

HUFVUDSTADEN



Q3

Interim Report
January–September 2020

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- Net revenue from property management decreased by 7 per cent to SEK 1,314 million (1,408). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses for stores and restaurants as a result of Covid-19.
- Gross profit from property management amounted to SEK 930 million (1,029). The decrease of 10 per cent can be attributed mainly to lower rental revenue for stores and restaurants.
- The net loss after tax for the period was SEK -1,003 million (2,045), equivalent to earnings per share of SEK -4.87 (9.91). The decrease can be attributed mainly to negative unrealized changes in the value of the property holdings regarding properties with a significant proportion of stores and restaurants.
- The fair value of the property holdings was SEK 46.3 billion (47.7 at the turn of the year), resulting in net tangible assets (EPRA NTA) of SEK 176 per share (185 at the turn of the year). The unrealized change in the value of the property holdings for the period was SEK -2,070 million (1,700).
- A buyback of 3,959,000 class A shares for SEK 500 million was executed at an average price of SEK 126.29 per share.
- The equity ratio was 61 percent (62), the net loan-to-value ratio was 19 percent (16) and the interest coverage ratio multiple was 9.2 (11.4).
- The rental vacancy rate at the end of the period was 9.1 per cent (7.1). Excluding current development projects, the rental vacancy rate was 4.7 per cent (3.0).
- Hufvudstaden has the most satisfied office tenants in the industry according to the *Fastighetsbarometern* Customer Satisfaction Index in the Large Cap category.

Operating events during the third quarter

The NK e-commerce platform was launched in September and additional NK departments will be successively added. The aim is to strengthen the physical NK department stores with another sales channel and make the range visible in digital platforms.

The French fashion house Saint Laurent has opened at the NK department store in Stockholm.

During the autumn, the luxury brand Hermès opened a flagship store in the NK department store in Stockholm.

The Swedish shirt brand La Chemise will be opening a boutique in Bibliotekstan in Stockholm.

A lease has been signed with the law firm Foyen for approximately 1,200 square metres office space in the NK building in Stockholm.

Performance measures

SEK m	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net revenue, property management	1,314	1,408	1,896
Gross profit, property management	930	1,029	1,373
Unrealized changes in property value, investment properties	-2,070	1,700	2,727
Operating profit or loss	-1,129	2,721	4,087
Net profit or loss for the period	-1,003	2,045	3,146
Fair value, properties, SEK bn	46.3	46.4	47.7
Net loan-to-value ratio, properties, %	18.6	16.2	15.5
Interest coverage ratio, multiple	9.2	11.4	11.4
Rental vacancy rate, excl. projects (EPRA vacancy rate), %	4.7	3.0	1.7
Earnings from property management after nominal tax (EPRA EPS) per share, SEK	3.59	4.11	5.49
Net tangible assets (EPRA NTA) per share, SEK	176.00	179.00	185.00

COVID-19

Some stabilization of the Covid-19 outbreak was noted during the third quarter. The strain on the healthcare system lightened and economic activity recovered to an extent. Public authorities have continued to encourage social distancing and recommend working from home. International tourism came to a virtual halt during the summer and domestic tourism prioritized destinations outside Stockholm and Gothenburg, partially explained by the strong impact of restrictions on entertainment venues and cultural activities.

Hufvudstaden's centrally located properties and marketplaces in the two largest cities in Sweden have continued to be affected by the effects of the pandemic because city locations do not have as many residents in the immediate area and flows of people working in the city have significantly decreased. Some stabilization and recovery in both customer flows and sales figures have been noted during the third quarter as well, although they are still clearly lower than before the outbreak of Covid-19.

One result of this is that the payment capacity of several of our retail and restaurant tenants was weaker in quarter 2 and 3. In response, Hufvudstaden has maintained close dialogue in order to support our tenants through this period in the best and most professional manner possible. Rent reductions in the financial interim statements for 2020 amount to approximately SEK 92 million after compensation from the government under the local rental support package during quarter 2. Of these, around SEK 42 million refers to reductions for quarter 3.

Results of operations for the period were also affected by higher costs for bad debt losses.

In many cases, Hufvudstaden has a long-term relationship with its tenants, which is a core element in our business model. We support tenants in all matters related to premises, in good times and bad. Discussions will continue in the fourth quarter to find the best solution in business terms to help tenants bridge this challenging period. The result from our current operations is therefore expected to be affected in the upcoming quarters as well.

Hufvudstaden is following official recommendations and directives on how to manage transmission of the virus. Operations have been adapted to ensure full compliance with the directives in stores, restaurants and office premises. Current and planned development projects are proceeding as planned. Hufvudstaden's financial position remains strong and conditions are good for the continued development of our properties and marketplaces.

Although the pandemic has clearly accelerated social changes, Hufvudstaden is convinced that people will still want to meet in the future, both professionally and socially. Face-to-face encounters create opportunities for exchange of ideas, innovation and business, as well as culture and experiences. Offices, stores and restaurants are a prerequisite for this. Centrally located properties in Sweden's two largest cities are therefore considered to continue to be attractive and we are convinced that our business model, even after Covid-19, creates the conditions for good earnings development.

GROUP

RESULTS

Property management

Net revenue from property management during the period amounted to SEK 1,314.0 million (1,407.6). Gross profit was SEK 930.0 million (1,028.9). The decrease can be attributed mainly to temporary rent reductions and higher bad debt losses for stores and restaurants due to Covid-19. This is offset to a certain extent by higher gross rents in conjunction with new and renegotiated leases and indexation.

