

The image shows the entrance of a building in Hufvudstaden. The facade is made of rough-hewn stone blocks. The entrance is framed by a large, ornate archway. Above the archway is a decorative frieze featuring a central shield with a spiral design, flanked by floral motifs and small figures. The archway itself is supported by two large, fluted columns. Above each column is a statue of a figure, possibly a deity or historical figure, standing on a pedestal. The entrance door is made of wood and is partially open, revealing a modern interior with a curved staircase. The overall style is a blend of traditional stone architecture and modern design.

HUFVUDSTADEN

2023

ANNUAL AND SUSTAINABILITY REPORT

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Hufvudstaden strives to offer a high level of service. Our own property technicians visit our properties and customers on a daily basis and work actively to be present, responsive and proactive.



Nordiska Kompaniet offers inspiring meeting places and is a destination for world-class brands and service. The department stores offer a broad range of shopping and experiences combined with food and drink, as well as services.

Reference to the statutory annual and sustainability report. The statutory annual report comprises pages 6–7, 28–35, 37–73, 78–81, 86–91 and 98–108. Comparative figures in brackets refer to the corresponding figures for the preceding year. The statutory sustainability report as required under the Swedish Annual Accounts Act is provided on pages 6–7, 28–35, 43–44 and 98–108.

Hufvudstaden in brief

Hufvudstaden offers attractive office and retail premises in the most central areas of Stockholm and Gothenburg. The Group owns 29 properties valued at SEK 46.7 billion. We are long-term property owners whose main focus is outstanding service, enduring customer relationships and high-quality property management and development. Our objective is to contribute to strengthening the competitiveness and brands of our customers by providing the best possible conditions. We offer successful businesses attractive premises in central locations, and the potential to grow in our properties.

AB Nordiska Kompaniet, owner of the NK brand, with department stores in Stockholm and Gothenburg, and NK Retail, which operates just over 30 departments corresponding to about 20 per cent of the departments in the department stores, are included in the Group.

Sustainability is an integral part of our day-to-day activities. We take economic and social responsibility, and develop long-term and green solutions. We cooperate with our tenants and partners to promote sustainable urban development in Stockholm and Gothenburg. Hufvudstaden was founded in 1915 and its series A shares have been listed on what is now Nasdaq Stockholm since 1938. We have been doing business for over 100 years in Stockholm and over 60 years in Gothenburg.

Business model

Hufvudstaden's business model is to be a long-term property owner, focused on the customer and high-quality management and development of the property holdings.

Stakeholders

Customers
Have the most satisfied customers in the industry with a focus on long-term relationships.

Employees
Attract and retain professional employees with deep commitment.

Society
Preserve and develop attractive city centre environments for all.

Shareholders
Provide good returns at low risk.

Fair value of property holdings

SEK 46.7 bn

■ Stockholm SEK 39.3 bn
■ Gothenburg SEK 7.4 bn



The industry's most satisfied office tenants can be found at Hufvudstaden. For the sixth year in a row, we were ranked first in the Fastighetsbarometern Customer Satisfaction Index among large companies¹⁾. In 2023, we noted our highest score to date with an index of 88 out of 100. This ranking is a result of long-term joint efforts throughout the organisation, in which all employees have a key role to fill. Hufvudstaden's goal is to contribute to making the customers more successful in our properties. Fastighetsbarometern was launched in 1997 and Hufvudstaden has ranked in the top three property companies ever since.

¹⁾ Large companies are defined as property companies with more than 100 tenants.

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

THE YEAR IN BRIEF

Financial stability in a challenging world

Net revenue from property management was SEK 2,033 million (1,855), an increase of 10 per cent. Including intra-Group rent revenue, net revenue from property management was SEK 2,216 million (2,055).

Gross profit from property management increased by 10 per cent, totalling SEK 1,359 million (1,235). Including intra-Group rent revenue, gross profit from property management was SEK 1,542 million (1,435).

Net result for the year was SEK –1,927 million (722), equivalent to SEK –9.53 per share (3.57). The decrease can be attributed to negative unrealised changes in the value of the property holdings.

