.9 million (363.2), an increase of 3 per cent, and the gross profit was SEK 263.5 million (263.5). The increase in net revenue can be attributed to higher rents following renegotiations and revenue from the newly acquired property Nordstaden 8:26 in Gothenburg. The profit has also been affected by higher costs for snow clearance and energy due to a harsh winter.

The turnover-based rent supplement at the NK properties is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 8.8 million. Apart from this, there are no material seasonal variations in rents.

The property management results for each business area are reported on page 5.

##### Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue amounted to SEK 16.9 million (17.4), expenses amounted to SEK 12.2 million (12.2) and gross profit amounted to SEK 4.7 million (5.2).

##### Other profit and loss items

Central administration totalled SEK -8.4 million (-7.8). Changes in the value of investment properties totalled SEK 73.2 million (194.7) and changes in interest derivatives totalled SEK 39.0 million (47.9).

##### Financial income and expense

Net financial income and expense amounted to SEK -29.8 million (-39.7). Despite an increase in lending in conjunction with property acquisitions, net costs decreased due to a lower average rate of interest following rearrangement of the derivative portfolio at the end of 2012.

##### Tax

The Group's tax (actual and deferred tax) for the period was SEK -76.3 million (-123.2), of which

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<sup>1)</sup> The acquired property Nordstaden 8:26 is included from March 7, 2013.

SEK -36.6 million was actual tax (-44.8) and SEK -39.7 million was deferred tax (-78.4).

### **Profit for the period**

The consolidated profit after tax amounted to SEK 265.9 million (340.6). The fall is due to a lower unrealized increase in the value of the property holdings compared to the previous year.

### **ACQUISITIONS AND INVESTMENTS**

Acquisition of the property Nordstaden 8:26 in Gothenburg was completed in March. The purchase sum was SEK 1,265.0 million. The total investment in properties and equipment during the period was SEK 1,321.6 million (33.0).

### **PROPERTY HOLDINGS**

The fair value of the Hufvudstaden property holdings as of March 31, 2013 is estimated at SEK 24,452 million (23,058 at the turn of the year). The increase can be attributed to property acquisitions, investments in the property holdings and unrealized changes in value. Rentable floor space totalled 388,000 square metres, of which 20,700 square metres refers to the newly acquired property.

The rental vacancy level as of March 31, 2013 was 5.0 per cent (3.7 at the turn of the year) and the floor space vacancy level was 6.4 per cent (5.4 at the turn of the year). The increase can be explained mainly by a major retailing tenant leaving Nordstan in Gothenburg and vacation of a small amount of office space in Stockholm.

### **Property value and net asset value**

At the end of each quarter, Hufvudstaden makes an internal valuation of each individual property. The purpose of the valuation is to assess the fair value of the property holdings. The assessment took place based on a valuation made according to a variation on the location price method, known as the net capitalization method, where the market yield requirement is put in relation to the net operating income of the properties. To assure the valuations, external valuations for part of the property holdings are obtained at least once a year.

There is a continuous update made during the year of the internal valuation of the properties in order to take into account purchases, sales and investments. Hufvudstaden also examines on a continuous basis whether there are other indications of changes in the fair value of the properties. This could, for example, take the form of major lettings, terminations and material changes in the yield requirements.

In the light of the above, the unrealized change in value of the property holdings for the first quarter of 2013 was SEK 73.2 million (194.7). The total value of property holdings as of March 31, 2013 was SEK 24.5 billion, including acquisitions and investments made during the period. The unrealized increase in value can be attributed to the effect of new and renegotiated leases.

The average yield requirement at the above valuation point was 4.8 per cent (4.8 at the turn of the year).

### *Net asset value*

Based on the valuation of the property holdings, the net asset value, following a deduction for a decided

dividend of SEK 536 million, was SEK 17.1 billion or SEK 83 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 for tax purposes. The assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 5 per cent. If the tax rate according to the Statement of Financial Position (22 per cent) had been used in the calculation, the net asset value would have been SEK 13.6 billion or SEK 66 per share. If the tax rate was assumed to be 0 per cent, the net asset value would have been SEK 18.1 billion or SEK 88 per share.