The turnover-based rent supplement is reported during the fourth quarter and amounted in the preceding year to SEK 11.1 million. Apart from this, there are no other material seasonal variations in rents.

Property management results for each business area are reported on page 9.

Other operations

Other operations comprise the parking business in Parkaden AB, NK e-commerce and Cecil Coworking. Net revenue for Parkaden AB was SEK 52.1 million (61.5). The decrease can be attributed to reduced revenue from short-term parking. Expenses totalled SEK -39.0 million (-39.2) and gross profit totalled SEK 13.1 million (22.3). NK e-commerce and Cecil Coworking are operations in the start-up phase with marginal impact on the Group's result.

Other profit and loss items

Central administration costs were SEK -34.5 million (-33.6). Unrealized changes in the value of investment properties totalled SEK -2,070.2 million (1,699.9) and changes in interest rate derivatives amounted to SEK 0.0 million (3.7). For further information, see pages 4-6. Items affecting comparability were SEK 34.7 million (-) and refer to insurance compensation for loss in rental revenue and emergency response costs after the fire in 2017 in the property Vildmannen 7.

Financial income and expense

Net financial income and expense amounted to SEK -98.9 million (-88.8), of which SEK -82.1 million (-72.4) refers to the cost of borrowing, and SEK -16.8 million (-16.8) to leasing costs, primarily ground rents. The increase in financial expense related to borrowing is due to a higher average rate of interest on loans and increased borrowing. For further information, see page 6.

Tax

The Group's tax for the period was SEK 225.0 million (-587.7), of which SEK -92.8 million (-106.0) in current tax and SEK 317.8 million (-481.7) in deferred tax.

Net profit or loss for the period

The consolidated net loss after tax was SEK -1,002.8 million (2,044.7). The decrease can be attributed mainly to negative unrealized changes in the value of the property holdings regarding properties with a significant proportion of stores and restaurants.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The assessed value as at September 30, 2020 was SEK 46,266 million (47,681 at the turn of the year). The decrease can be attributed to negative unrealized changes in value in the property holdings. Rentable floor space totalled approximately 384,000 square metres (384,200 at the turn of the year).

The rental vacancy rate as at September 30, 2020 was 9.1 per cent (5.0 at the turn of the year) and the total floor space vacancy rate was 9.7 per cent (6.7 at the turn of the year). The rental vacancy rate excluding current development projects (EPRA vacancy rate), totalled 4.7 per cent (1.7 at the turn of the year). The increase in the rental vacancy rate excluding current development projects is mainly attributed to a couple of office tenants vacating the premises. New leases have already been signed for several of these spaces. The vacancy rate was also affected by the bankruptcies or removals of some retail tenants.

Acquisitions and investments

Total investments in properties and other non-current assets during the period were SEK 698.8 million (652.2).

In recent years, Hufvudstaden has intensified its investment in development projects. At present, current and planned projects are worth approximately SEK 4 billion. Major projects are presented in the table below.

Current and planned development projects will continue as scheduled despite the ongoing outbreak of the pandemic.

Extensive redevelopment has taken place in recent years at NK in Stockholm with the aim of strengthening its position as a world-class department store. Most of the project will be completed by the autumn and work continued during the quarter to complete the remaining departments. The NK department store will continue to be developed to respond to changing consumer behaviours and the NK e-commerce platform was launched in September. Additional NK departments will be connected to the platform going forward.

The expansion and redevelopment project at the Skären 9 property in Bibliotekstan is mainly complete. The law firm Vinge, which leases more than 70 per cent of the office floor space, will move back into the property during the fourth quarter.

The remaining office space is approaching the completion of Hufvudstaden's own Coworking concept Cecil, which is planned to open in early 2021.

At the Vildmannen 7 property in Stockholm, demolition work has continued as planned behind the original facades that have been secured in preparation for the new construction.

In Gothenburg, a new local plan was received at the end of 2019 for the Inom Vallgraven 12 block. Planning has commenced as part of an extensive redevelopment and expansion project. The new local plan allows for additional building permissions of around 15,000 square metres in gross area.

Existing apartments in the block will be replaced by new ones in the property Inom Vallgraven 3:2. Conversion of the property commenced during the quarter with estimated completion at the turn of the year 2021/2022.

Property value and net asset value

At the end of each quarter, Hufvudstaden makes an internal valuation of each individual property. The purpose is to assess the fair value of the property holdings. To assure the quality of the valuation, external valuations of parts of the property holdings are obtained at least once a year. The internal valuation of the properties is updated continuously during the year to take account of 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 take the form, for example, of major lettings, terminations, and material changes in yield requirements.

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK -2,070.2 million (1,699.9). The total value of the property holdings as at September 30, 2020 was SEK 46.3 billion, including investments during the period. The unrealized decrease in value is due to the effects of lower market rents, primarily for stores, and to slightly rising yield requirements, primarily for properties with a significant share of stores and restaurants.

The average yield requirement is unchanged compared to the second quarter and stood at 3.7 per cent at the above valuation (3.6 at the turn of the year).

Major current and planned projects in the third quarter 2020

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment ¹⁾ (SEK m)	Estimated completion
Stockholm	NK Stockholm, Hästskon 10	Current	Retail, restaurant & parking	50% of the department store floor space & 20% increase	-	700	2020/2021
Stockholm	Skären 9	Current	Office	11,000	3,100	750	2020/2021
Stockholm	Vildmannen 7	Demolition work, planning	Office & retail	-	-	-	-
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	-	85	2021/2022
Gothenburg	Inom Vallgraven 12 block	Planning	Office, retail & restaurant	-	-	-	-

¹⁾ Includes estimated costs for rent losses and financing that are continuously recognized in profit and loss as well as costs for evacuation.