The Board proposes an unchanged dividend of SEK 2.70 per share (2.70).

The fair value of the property holdings was SEK 46.7 billion (49.5), resulting in a Net Reinstatement Value (EPRA NRV) of SEK 185 per share (201). Unrealised changes in the value of the property holdings amounted to SEK –4,042 million (–209) for the year.

The equity ratio was 59 per cent (61), the net loan-to-value (LTV) ratio was 21 per cent (19), and the interest coverage ratio multiple was 4.9 (7.7).

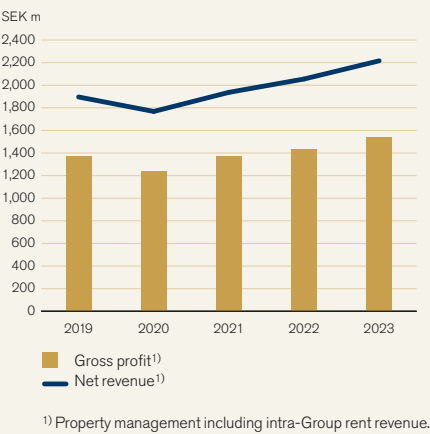
Rental vacancy rate at year-end was 8.8 per cent (7.0). Excluding current development projects, the rental vacancy rate was 5.7 per cent (4.0).

Hufvudstaden retained its top position in the GRESB international sustainability ranking and was this year awarded first place in Europe in the Mixed use category.

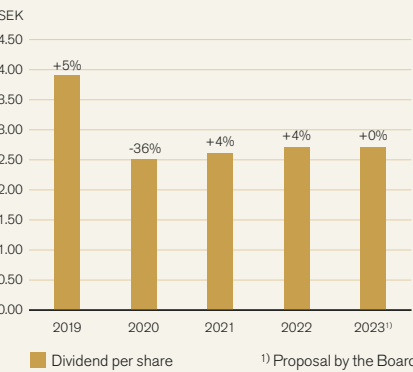
Financial summary

SEK m	2023	2022	2021	2020	2019
Net revenue, property management, gross	2,216	2,055	1,936	1,768	1,896
Rent revenue, intra-Group	-183	-200	-153	-44	-43
Net revenue, property management, net	2,033	1,855	1,783	1,724	1,853
Gross profit, property management	1,359	1,235	1,221	1,194	1,330
Changes in value, investment properties	-4,042	-209	2,579	-2,930	2,727
Operating result	-2,256	1,089	3,865	-1,702	4,087
Net result for the year	-1,927	722	2,955	-1,462	3,146
Net profit from current operations	903	884	911	834	973
Fair value of properties, SEK bn	46.7	49.5	48.8	45.6	47.7
Rental vacancy rate, %	8.8	7.0	7.3	8.2	5.0
Net loan-to-value ratio, properties, %	20.9	18.7	17.9	18.8	15.5
Interest coverage ratio, multiple	4.9	7.7	9.3	9.1	11.4

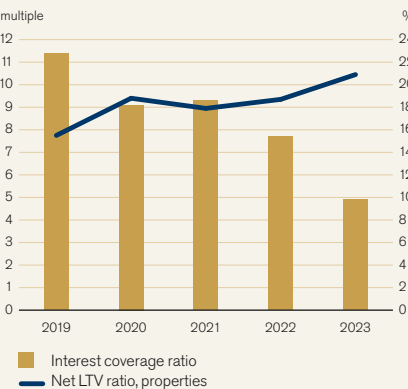
Gross profit and net revenue



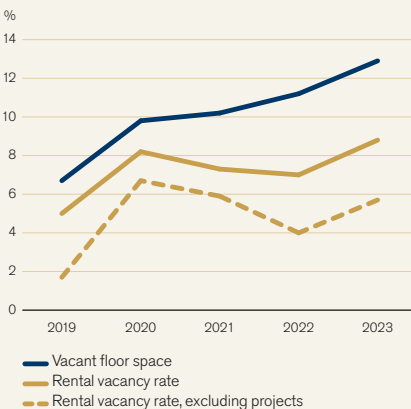
Dividend



Interest coverage ratio and net LTV ratio



Vacancy



Terraces overlooking the city's rooftops and courtyards featuring flowering oases create relaxing and creative environments for people working in our buildings.