### **RENTAL MARKET**

Interest in modern, flexible office space in prime locations in central Stockholm continued to be good during the period. Vacant space in this category has continued to remain low and rents stable. In conjunction with renegotiations and new leases for office space in Stockholm's most attractive locations in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area, rents were noted of between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets has also been high with rents ranging from SEK 13,000 to SEK 19,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg has been good. Market rents for modern, well-planned office premises in prime locations have risen slightly and were between SEK 2,000 and SEK 2,600 per square metre per year, excluding the property tax supplement. For retail premises, the market rents were between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

The Group's renegotiations of retail and office leases have proceeded in line with our expectations. In total, 10,900 square metres were renegotiated during the period at a rental value of SEK 49 million.

### **FINANCING STRUCTURE**

Hufvudstaden's borrowing as of March 31, 2013 amounted to SEK 5,950 million (4,700 at the turn of the year). During the period, bonds were issued totalling SEK 1,000 million and the total outstanding amount is SEK 1,500 million. Outstanding commercial paper amounted to SEK 1,100 million. Hufvudstaden ensures that at any given point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 47 months (47 at the turn of the year), the average capital tie-up period was 50 months (47 at the turn of the year) and the average annual equivalent rate was 2.2 per cent (2.1 at the turn of the year). The net interest-bearing debt was SEK 5,282 million (4,202 at the turn of the year).

The fair value of interest swaps as of March 31, 2013 was SEK 16.1 million (-23.0 at the turn of the year).

### Capital tie-up structure, March 31, 2013

Maturity Date	Volume, SEK m	Share, %
2013	600.0	10
2016	1,100.0	18
2017	2,750.0	46
2018	1,000.0	17
2019	500.0	9
Total	5,950.0	100

### Fixed interest structure, March 31, 2013

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2013	1,300.0	22	1.7
2014	100.0	2	2.1
2016	500.0	8	2.3
2017	1,500.0	25	1.8
2018	1,800.0	30	2.6
2019	750.0	13	2.9
Total	5,950.0	100	2.2

### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 17,619 shareholders at the end of the period. The proportion of foreign ownership as of March 31, 2013 was 28.9 per cent of the total number of outstanding shares (29.9 at the turn of the year). The series A share price as of March 31, 2013 was SEK 81.80 and market capitalization was SEK 17.7 billion.

### Shares bought back

The total number of shares held by Hufvudstaden as of March 31, 2013 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during the period or after the end of the reporting period. At the 2013 Annual General Meeting, the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

### Buy-back of shares as of March 31, 2013, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2013	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2013	211.3	5.0	206.3

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2012 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

There were no material transactions with associated parties during the period.

### ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. Accounting principles and computation methods are the same as those applied in the most recent Annual Report. Derivatives are valued at fair value in the Statement of Financial Position. All derivatives are classified as Level 2 according to IFRS 13. Offsetting of financial assets and liabilities is not applied. Other financial assets and liabilities are recorded at their accrued acquisition value, which is essentially in line with fair value.

### FORTHCOMING INFORMATION

Interim Report, January-June 2013	August 22, 2013
Interim Report, January-September 2013	November 7, 2013
Year-End Report 2013	February 13, 2014
Annual Report 2013	March 2014
Annual General Meeting in Stockholm 2014	March 20, 2014

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on May 21, 2013.

*This information is also published on Hufvudstaden's website, [www.hufvudstaden.se](http://www.hufvudstaden.se)*

*Questions can be answered by Ivo Stopner, President, or Magnus Jacobson, Head of Finance, telephone +46 8-762 90 00.*