Valuation method

Valuation of the property holdings is done by assessing the fair value of each individual property. The valuation is made using a variation on the location price method, known as the net capitalization method. In this method, the market yield requirement is set in relation to the net operating income of the properties. For other project properties and undeveloped land, the valuation is based on a completed building with a deduction for construction costs, as well as financial costs and the cost of vacant space that arises during the construction period.

The yield requirement is based on information compiled about the market yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's subarea, transactions in neighbouring areas are analysed. Transactions that have yet to be finalized also provide guidance on market yield requirements.

The yield requirement can vary between different regions and different subareas within the regions. The type of property, technical standard, construction of the building and major investment requirements are also taken into account. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for comparable properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy rate and normalized operating and maintenance costs. If there is a greater degree of uncertainty than normal, this is compensated for by increased yield requirements in the valuation.

When making the valuation, the following yield requirement figures for office and retail properties have been applied:

Yield requirements, property valuation¹⁾

Stockholm	3.3-3.7 per cent
Gothenburg	4.2-4.8 per cent
Property holdings, average	3.7 per cent

¹⁾ Valuation date: September 30, 2020

Sensitivity analysis

Fair value is an estimation of the probable sales price on the market at the time of the valuation. However, the price can only be established when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimations of fair value. The range is usually +/- 5 per cent but can vary depending, in part, on the market situation, the technical standard of the property, and investment requirements. Hufvudstaden's property holdings are valued at SEK 46.3 billion, with a degree of uncertainty of +/- 5 per cent, which means that the estimated fair value varies by +/- SEK 2.3 billion. Below are the key factors that influence the valuation and the consequent impact on profit or loss before tax.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit or loss before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,050 m
Property costs	SEK 50/sq m	SEK 525 m
Rental vacancy rate	1.0 percentage points	SEK 590 m
Yield requirement	0.25 percentage points	SEK 3,100 m

¹⁾ Valuation date: September 30, 2020

Net asset value

Based on the valuation of the property holdings, the current net reinstatement value (EPRA NRV) is SEK 37.8 billion or SEK 187 per share. Net tangible asset value (EPRA NTA) amounted to SEK 35.6 billion or SEK 176 per share after a deduction for estimated deferred tax. This assessment is based on current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been assumed at 5 per cent.

Net asset value, September 30, 2020

	SEK m	SEK/ share
Equity according to the balance sheet	29,075.4	144
Reversal		
Deferred tax ¹⁾	8,752.7	43
Long-term EPRA NRV	37,828.1	187
Deduction		
Intangible assets	-111.6	0
Estimated fair liability, deferred tax 5%	-2,124.4	-11
EPRA NTA	35,592.1	176
Reversal		
Intangible assets as above	111.6	0
Deferred tax in its entirety	-6,628.3	-32
EPRA NDV	29,075.4	144

¹⁾ Deferred tax according to the balance sheet related to investment properties and right-of-use assets attributable to ground rents.

HUFVUDSTADEN HAS THE MOST SATISFIED OFFICE TENANTS IN THE INDUSTRY

*Fastighetsbarometern*¹⁾ is the industry's Customer Satisfaction Survey. The industry average was 75 and with a score of 83 out of 100, Hufvudstaden was once again the clear winner in the Large Cap category. Hufvudstaden received the highest scores for location, contact person, fault notification and information.

RENTAL MARKET

Demand for modern, flexible office space in prime locations in central Stockholm recovered somewhat during the quarter, although the market remains hesitant. There are prospective tenants and premises are being shown, but it is generally taking longer to close agreements. Vacancy rates remain low and in Stockholm's most sought-after locations, Bibliotekstan, Norrmalmstorg/Hamngatan and in the Hötorget area, market rents for office space were estimated at SEK 6,300-8,700 per square metre per year, excluding the property tax supplement. For retail premises, the effects are difficult to assess, but market rent levels are estimated, at least temporarily, to be negatively affected. The assessment is that market rents for retail premises in prime commercial locations were SEK 13,000-25,000 per square metre per year, excluding the property tax supplement.

In Gothenburg's central submarkets, demand for modern and flexible office space has remained somewhat hesitant. Vacant space remained low and market rents in the most attractive locations were SEK 2,900-3,800 per square metre per year, excluding the property tax supplement. For retail premises in prime locations, market rents are falling slightly and amounted to SEK 5,000-14,000 per square metre per year, excluding the property tax supplement.

The outcomes of Group renegotiations were slightly negative for retail premises and positive for office premises. During the period, a total of 29,300 square metres were renegotiated at a rental value of SEK 169 million. On average, the renegotiations resulted in a rent increase of approximately 6 per cent.

¹⁾ The organizations behind *Fastighetsbarometern* are the Swedish Property Foundation and the consulting firm CFI Group.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at September 30, 2020 was SEK 8,250 million (8,350 at the turn of the year). Interest-bearing net debt was SEK 7,884 million (6,644 at the turn of the year). In addition, lease liabilities as accounted for under IFRS 16 totalled SEK 729 million (760 at the turn of the year). Total net debt was SEK 8,613 million (7,404 at the turn of the year). SEK 500 million in bank loans will fall due during the fourth quarter. In addition to outstanding loans, there are unutilized loan commitments amounting to SEK 3,000 million, of which SEK 1,050 million is reserved as backup for outstanding commercial paper.