Favourable market position in times of change

The past year has been dominated by continued high uncertainty in the world around us, with wars in both Europe and the Middle East, high inflation and rising interest rates. In these turbulent times, Hufvudstaden's low risk profile is showing its strength. We are affected by the global situation like everyone else, but due to our low loan-to-value ratio and strong financial position, we can complete our major development projects and continue the transition to reduce our emissions.

Hufvudstaden owns some of the finest properties in Stockholm and Gothenburg, all in attractive city locations. In 2023, demand for modern offices in central locations was stable. Despite the difficult situation for retailers, we managed to keep our vacancy rate low.

I am proud of what we achieved together during this challenging year. Gross profit from property management increased for the third consecutive year, and we maintained our top position in the annual Customer Satisfaction Index for offices. That shows how we are focusing on the right things in our day-to-day operations.

Attractive marketplaces

Hufvudstaden's centrally located property portfolio has been built up over more than a hundred years. Our properties and marketplaces are very attractive to both retailers and office tenants. To be the first choice, we must continue to evolve in line with behavioural and external changes. Key conditions are proximity to public transport and a wide range of services, stores, restaurants and cultural experiences. Our aim is to create places where people thrive, and where conditions are optimal for successful business.



To promote office attendance and attract the best employees, the location and design of offices has become increasingly important. This trend is favourable for our centrally located properties.

Bibliotekstan in Stockholm is one of the marketplaces that we manage and are developing. Vildmannen 7 is located here, a property that was inaugurated at the end of summer after several years of work to restore the fire-damaged building. The property is totally unique, with a modern and flexible building behind the carefully preserved sandstone facade from the 19th century. The building adds significant cultural heritage value to Bibliotekstan and has attracted the establishment of strong brands.

Hufvudstaden's largest development project is Kvarteret Johanna (the Johanna block) in Gothenburg. The project is progressing according to plan and the frame for the extension reached full height during the year. Work on the windows, façades and foundations for the new buildings is ongoing. A vibrant meeting place is under development here, with retail and offices that will strengthen Gothenburg's city centre.

Stable office market in our central locations

The office market has changed in recent years due to an increase in remote work and a more digital way of working. The biggest changes in office design are better social spaces, new areas for creative collaboration and more digitalised meeting rooms. For

many large companies, the hybrid working model has also reduced the need for space. Demand for modern offices in better locations has increased, while interest in outdated offices in less attractive locations has decreased. To promote office attendance and attract the best employees, the location and design of offices has become increasingly important. This trend is favourable for our centrally located properties, as confirmed by our renegotiation with Danske Bank in the Packarhuset property on Norrmalmstorg.



In these turbulent times, Hufvudstaden's low risk profile is showing its strength.

The office rental market has remained generally positive, but letting processes are taking slightly longer. Vacancies in Stockholm were within the normal range and market rents showed a positive trend. In Gothenburg, the market was impacted by an oversupply of new office properties. The vacancy rate increased to more than 10 per cent, and market rents rose slightly.

The market for flexible office solutions continues to grow and we see major business benefits from our broad office offering of Own office, and our turnkey office REDO and Cecil Coworking. In that way, we can follow our customers and their gradually changing needs, and always provide them with an attractive offering.

Challenging for some retailers

Many retailers are still facing major challenges. Consumers are tightening their wallets to cope with increased costs, mainly for food and housing. This trend has benefited the low-price segment, which is also confirmed by our tenants in this segment.

In Stockholm, luxury and premium brands also performed well. This was particularly noticeable from the high interest shown for establishment in Bibliotekstan, with many new store openings and low vacancies.