**INCOME STATEMENTS – SUMMARY**

<b>GROUP, SEK m</b>	<b>January- March 2013</b>	<b>January – March 2012</b>	<b>January – December 2012</b>
<b>Net revenue</b>			
Property management	372.9	363.2	1,472.0
Parking operations	16.9	17.4	69.7
	<b>389.8</b>	<b>380.6</b>	<b>1,541.7</b>
<b>Property management expenses</b>			
Maintenance	-8.5	-5.8	-35.5
Operation and administration	-64.3	-58.0	-227.1
Ground rents	-4.1	-3.9	-16.3
Property tax	-32.5	-32.0	-128.2
<b>Property management expenses</b>	<b>-109.4</b>	<b>-99.7</b>	<b>-407.1</b>
Parking operations, expenses	-12.2	-12.2	-49.4
<b>Operating expenses</b>	<b>-121.6</b>	<b>-111.9</b>	<b>-456.5</b>
<b>Gross profit</b>	<b>268.2</b>	<b>268.7</b>	<b>1,085.2</b>
- of which Property management	263.5	263.5	1,064.9
- of which Parking operations	4.7	5.2	20.3
Central administration	-8.4	-7.8	-34.1
<b>Operating profit before changes in value</b>	<b>259.8</b>	<b>260.9</b>	<b>1,051.1</b>
<b>Changes in value</b>			
Properties	73.2	194.7	620.6
Interest derivatives	39.0	47.9	-25.4
<b>Operating profit</b>	<b>372.0</b>	<b>503.5</b>	<b>1,646.3</b>
Financial income and expense	-29.8	-39.7	-160.7
<b>Profit before tax</b>	<b>342.2</b>	<b>463.8</b>	<b>1,485.6</b>
Tax	-76.3	-123.2	453.8
<b>Profit after tax</b>	<b>265.9</b>	<b>340.6</b>	<b>1,939.4</b>
<b>Other comprehensive income</b>	-	-	-
<b>Total comprehensive income for the period</b>	<b>265.9</b>	<b>340.6</b>	<b>1,939.4</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	1.29	1.65	9.40

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>December 31, 2012</b>
Properties	24,451.7	22,478.5	23,057.5
Other non-current assets	11.0	11.7	11.0
<b>Total non-current assets</b>	<b>24,462.7</b>	<b>22,490.2</b>	<b>23,068.5</b>
Current assets	727.7	276.4	584.6
<b>Total assets</b>	<b>25,190.4</b>	<b>22,766.6</b>	<b>23,653.1</b>
Equity	13,650.5	12,322.1	13,920.9
Non-current interest-bearing liabilities	4,150.0	3,700.0	3,150.0
Deferred tax liabilities	4,581.1	5,249.8	4,541.3
Other non-current liabilities	12.4	136.8	34.5
Pension provisions	8.4	8.0	8.4
<b>Total non-current liabilities</b>	<b>8,751.9</b>	<b>9,094.6</b>	<b>7,734.2</b>
Current, interest-bearing liabilities	1,800.0	951.0	1,550.0
Other liabilities	988.0	398.9	448.0
<b>Total current liabilities</b>	<b>2,788.0</b>	<b>1,349.9</b>	<b>1,998.0</b>
<b>Total equity and liabilities</b>	<b>25,190.4</b>	<b>22,766.6</b>	<b>23,653.1</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- March 2013	January- March 2012	January- December 2012
Equity, opening balance	13,920.9	12,486.9	12,486.9
Total comprehensive income for the period	265.9	340.6	1,939.4
Dividends	-536.3	-505.4	-505.4
<b>Equity, closing balance</b>	<b>13,650.5</b>	<b>12,322.1</b>	<b>13,920.9</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- March 2013	January- March 2012	January- March 2012
Result before tax	342.2	463.8	1,485.6
Depreciation/impairments	1.7	2.6	7.3
Unrealized change in value, properties	-73.2	-194.7	-620.6
Unrealized change in value, interest derivatives	-39.0	-47.9	-160.6
Other changes	-	0.3	0.7
Tax paid	17.7	-50.1	-203.5
<b>Cash flow from current operations before changes in working capital</b>	<b>249.4</b>	<b>174.0</b>	<b>508.9</b>
Increase/decrease in operating receivables	-7.6	18.8	20.1
Increase/decrease in operating liabilities	0.2	-70.3	-10.8
<b>Cash flow from current operations</b>	<b>242.0</b>	<b>122.5</b>	<b>518.2</b>
Investments in properties	-1,321.0	-32.6	-185.7
Investments in equipment	-0.6	-0.4	-1.3
<b>Cash flow from investments</b>	<b>-1,321.6</b>	<b>-33.0</b>	<b>-187.0</b>
Loan raised	1,600.0	276.0	1,100.0
Amortization of loan debt	-350.0	-	-775.0
Dividend paid	-	-505.4	-505.4
<b>Cash flow from financing</b>	<b>1,250.0</b>	<b>-229.4</b>	<b>-180.4</b>
<b>Cash flow for the period</b>	<b>170.4</b>	<b>-139.9</b>	<b>150.8</b>
Cash and cash equivalents at the beginning of the period	497.5	346.7	346.7
Cash and cash equivalents at the period-end	667.9	206.8	497.5
Cash flow for the period per share, SEK	0.83	-0.68	0.73