Hufvudstaden has an MTN programme totalling SEK 8,000 million and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds is SEK 6,200 million and there is SEK 1,050 million outstanding in commercial paper. Hufvudstaden ensures that there are unutilized loan commitments to cover all outstanding commercial paper at all times. The average fixed interest period was 2.0 years (2.6 at the turn of the year), average capital tie-up period was 2.6 years (3.3 at the turn of the year), and the average annual equivalent rate of interest was 1.3 per cent (1.2 at the turn of the year). To achieve the desired interest payment structure, borrowing takes place at both fixed and variable interest rates. Of total borrowings, SEK 6,200 million carries a fixed rate of interest. Financial assets and liabilities are recognized at amortized cost. There is no offsetting of financial assets and liabilities, and there are no agreements that permit netting.

Fixed interest structure, SEK m, September 30, 2020

Maturity, year	Credit amount	AER, % ¹⁾	Proportion, %
< 1	2,550	1.2	31
1 - 2	1,200	1.5	15
2 - 3	2,500	1.3	30
3 - 4	500	1.5	6
4 - 5	1,500	1.1	18
Total	8,250	1.3	100

¹⁾ The credit margins in the table are allocated to the period in which the credit is reported.

Capital tie-up structure, SEK m, September 30, 2020

Maturity, year	Credit Agreement	Utilized:				Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾	Total	
< 1	1,000	500	500	-	1,000	12
1 - 2	2,700	500	1,200	-	1,700	21
2 - 3	2,500	-	2,500	-	2,500	30
3 - 4	1,500 ²⁾	-	500	50	550	7
4 - 5	2,500 ²⁾	-	1,500	1,000	2,500	30
Total	10,200	1,000	6,200	1,050	8,250	100

¹⁾ Capital tie-up for commercial paper loans has been calculated according to the underlying loan commitments.

²⁾ SEK 1,050 million is reserved as backup for outstanding commercial paper.

THIRD QUARTER

Gross profit from property management decreased by 12 per cent to SEK 303.9 million (347.0). Net revenue decreased by 9 per cent to SEK 428.0 million (469.5). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses, mainly for stores and restaurants as a result of Covid-19. This is offset to a certain extent by higher gross rents in conjunction with renegotiated and new leases and indexation. Costs totalled SEK -124.1 million (-122.5).

Other operations comprise the parking business in Parkaden AB, NK e-commerce and Cecil Coworking. Net revenue for Parkaden AB was SEK 17.2 million (19.9). The decrease can be attributed to reduced reve-

nue from short-term parking. Costs totalled SEK -12.8 million (-13.3) and gross profit was SEK 4.4 million (6.6). NK e-commerce and Cecil Coworking are in the start-up phase with marginal impact on the Group's result.

Unrealized changes in the value of investment properties totalled SEK -155.5 million (408.0) and changes in the value of interest rate derivatives amounted to SEK 0.0 million (0.4). Net financial income and expense was SEK -32.9 million (-29.5).

SHARES AND SHAREHOLDERS

Hufvudstaden class A shares are listed on NASDAQ Stockholm. The company's class C shares were delisted from NASDAQ Stockholm in January 2020. The company had 47,025 shareholders at the end of the period. The proportion of foreign ownership as at September 30, 2020 was 27.0 per cent of the total number of outstanding shares (28.4 at the turn of the year). The class A share price as at September 30, 2020 was SEK 124.90, and total market capitalization of all shares based on the class A share price was SEK 26.4 billion.

Conversion of Hufvudstaden's class C shares

At the 2001 Annual General Meeting a conversion clause was added to Hufvudstaden's articles of association. Shareholders have the right at any time to request conversion of class C shares into class A shares. During the third quarter of 2020, 49 class C shares were converted to class A shares.

Share structure as at September 30, 2020

Share class	Number of shares	Number of votes	Equity %	Votes %
A (1 vote)	202,999,876	202,999,876	96.1	19.7
C (100 votes)	8,272,057	827,205,700	3.9	80.3
Total	211,271,933	1,030,205,576	100.0	100.0

Shares bought back

At the 2020 Annual General Meeting, the board of directors was granted renewed authorization to acquire class A shares up to 10 per cent of all shares outstanding and to transfer treasury shares held by the company. The board decided on September 10, 2020 to utilize the authorization. Hufvudstaden repurchased 3,959,000 class A shares in September for SEK 500.0 million, corresponding to an average price of SEK 126.29 per share. Thereafter, the treasury shares held by Hufvudstaden totalled 8,965,000 class A shares, equivalent to 4.2 per cent of all shares outstanding and 0.9 per cent of the total number of votes.

Share buybacks as at September 30, 2020, million shares

	Total number of shares	Treasury shares	Other shareholders
As at January 1, 2020	211.3	5.0	206.3
Buyback, September	-	4.0	-4.0
As at September 30, 2020	211.3	9.0	202.3

EVENTS AFTER THE END OF THE PERIOD

Changes occurred in Hufvudstaden's Group Management effective October 1, 2020. Vice President Bo Wikare has been appointed the new Head of the NK Business Area and President of AB Nordiska Kompaniet. As the new Head of Business Development, Mattias Nygård has joined the Group Management Team. The board of directors furthermore appointed Anders Nygren, Head of the Stockholm Business Area, as Vice President of Hufvudstaden. Former Head of the NK Business Area and President of AB Nordiska Kompaniet Henrik Andreasson left Hufvudstaden and the Company's Group Management Team in conjunction with the changes.