In the NK department stores in Stockholm and Gothenburg, the physical and digital progress continued with a focus on efficiency improvements and improved communication with customers. The number of redevelopments was down compared to recent years, and efforts were more focused on activities and experiences that drive visits and sales.

Overall, physical retail improved slightly during the year and physical stores are still important for most players. More and more brands that started online are now choosing to open a physical store. The number of physical stores is being reviewed in most segments, and location and marketplace are now even more important when making an establishment choice.

Sustainability and climate

Hufvudstaden has a long-term perspective and sustainability is an integral part of our business strategy. Our aim is to own properties with essentially good architecture, major flexibility and high quality materials, that subsequently have a longer life and are less frequently rebuilt.

The biggest source of our emissions is energy use and construction projects. Here, we see the major benefits of having our own maintenance staff who work every day to optimise the management

of our properties, minimise our climate impact and ensure high customer satisfaction.

New technologies are continuously tested in redevelopment projects to find energy-smart and robust solutions. If a new technology works well, it is gradually installed in our other properties. During the year, several energy-saving projects were completed with positive results, including solar and geothermal energy installations.

We are working to future-proof our properties and completed a number of measures during the year to prevent and reduce damage from heavy rain, for example.

Hufvudstaden is working to achieve economic, social and environmental sustainability and a first place in the Mixed use category in Europe of the international sustainability ranking GRESB confirms that our systematic sustainability work is progressing well.

Cautious property market

The changing conditions with higher interest rates have had a major impact on the property market. Property owners have focused on making interest payments and addressing upcoming loan maturities. Several companies needed to sell properties and issue new shares to pay their debts. This led to an imbalance in the market with discrepancy in price expectations between buyers and sellers. Yield requirements rose in both Stockholm and Gothenburg and the total transaction volume in Sweden declined to just over SEK 100 billion. This is the lowest turnover for many years.

When interest rates were low, the differences between attractive properties in prime locations and properties in less attractive locations narrowed. We can see now that the difference is starting to widen again. Both tenants and investors are increasingly requesting high-quality properties with modern and attractive premises.

The commercial property sector is largely immune to cost increases because rents are indexed and rise at the same rate as the CPI. The increase was 10.9 per cent in 2023 and will be 6.5 per cent in 2024. While the entire increase cannot be passed onto tenants in the long term, this improves the net operating income in the property valuations which, to some extent, offsets the negative effect of rising yield requirements. At year-end, the value of Hufvudstaden's property holdings was 46.7 billion.

Higher earnings in the property management operations

The office operations performed favourably during the year with increased rents from indexation, new leases and renegotiations. The year was challenging for the retail sector. The decline in household purchasing power had a negative impact on store sales. Gross profit from property management increased by 10 per cent to SEK 1,359 million (1,235). Financing costs have gradually risen but Hufvudstaden has a low loan-to-value ratio and good access to capital. During the year, new financing was raised through both banks and the capital market.



The net result for the year was SEK –1,927 million (722). The decrease can be attributed to negative unrealised changes in the value of the property holdings.

The future

2023 was a challenging year but I feel very confident about 2024. With our excellent properties and strong financial position, we hold a unique position in the market, which gives us good prospects for the future.

Together with other operators, we develop attractive and sustainable marketplaces in Stockholm and Gothenburg where businesses, brands and people can thrive, feel secure and develop.

In the coming year, we will intensify our focus on the property management operations, optimise the operation of our properties and stay close to our customers in order to understand their needs. Our current development projects are progressing and will create new cash flows moving forward. Our proven strategy remains firm with a strong customer focus and high-quality products and services, and we will create new sustainable values in the property holdings with our internal expertise.

Finally, I would like to thank all of our customers for your cooperation and Hufvudstaden's employees for their hard work, great commitment and courage in a challenging time of great change.

Stockholm, February 2024

Anders Nygren
President

BUSINESS CONCEPT, OBJECTIVES AND STRATEGIES

High quality, good service and a long-term approach

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.

Purpose

Shaping the city of the future together, since 1915.