## SEGMENT REPORT – SUMMARY<sup>1</sup>

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	January - March 2013	January - March 2012	January - March 2013	January - March 2012	January - March 2013	January - March 2012	January - March 2013	January - March 2012
Net revenue	169.6	168.8	150.2	148.1	53.1	46.3	372.9	363.2
Property costs	-46.2	-39.1	-47.8	-47.3	-15.4	-13.3	-109.4	-99.7
<b>Gross profit, property management</b>	<b>123.4</b>	<b>129.7</b>	<b>102.4</b>	<b>100.8</b>	<b>37.7</b>	<b>33.0</b>	<b>263.5</b>	<b>263.5</b>
Parking operations			4.7	5.2			4.7	5.2
Central administration							-8.4	-7.8
<b>Changes in value</b>								
Properties							73.2	194.7
Interest derivatives							39.0	47.9
<b>Operating profit</b>							<b>372.0</b>	<b>503.5</b>
Financial income and expense							-29.8	-39.7
<b>Profit before tax</b>							<b>342.2</b>	<b>463.8</b>

<sup>1)</sup> For comparable holdings, net revenue for the Gothenburg Business Area and the Group and gross profit from property management should be increased by SEK 4.6 million and SEK 3.3 million respectively for 2012.

## PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	March 31, 2013	March 31, 2012	December 31, 2012
<b>Pledged assets</b>			
Mortgages	1,956.2	2,407.1	1,956.2
Endowment insurance	6.6	6.2	6.6
<b>Total pledged assets</b>	<b>1,962.8</b>	<b>2,413.3</b>	<b>1,962.8</b>
Contingent liabilities	None	None	None

## KEY RATIOS

GROUP	March 31, 2013	March 31, 2012	Full Year 2012	Full Year 2011	Full Year 2010	Full Year 2009
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	388	366	367	365	358	354
Rental vacancy level, %	5.0	3.9	3.7	3.9	5.1	6.2
Floor space vacancy level, %	6.4	6.1	5.4	5.9	6.8	7.4
Fair value, SEK bn	24.5	22.5	23.1	22.3	20.1	18.1
Surplus ratio, %	68.8	70.6	70.4	67.1	67.8	68.8
<b>Financial</b>						
Return on equity, %	5.7	6.5	14.7	12.0	15.9	-3.4
Return on capital employed, %	6.0	7.4	9.3	13.1	17.2	-2.5
Equity ratio, %	54.2	54.1	58.9	55.0	56.1	55.0
Interest coverage ratio, multiple	7.8	6.5	6.4	7.0	7.7	7.0
Debt/equity ratio, multiple	0.4	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	21.6	19.8	18.2	18.1	16.1	16.4
<b>Data per share</b>						
Profit/loss for the period, SEK	1.29	1.65	9.40	6.96	8.40	-1.73
Equity, SEK	66.18	59.74	67.49	60.54	55.88	49.58
Properties, fair value, SEK	118.54	108.98	111.79	107.88	97.68	87.87
Net asset value, SEK	83.00	75.00	84.00	76.00	70.00	62.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Jan- March 2013	Oct- Dec 2012	July- Sept 2012	April- June 2012	Jan- March 2012	Oct- Dec 2011	July- Sept 2011	April- June 2011
Net revenue, SEK m	390	398	381	382	381	380	350	356
Return on equity, %	5.7	31.0	7.7	7.6	6.5	12.4	9.6	10.3
Return on equity, adjusted, %	5.1	28.0	5.3	5.0	5.1	5.4	4.7	5.0
Equity ratio, %	54.2	58.9	55.0	54.7	54.1	55.0	55.6	55.7
Profit/share for the period, SEK	1.29	5.56	0.68	1.52	1.65	2.06	0.45	3.19
Equity per share, SEK	66.18	67.49	61.93	61.26	59.74	60.54	58.47	58.02
Net asset value per share, SEK <sup>1)</sup>	83.00	84.00	77.00	77.00	75.00	76.00	73.00	73.00
Cash flow from current operations per share, SEK	1.17	0.27	0.79	0.85	0.59	0.53	0.69	0.64

<sup>1)</sup> The estimated deferred tax used for costing purposes as of December 31, 2012 was assumed to be 5 per cent. The figure for previous periods was 10 per cent.