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. Increased uncertainty due to the Covid-19 pandemic has been identified in addition to the material risks and uncertainties described in the 2019 Annual Report. See page 3 for further details.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING POLICIES

Hufvudstaden applies the EU-endorsed IFRS standards. This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Swedish Annual Accounts Act. Disclosures according to IAS 34.16A are presented in the financial statements and in other parts of the interim report. In addition to the accounting policies and computation bases applied in the 2019 Annual Report, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance has been applied. This refers mainly to government assistance in the form of compensation for reduced rents that is obtained or expected to be obtained.

Government grants are recognized when there is reasonable assurance that the company will comply with any conditions attached to the grant and that the grant will be received. The grants are accounted for in net revenues from property management and recognized in profit or loss in the same period as the reduced rental revenue.

FORTHCOMING INFORMATION

Year-end Report 2020	February 18, 2021
Annual Report 2020	March 2021
Annual General Meeting in Stockholm 2021	March 25, 2021

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was published through the auspices of the persons named below on November 5, 2020.

The information is also published on Hufvudstaden's website, www.hufvudstaden.se.

Questions can be answered by Ivo Stopner, President, or Åsa Roslund, CFO, on +46-8-762 90 00.

INCOME STATEMENTS - SUMMARY

GROUP, SEK m	July-September 2020	July-September 2019	January-September 2020	January-September 2019	January-December 2019
Net revenue¹⁾					
Property management	428.0	469.5	1,314.0	1,407.6	1,896.4
Other operations	17.2	19.9	52.1	61.5	84.8
	445.2	489.4	1,366.1	1,469.1	1,981.2
Property management expenses					
Maintenance	-6.8	-7.7	-19.4	-20.3	-28.9
Operation and administration	-65.9	-63.8	-210.4	-204.2	-287.0
Property tax	-50.2	-49.8	-150.5	-150.5	-200.7
Depreciation, right-of-use assets	-1.2	-1.2	-3.7	-3.7	-6.8
Property management expenses	-124.1	-122.5	-384.0	-378.7	-523.4
Other operations, expenses	-14.8	-13.3	-41.0	-39.2	-52.5
Operating expenses	-138.9	-135.8	-425.0	-417.9	-575.9
Gross profit	306.3	353.6	941.1	1,051.2	1,405.3
- of which Property management	303.9	347.0	930.0	1,028.9	1,373.0
- of which Other operations	2.4	6.6	11.1	22.3	32.3
Central administration	-11.1	-11.4	-34.5	-33.6	-49.2
Operating profit before items affecting comparability and changes in value	295.2	342.2	906.6	1,017.6	1,356.1
Items affecting comparability ²⁾	-	-	34.7	-	-
Change in value, investment properties	-155.5	408.0	-2,070.2	1,699.9	2,726.9
Changes in value, interest rate derivatives	-	0.4	-	3.7	3.7
Operating profit or loss	139.7	750.6	-1,128.9	2,721.2	4,086.7
Financial income or expense	-32.9	-29.5	-98.9	-88.8	-118.7
Profit or loss before tax	106.8	721.1	-1,227.8	2,632.4	3,968.0
Tax	-28.1	-157.6	225.0	-587.7	-821.6
Net profit or loss	78.7	563.5	-1,002.8	2,044.7	3,146.4
Other comprehensive income	-	-	-	-	-
Total comprehensive income or loss for the period	78.7	563.5	-1,002.8	2,044.7	3,146.4
Average number of outstanding shares following buybacks during the period	205,708,848	206,265,933	206,078,883	206,265,933	206,265,933
Net earnings per share for the period, basic and diluted, SEK	0.38	2.73	-4.87	9.91	15.25

¹⁾ Service revenue totalled SEK 68.8 million, equivalent to 5 per cent of total net revenue for Jan-Sept 2020. The figure for Jan-Sept 2019 was SEK 66.6 million, equivalent to 5 per cent, and the figure for Jan-Dec 2019 was 86.8 million, equivalent to 4 per cent.

²⁾ Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

BALANCE SHEETS - SUMMARY

GROUP, SEK m	30 September, 2020	30 September, 2019	31 December, 2019
Investment properties	46,266.1	46,395.4	47,680.6
Right-of-use assets	728.7	760.6	760.0
Other non-current assets	140.6	83.5	101.1
Total non-current assets	47,135.4	47,239.5	48,541.7
Current assets	491.8	1,232.0	1,799.9
Total assets	47,627.2	48,471.5	50,341.6
Equity	29,075.4	30,281.0	31,382.7
Non-current interest-bearing liabilities	6,200.0	6,200.0	6,700.0
Deferred tax liabilities	8,654.5	8,774.7	8,972.3
Non-current lease liabilities	710.5	720.3	719.0
Other non-current liabilities	78.0	59.1	61.0
Other provisions	25.0	24.7	25.7
Total non-current liabilities	15,668.0	15,778.8	16,478.0
Current interest-bearing liabilities	2,050.0	1,650.0	1,650.0
Current lease liabilities	18.6	40.6	41.4
Other liabilities	815.2	721.1	789.5
Total current liabilities	2,883.8	2,411.7	2,480.9
Total equity and liabilities	47,627.2	48,471.5	50,341.6

CHANGES IN EQUITY - SUMMARY

GROUP, SEK m	January-September 2020	January-September 2019	January-December 2019
Equity, opening balance	31,382.7	28,999.5	28,999.5
Total comprehensive income or loss for the period	-1,002.8	2,044.7	3,146.4
Dividend	-804.4	-763.2	-763.2
Share buyback	-500.0	-	-
Equity, closing balance	29,075.4	30,281.0	31,382.7