Values

Hufvudstaden’s corporate culture is distinguished by strong employee commitment with a clear and strongly rooted set of values that permeates everything we do. Our values are our most important tool for directing and guiding the business towards the company’s vision and goals. They also provide a platform enabling us to conduct operations in a responsible manner. Our core values are: *Quality, Honesty, Attentiveness and Commitment.*

Strategies

Customer focus

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

Quality

Systematic quality management will ensure high quality in all of the company’s products and services.

Skills development

Employees should be systematically offered development, focusing on skills and the company’s values.

Business development

Active business development and adaption to digital advances in society will create added value in the property holdings.

Sustainability

Hufvudstaden will work actively and long-term to ensure financial, environmental and social sustainability.

BUSINESS CONCEPT, OBJECTIVES AND STRATEGIES

Our objectives

Objective

Dividend and dividend share

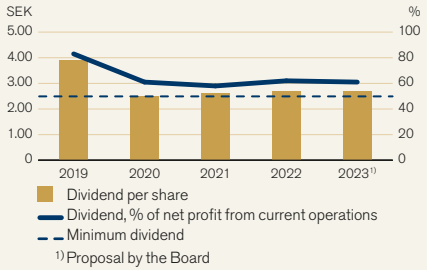
>50%

The Hufvudstaden share will have good dividend growth over time, and the dividend will amount to more than half of the net profit from current operations.

Outcome

61%

The Board of Directors is proposing an unchanged dividend of SEK 2.70 per share (2.70), corresponding to a total dividend of SEK 546 million. The proposed dividend is equivalent to 61 per cent of net profit from current operations.



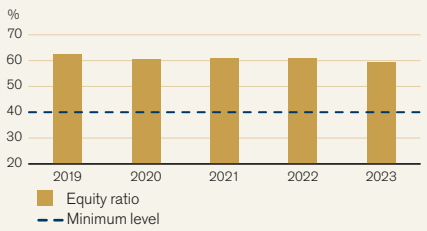
Equity ratio

>40%

Equity ratio of at least 40 per cent over time.

59%

The equity ratio was 59 per cent at year-end 2023.



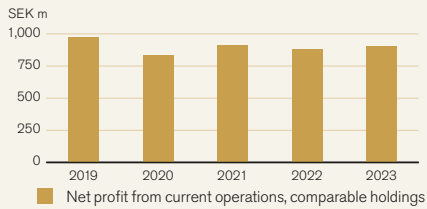
Net profit

+

Hufvudstaden will gradually increase net profit from current operations.

+2%

Net profit from current operations increased by 2 per cent.



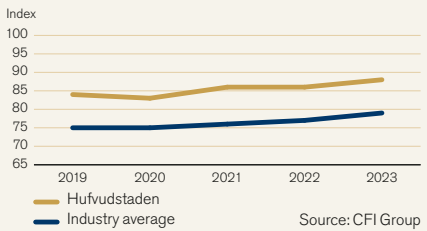
Customer Satisfaction Index

First place

Hufvudstaden will have the most satisfied customers in the industry.

First place

For the sixth consecutive year, Hufvudstaden ranked first in the Large Company category of the Fastighetsbarometern Customer Satisfaction Index.



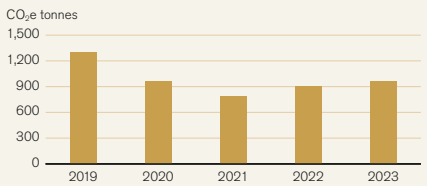
Climate-neutral property management

+/- 0

Property management to be climate-neutral by 2025.

-26%

To achieve the target, climate-impacting emissions must be reduced to 0. Since 2019, emissions have decreased by 26 per cent.



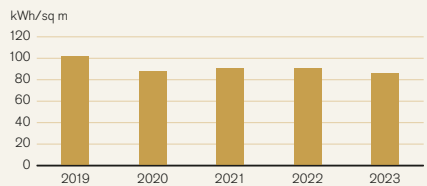
Energy consumption

-16%

A minimum of 16 per cent reduction in energy use per square metre between 2019 and 2025.