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 229.6 million (220.7). The gross profit was SEK 117.5 million (125.6). The increase in net revenue can be attributed to higher rents following renegotiations as well as revenue from the newly acquired property Nordstaden 8:26 in Gothenburg. Profit has also been affected by higher costs for snow clearance and energy due to a harsh winter as well as increased maintenance costs. Net financial income and expense was SEK -29.7 million (-39.8).

Cash and cash equivalents at the period-end amounted to SEK 667.7 million (206.5). Investments in properties and equipment during the period totalled SEK 1,286.0 million (10.9).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is exposed mainly to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2012 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

There were no material transactions with associated parties during the period.

### ACCOUNTING PRINCIPLES

The Parent Company applies the same accounting principles as in the most recent annual report.

## INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	January– March 2013	January – March 2012	January – December 2012
Net revenue	229.6	220.7	890.9
Operating expenses	-112.1	-95.1	-415.5
<b>Gross profit</b>	<b>117.5</b>	<b>125.6</b>	<b>475.4</b>
Central administration	-8.4	-7.7	-34.1
Changes in value, interest derivatives	39.0	47.9	-25.4
<b>Operating profit</b>	<b>148.1</b>	<b>165.8</b>	<b>415.9</b>
Group contribution	-	-	373.1
Financial income and expense	-29.7	-39.8	-157.8
<b>Profit after financial items</b>	<b>118.4</b>	<b>126.0</b>	<b>631.2</b>
Appropriations	-	-	-24.9
<b>Profit before tax</b>	<b>118.4</b>	<b>126.0</b>	<b>606.3</b>
Tax	-26.9	-34.1	-17.8
<b>Profit for the period</b>	<b>91.5</b>	<b>91.9</b>	<b>588.5</b>
<b>Statement of comprehensive income, SEK m</b>			
Profit for the period	91.5	91.9	588.5
<i>Other comprehensive income</i>	-	-	-
<b>Comprehensive income for the period</b>	<b>91.5</b>	<b>91.9</b>	<b>588.5</b>

## BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	March 31, 2013	March 31, 2012	December 31, 2012
Properties	7,617.8	6,361.6	6,352.4
Other non-current assets	3,117.0	3,101.6	3,100.8
Total non-current assets	10,734.8	9,463.2	9,453.2
Current assets	1,338.5	908.3	1,250.4
<b>Total assets</b>	<b>12,073.3</b>	<b>10,371.5</b>	<b>10,703.6</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,727.9	1,676.1	2,172.7
Total equity	3,706.6	3,654.8	4,151.4
Untaxed reserves	609.4	584.5	609.4
Appropriations	954.6	1,099.6	945.6
Non-current liabilities	4,162.7	3,837.3	3,185.0
Current liabilities	2,640.0	1,195.3	1,812.2
Total liabilities	8,366.7	6,716.7	6,552.2
<b>Total equity and liabilities</b>	<b>12,073.3</b>	<b>10,371.5</b>	<b>10,703.6</b>

Stockholm, May 21, 2013

Ivo Stopner  
President

This Interim Report has not been the subject of examination by the Company's auditors.



## DEFINITIONS AND GLOSSARY

**Annual rent.** Gross rent at the period-end, calculated on an annual basis, excluding the turnover-based rent supplement. Vacant premises are reported at the market rent.

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

**Capital employed.** Total assets reduced by non-interest-bearing liabilities and deferred tax liabilities.

**Central administration.** Costs for Group management and Group staff functions, costs for maintaining the Company's stock exchange listing and other costs common to the Company.

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

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

**Fair value.** The estimated market value of the properties.

**Floor space vacancy level.** Vacant floor space in square metres in relation to the total lettable floor space.

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

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

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

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

**Net liabilities.** Interest-bearing liabilities, including decided dividend less current investments and cash and bank holdings.

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

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

**Property tax supplement.** Property tax payments received from tenants.

**Rental losses.** Loss of revenue as a result of unlet space.

**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 minus interest contributions in relation to the average capital employed. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

**Return on equity.** Profit after tax in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

**Return on equity, adjusted.** Profit after tax, excluding changes in value, in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

**Surplus ratio.** Gross profit in relation to net revenue.

**Tax.** Total tax for the Group comprises both actual tax and deferred tax.

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

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



# HUFVUDSTADEN

## Hufvudstaden

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 shall work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

*Quality.* Quality and environmental systems shall 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 shall be ensured with a focus on professional know-how and values.

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

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