STATEMENTS OF CASH FLOWS - SUMMARY

GROUP, SEK m	January-September 2020	January-September 2019	January-December 2019
Profit or loss before tax	-1,227.8	2,632.4	3,968.0
Depreciation/impairments	70.7	36.1	52.8
Changes in value, investment properties	2,070.2	-1,699.9	-2,726.9
Changes in value, interest rate derivatives	-	-3.7	-3.7
Other changes	-0.7	5.1	6.0
Income tax paid	-118.3	-116.0	-138.0
Cash flow from operating activities before changes in working capital	794.1	854.0	1,158.2
Increase/decrease in operating receivables	-56.3	23.3	72.1
Increase/decrease in operating liabilities	56.6	80.4	136.8
Cash flow from operating activities	794.4	957.7	1,367.1
Investments in properties	-655.7	-606.9	-865.2
Investments in other non-current assets	-43.1	-45.3	-63.0
Cash flow from investing activities	-698.8	-652.2	-928.2
Borrowings	2,650.0	3,950.0	5,350.0
Amortization of loan debt	-2,750.0	-3,450.0	-4,350.0
Amortization of lease debt	-31.1	-29.6	-40.3
Dividend paid	-804.4	-763.2	-763.2
Share buyback	-500.0	-	-
Cash flow from financing activities	-1,435.5	-292.8	196.5
Cash flow for the period	-1,339.9	12.7	635.4
Cash and cash equivalents at the beginning of the period	1,706.1	1,070.7	1,070.7
Cash and cash equivalents at the end of the period	366.2	1,083.4	1,706.1
Cash flow from operating activities per share, SEK	3.85	4.64	6.63
Cash flow for the period per share, SEK	-6.50	0.06	3.08

SEGMENT REPORT - SUMMARY

The Group's operations are divided into two segments, property management and other operations. The segments are divided into business areas, which align with the company's operational control system.

GROUP, SEK m	Business Area Stockholm		Business Area NK		Business Area Gothenburg		Total	
	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Property management:								
Net revenue	778.4	785.2	275.9	359.3	259.7	263.1	1,314.0	1,407.6
Property costs	-175.1	-177.9	-136.0	-128.0	-72.9	-72.8	-384.0	-378.7
Gross profit, property management	603.3	607.3	139.9	231.3	186.8	190.3	930.0	1,028.9
Gross profit or loss, other operations¹⁾	-1.3	-	12.4	22.3	-	-	11.1	22.3
Central administration							-34.5	-33.6
Items affecting comparability ²⁾							34.7	-
Changes in value:								
Investment properties							-2,070.2	1,699.9
Interest rate derivatives							-	3.7
Operating profit or loss							-1,128.9	2,721.2
Financial income or expense							-98.9	-88.8
Profit or loss before tax							-1,227.8	2,632.4

¹⁾ Other operations refers to Cecil Coworking, NK e-commerce and the parking operations in Parkaden AB. Cecil Coworking is organized under the Stockholm Business Area and is planned to open in early 2021. Start-up costs are charged to the business.

²⁾ Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

PERFORMANCE MEASURES

GROUP	30 September, 2020	30 September, 2019	Full year 2019
Property-related			
Rentable floor space, 1,000 sq m	384.0	384.4	384.2
Rental vacancy rate, %	9.1	7.1	5.0
Floor space vacancy rate, %	9.7	8.7	6.7
Fair value, SEK bn	46.3	46.4	47.7
Financial			
Return on equity, %	-2.6	7.6	10.4
Return on capital employed, %	-2.1	8.2	10.7
Equity ratio, %	61	62	62
Interest coverage ratio, multiple	9.2	11.4	11.4
Debt/equity ratio, multiple	0.3	0.2	0.2
Net loan-to-value ratio, properties, %	18.6	16.2	15.5
NOI ratio, %	68.9	71.6	70.9
Data per share			
Net earnings per share for the period, SEK	-4.87	9.91	15.25
Equity, SEK	143.72	146.81	152.15
Properties, fair value, SEK	228.69	224.93	231.16
Number of outstanding shares, 1,000	202,307	206,266	206,266
Average number of outstanding shares, 1,000	206,079	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272
EPRA			
Earnings from property management after nominal tax (EPRA Earnings), SEK m	741	847	1,132
Earnings per share from property management after nominal tax (EPRA EPS), SEK	3.59	4.11	5.49
Net reinstatement value (EPRA NRV), SEK m	37,828.1	39,114.9	40,453.3
Net reinstatement value (EPRA NRV) per share, SEK	187.00	190.00	196.00
Net tangible assets (EPRA NTA), SEK m	35,592.1	36,917.7	38,181.2
Net tangible assets (EPRA NTA) per share, SEK	176.00	179.00	185.00
Net disposal value (EPRA NDV), SEK m	29,075.4	30,281.0	31,382.7
Net disposal value (EPRA NDV) per share, SEK	144.00	147.00	152.00
EPRA Vacancy rate, %	4.7	3.0	1.7