-16%

In total, energy use per square metre has decreased by 16 per cent since 2019.



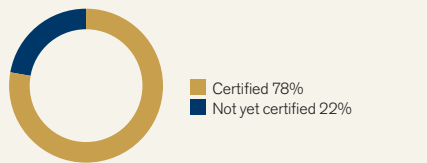
Green building certified properties

100%

All properties will have green building certification by 2025.

78%

A total of 78 per cent of the Group’s properties have been certified.





An attractive office suitable for creative meetings and a more digitalised way of working is crucial for many tenants when choosing premises.

THE PROPERTY MARKET

Stable demand in central locations despite uncertainty in the surrounding world

Economic conditions

2023 was a challenging year in many ways. The war in Ukraine entered its second year following Russia’s full-scale invasion. The security situation in the Middle East deteriorated significantly following the war between Hamas and Israel. Inflation was high and to offset this, central banks continued to raise policy rates. The impact on the economy varied between countries. In some countries, the slowdown was gradual while in others it was more abrupt, primarily in Europe. Overall, it was estimated that global gross domestic product (GDP) increased by approximately 3 per cent in 2023.

At the end of the year, a few positive signs were visible in the economic development. Inflation declined, first in the US and then in Europe. The central banks’ rate increases were seen as nearing or passed the peak, which had a positive effect on interest rate and stock markets. Most of the larger global share indexes rose by double-digits during the year. The strained energy market in Europe, with highly volatile prices, gradually stabilised despite macroeconomic uncertainty. However, a colder period in northern Europe towards the end of the year led again to higher electricity prices.

In Sweden, society was affected by criminality and an elevated terrorist threat level. The Swedish economy found itself in a recession with declining GDP growth. Inflation remained very high but declined during the autumn to just over 4 per cent measured as CPI at year-end. The Riksbank raised its policy rate four times from 2.50 to 4.00 per cent. The labour market was resilient but weakened during the autumn and unemployment amounted to just over 7.5 per cent. Developments had a negative impact on the residential market with falling prices and fewer production starts. Purchasing power was reduced which led to a reduction in household consumption. For heavily mortgaged commercial property owners, the situation ahead of imminent loan maturities remained challenging.

Hufvudstaden’s sub-markets

Hufvudstaden owns and manages 24 properties in central Stockholm. The population of Greater Stockholm amounts to 2.5 million and over the past ten years the number of inhabitants has risen by about 14 per cent. Economic growth in the region has been strong over time. Average annual growth has been 2.9 per cent since 2000, according to Statistics Sweden. For Sweden as a whole, the equivalent figure was 2.2 per cent.

Tourism in Greater Stockholm continued to grow during 2023 and is now at the same level as before the covid-19 pandemic. Major infrastructure projects are in progress in Stockholm. The largest projects include the Förbifart Stockholm motorway and an extension of the underground rail system.

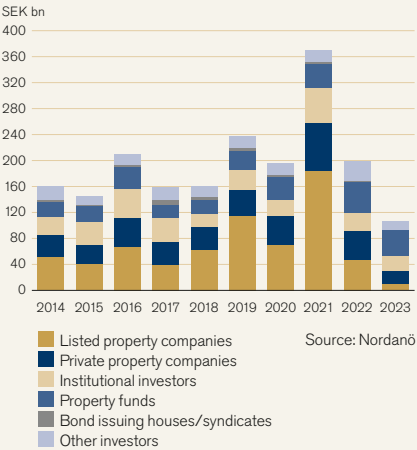
The central business district (CBD) in Stockholm comprises approximately 1.9 million square metres of office space located in an area surrounding the Central Station, Hötorget, Stureplan, Östermalmstorg, Norrmalmstorg, Kungsträdgården and Sergels Torg.

Hufvudstaden owns five properties in Gothenburg. The population of Greater Gothenburg amounts to 1.1 million inhabitants. The growth rate has been approximately 13 per cent over the past ten years. Economic growth in Västra Götaland, an area somewhat larger than that usually referred to as Greater Gothenburg, has averaged 2.5 per cent per year between 2001–2022.

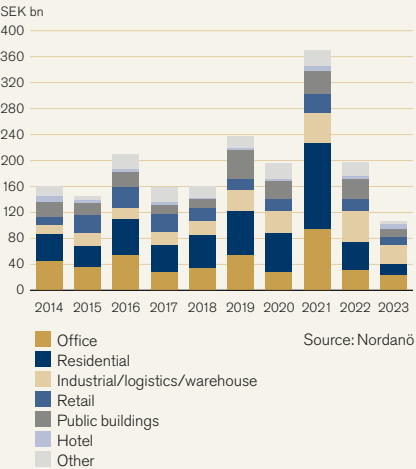
Gothenburg is often considered a city for events and in 2023 tourism increased further and is now clearly higher than pre-pandemic levels. In Gothenburg, the largest current infrastructure project is the West Link, a dual-track rail connection that is partly underground, with three new stations. One of the stations will be located in connection with the Nordstan shopping centre.

The prime locations for offices in central Gothenburg are assessed as the city districts Inom Vallgraven, especially the blocks nearest the “harbour streets” of Östra Hamngatan, Västra Hamngatan,

Transaction volume per investor category



Transaction volume per property type



30%

International investors accounted for about 30 per cent of the transaction volume in 2023.

THE PROPERTY MARKET

Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungsportsavenyn, Masthuggskajen, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Office space in the Gothenburg CBD amounts to about 0.8 million square metres.

Investor market

The property market was cautious in 2023. The policy rate hikes by the Riksbank meant financing costs increased further. This led to a discrepancy in price expectations between buyers and sellers. The possibility of bank financing remains favourable, particularly with established contacts, but the interest rate levels were higher compared to previous years. There was uncertainty in the capital market although activity increased slightly towards the end of the year.

Overall, the transaction volume declined sharply and turnover was just over SEK 100 billion in 2023. In the market, a number of transactions were initiated by sellers who needed to reduce indebtedness and to manage imminent loan maturities. International investors accounted for about 30 per cent of the transaction volume. The property types that most frequently changed hands were logistics/warehouse, office and residential properties.

In central Stockholm, a few transactions were conducted during 2023. There was also indication of sales in progress that were withdrawn or postponed due to the uncertain market situation. At year-end, the yield requirement for commercial properties containing office and retail premises in the Stockholm CBD was estimated at between 3.70 and 4.40 per cent. In the Gothenburg CBD, the yield requirement was estimated at between 4.30 and 5.25 per cent.

Rental market

Office

The demand for modern, well designed offices in prime locations in Stockholm was stable during the year. However, the letting processes were slightly protracted and the supply was also to some extent affected by subletting. Despite the economic downturn, vacancies remained within the normal range. In central Gothenburg, the office rental market was marked by an increased offering originating from completed project properties. This meant vacancies increased further, which slightly held back market rents.

To attract new employees to their businesses and to support increased office attendance among employees, a growing number of tenants are interested in modern offices in central locations near services, stores, restaurants and culture, as well as good communi-

cations. The physical office workplace is important, for example, for establishing new contacts, building corporate culture and business development. Office tenants that relocate their operations from inner suburban areas to more central locations often choose to reduce their leased space to meet the new approach to work involving remote working a couple of days a week. In this way, the difference in the total rental cost is also reduced between the various geographical locations. The trend in the market is that office design and location are increasingly important. This favours central office premises of a high standard.

The demand for shorter, more flexible leases is expected to increase, which is met by coworking spaces and other turnkey rental concepts in the market. However, the traditional office remains the alternative that is primarily in demand.

At the end of 2023, the vacancy rate in the Stockholm CBD amounted to between 5 and 6 per cent. Market rents were in the range of SEK 7,000–9,800 per square metre, excluding property tax supplement. In the Gothenburg CBD, the vacancy rate was 10–11 per cent and the market rents were between SEK 3,200 and 4,100 per square metre and year, excluding the property tax supplement.