PERFORMANCE MEASURES PER QUARTER

GROUP	Jul-Sept 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sept 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018
Share price, class A, SEK	124.90	115.80	135.70	185.10	178.20	157.90	161.30	136.90
Net revenue, SEK m	445	420	501	512	489	487	493	487
Return on equity, %	-2.8	-2.6	0.7	10.9	7.8	6.4	4.1	14.7
Return on equity, adjusted %	2.7	2.6	3.1	3.8	3.2	3.0	3.2	4.1
Equity ratio, %	61	62	62	62	62	62	62	64
NOI ratio, %	68.8	66.4	71.1	69.1	72.3	71.2	71.2	69.9
Net earnings per share for the period, SEK	0.38	-2.83	-2.42	5.34	2.73	4.76	2.42	5.73
Equity per share, SEK	143.72	143.00	145.83	152.15	146.81	144.07	139.31	140.59
Earnings per share from property management after nominal tax (EPRA EPS), SEK	1.16	1.07	1.36	1.38	1.38	1.39	1.34	1.36
Net tangible assets (EPRA NTA) per share, SEK	176.00	175.00	178.00	185.00	179.00	176.00	170.00	171.00
Cash flow from operating activities per share, SEK	1.46	1.42	0.98	1.98	2.23	1.37	1.04	1.69

ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. A number of the performance measures above are alternative performance measures, i.e. a set of financial metrics not defined in IFRS or the Annual Accounts Act, and which are used to present the company's development and improve comparability between periods. Definitions of performance measures are given in the glossary. Below is the derivation of alternative performance measures.

SEK m	30 September, 2020	30 September, 2019	Full year 2019
Net asset value, see page 5.			
Net debt			
Non-current interest-bearing liabilities	6,200	6,200	6,700
Non-current lease liabilities	710	720	719
Current interest-bearing liabilities	2,050	1,650	1,650
Current lease liabilities	19	41	41
Cash and bank holdings	-366	-1,083	-1,706
Net debt	8,613	7,528	7,404
Equity ratio			
Equity	29,075	30,281	31,383
Total assets	47,627	48,472	50,342
Equity ratio, %	61	62	62
Net loan-to-value ratio, properties			
Interest-bearing liabilities	8,250	7,850	8,350
Lease liabilities	729	761	760
Interest-bearing assets	-366	-1,083	-1,706
Total	8,613	7,528	7,404
Carrying amount, properties	46,266	46,395	47,681
Net loan-to-value ratio, properties, %	18.6	16.2	15.5
Interest coverage ratio			
Profit or loss before tax	-959 ¹⁾	2,942 ¹⁾	3,968
Reversal of items affecting comparability and changes in value	2,036	-1,704	-2,731
Interest expense	132 ¹⁾	119 ¹⁾	119
Total	1,209	1,357 ¹⁾	1,356
Interest expense	132 ¹⁾	119	119
Interest coverage ratio, multiple	9.2	11.4	11.4
Earnings from property management after nominal tax (EPRA Earnings)			
Operating profit or loss before items affecting comparability and changes in value	907	1,018	1,356
Financial income or expense	-99	-89	-119
Earnings from property management	808	929	1,237
Current tax, Earnings from property management	-67	-82	-105
Earnings from property management after nominal tax (EPRA Earnings)	741	847	1,132
Average number of outstanding shares, million	206.1	206.3	206.3
Earnings per share from property management after nominal tax (EPRA EPS), SEK	3.59	4.11	5.49

¹⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 944.1 million (954.1). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses, primarily for stores and restaurants as a result of Covid-19. This is offset to a certain extent by higher gross rents in conjunction with new and renegotiated leases and indexation. Operating expenses totalled SEK -634.6 million (-577.9). The increase is attributable to higher maintenance costs, mainly as a result of major current development projects. Gross profit was SEK 309.5 million (376.2). Net financial income and expense was SEK -82.0 million (-71.9).

Cash and cash equivalents at the end of the period amounted to SEK 345.9 million (1,080.4). Investments in properties, intangible assets and equipment amounted to SEK 287.2 million (174.9).

MATERIAL RISKS AND UNCERTAINTY FACTORS

Hufvudstaden is mainly exposed to financing, interest and credit risks. Increased uncertainty due to the Covid-19 pandemic has been identified in addition to

the material risks and uncertainties described in the 2019 Annual Report. See page 3 for further details.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING POLICIES

The parent company applies RFR2 Accounting for Legal Entities and the Swedish Annual Accounts Act. This interim report for the parent company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. Apart from what is stated in the Accounting Policies section for the Group concerning the application of IAS 20, the accounting policies and computation basis are otherwise the same as those applied in the 2019 Annual Report.

INCOME STATEMENTS - SUMMARY

PARENT COMPANY, SEK m	July- September 2020	July- September 2019	January- September 2020	January- September 2019	January- December 2019
Net revenue ¹⁾	310.0	317.8	944.1	954.1	1,282.7
Operating expenses	-198.4	-170.5	-634.6	-577.9	-802.7
Gross profit	111.6	147.3	309.5	376.2	480.0
Central administration	-11.1	-11.4	-34.5	-33.6	-49.2
Items affecting comparability ²⁾	-	-	34.7	-	-
Changes in value, interest rate derivatives	-	0.4	-	3.7	3.7
Operating profit	100.5	136.3	309.7	346.3	434.5
Group contributions received	-	-	-	-	162.9
Other financial income and expense	-27.2	-23.9	-82.0	-71.9	-96.3
Profit after net financial items	73.3	112.4	227.7	274.4	501.1
Appropriations	-	-	-	-	174.5
Profit before tax	73.3	112.4	227.7	274.4	675.6
Tax	-21.7	-32.0	-69.8	-83.2	-145.0
Profit for the period	51.6	80.4	157.9	191.2	530.6
Statement of comprehensive income, SEK m					
Profit for the period	51.6	80.4	157.9	191.2	530.6
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	51.6	80.4	157.9	191.2	530.6

1) Service revenue totalled SEK 33.4 million, equivalent to 4 per cent of total net revenue for Jan-Sept 2020. The figure for Jan-Sept 2019 was SEK 32.5 million, equivalent to 3 per cent, and the figure for Jan-Dec 2019 was 43.7 million, equivalent to 3 per cent.

2) Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

BALANCE SHEETS - SUMMARY

PARENT COMPANY, SEK m	30 September, 2020	30 September, 2019	31 December, 2019
Investment properties	8,223.9	8,014.8	8,066.7
Other non-current assets	2,920.9	2,913.1	2,914.7
Total non-current assets	11,144.8	10,927.9	10,981.4
Current assets	1,121.7	1,781.9	2,353.3
Total assets	12,266.5	12,709.8	13,334.7
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	213.3	1,020.5	1,359.9
Total equity	2,192.0	2,999.2	3,338.6
Untaxed reserves	161.6	340.5	161.6
Provisions	898.6	895.1	896.7
Non-current liabilities	6,270.5	6,253.0	6,754.4
Current liabilities	2,743.8	2,222.0	2,183.4
Total equity and liabilities	12,266.5	12,709.8	13,334.7

Stockholm, November 5, 2020

Ivo Stopner
President

This interim report has not been reviewed by the company's auditors.

DEFINITIONS AND GLOSSARY

Finance

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.

Debt/equity ratio. Net debt in relation to equity at the end of the period.

EPRA. European Public Real Estate Association. An interest organization for listed property companies in Europe.

EPRA Earnings - Earnings from property management after nominal tax. Operating profit or loss before items affecting comparability and changes in value minus financial income and expense and computed current tax, excluding a carry-forward of unutilized tax losses. The tax deducted has been calculated with account taken of tax-deductible depreciation and investments.

EPRA NDV - Net Disposal Value. Shareholders' equity according to the balance sheet.

EPRA NRV - Net Reinstatement Value. Shareholders' equity according to the balance sheet after reversal of interest rate derivatives and deferred tax according to the balance sheet, excluding deferred tax on assets and/or liabilities other than investment properties and right-of-use assets attributable to ground rents.

EPRA NTA - Net Tangible Assets. Shareholders' equity according to the balance sheet after reversal of derivative instruments and deduction for intangible assets, adjusted for actual deferred tax instead of nominal deferred tax.

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

Interest coverage ratio. Profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, plus interest expense in relation to interest expense. In the interim accounts, net profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, as well as interest expense, have been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the company's operations.

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

Net debt. Interest-bearing liabilities including lease liabilities and decided dividend minus current investments and cash and bank holdings.

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

Net Operating Income (NOI) ratio. Gross profit in relation to net revenue.

Profit or loss from property management. Operating profit or loss before items affecting comparability and changes in value minus financial income and expense.

Return on capital employed. Profit or loss before tax plus interest expense in relation to average capital employed. In the interim accounts, the return has been recalculated on a

full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations and with the exception of items affecting comparability and changes in value.

Return on equity. Net profit or loss in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations and with the exception of items affecting comparability and changes in value.

Return on equity, adjusted. Net profit or loss, excluding items affecting comparability and changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in operations and with the exception of items affecting comparability and changes in value.

Tax. Total tax for the Group comprises both current tax and deferred tax.

Shares

Average number of outstanding shares. Weighted average number of outstanding shares during a defined period.

Earnings per share. Net profit or loss for the period in relation to the average number of outstanding shares during the period.

EPRA EPS. EPRA Earnings in relation to the average number of outstanding shares during the period.

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

Property

Annual rent. Gross rent at the end of the period, including supplements, calculated on an annual basis. Vacant premises are reported at the Estimated Rental Value (ERV).

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

EPRA Vacancy rate. Estimated Market Rental Value (ERV) of vacant space divided by the ERV of all property holdings. Current development projects are excluded.

Fair value. The estimated market value of the properties.

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

Fredstan. The area around Fredsgatan between Brunnsparcken and Trädgårdsföreningen, where the vision is to offer a unique range of stores, restaurants, and cultural events and facilities.

Market value, properties. The amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. In accounting terms, this is known as "fair value".

Property tax supplement. Property tax payments received from tenants.

Rental vacancy rate. Estimated Market Rental Value (ERV) of vacant space divided by the ERV of all property holdings.

In certain 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 was founded in 1915 and rapidly became one of the leading property companies in Sweden. Today it is 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 will be consistently perceived as, and prove to be, the most attractive property company in Sweden.

Business concept

With properties in central Stockholm and central Gothenburg, Hufvudstaden will offer successful companies high-quality office and retail premises in attractive marketplaces.

Financial objectives

- Hufvudstaden shares will have good dividend growth over time, and the dividend will amount to more than half the net profit from current operations.
- The equity ratio will 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 employees 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 cooperation with its customers and contribute to continuously improving their business potential and competitiveness.

Quality. Systematic quality management will ensure the highest possible level of quality in all of the company's products and services.

Competence development. Systematic development of the knowledge and skills of personnel will be ensured, with focus on professional know-how and values.

Business development. Active business development and adaptation to the digitalization of society will create added value in the property holdings.

Sustainability. Hufvudstaden will work actively and in the long term to ensure financial, environmental and social sustainability.



BIBLIOTEKSTAN



COWORKING



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GÖTEBORG



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HUFVUDSTADEN