Retail

During 2023, sales in the retail sector were affected by high inflation, rising interest rates and reduced purchasing power. The largest impact was on the mid-segment while players in the low-price and luxury segments in many cases reported increased sales despite challenging macroeconomic factors. There was healthy interest in establishing new stores at street level in central Stockholm. Vacancy levels remained limited in these locations and the rent trend was stable. In Gothenburg, several leases were signed but the market for stores was somewhat more cautious, particularly outside prime locations.

The retail sector is in a state of transition and changed market conditions in recent years has created new challenges. A number of retail players have profitability issues, attributable to weaker sales and rising costs. E-commerce is an established sales channel in several industries. During the pandemic, e-commerce sales grew sharply but sales fell in 2023. Rising interest rates mean e-commerce players are focusing on profitability rather than growth. Remote working a couple of days a week has affected footfall, primarily in central locations in Stockholm and Gothenburg. Customer flows are lower on certain days and higher on others,

such as Saturdays. Overall, the year has been a challenge for the retail sector but physical stores have strengthened their position as an important sales and marketing channel. The assessment is that the properties that offer consumers attractive meeting places and retail spaces with unique shopping experiences are in a prime position to respond to changed consumer behaviours and market conditions in the future as well.

The market rents in prime commercial locations in Stockholm were in the range of SEK 11,000–25,000 per square metre and year, excluding property tax supplement. Östra Nordstan, Fredstan and Kungsgatan between Östra Hamngatan and Västra Hamngatan are considered prime retail locations in central Gothenburg. Market rents in these locations ranged from SEK 3,000 to 13,000 per square metre and year, excluding property tax supplement. ■

THE PROPERTY MARKET

Largest property owners in Stockholm CBD

	Rentable floor space, sq m
Vasakronan	366,000
AMF Fastigheter	310,000
Hufvudstaden	269,000
Pembroke Real Estate	120,000
Skandia Fastigheter	119,000
SEB Trygg Liv	103,000

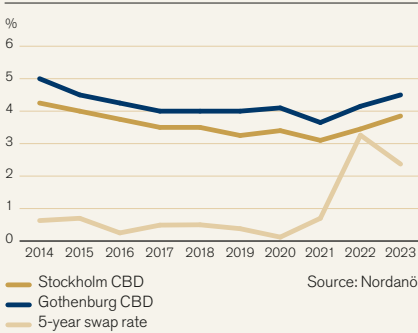
Source: Nordanö

Largest property owners in Gothenburg CBD

	Rentable floor space, sq m
Vasakronan	336,000
Wallenstam	231,000
Balder	159,000
Hufvudstaden	105,000
Bygg-Göta Gothenburg	91,000
Platzer	82,000

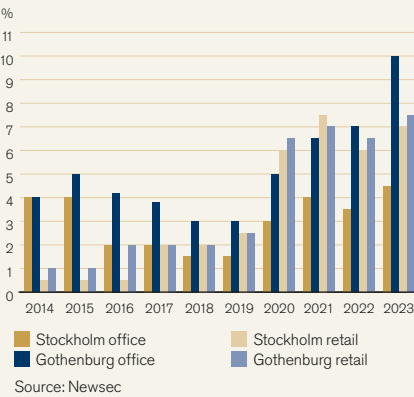
Source: Nordanö

Yield requirements in Stockholm CBD and Gothenburg CBD



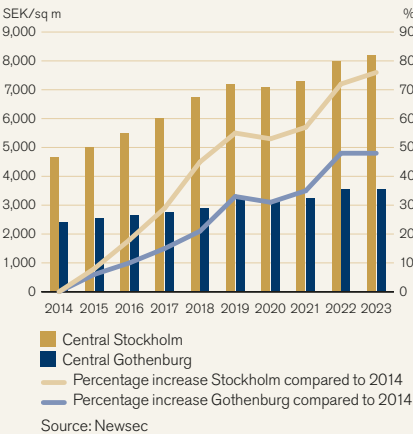
Source: Nordanö

Vacancy rate, office and retail space in prime locations



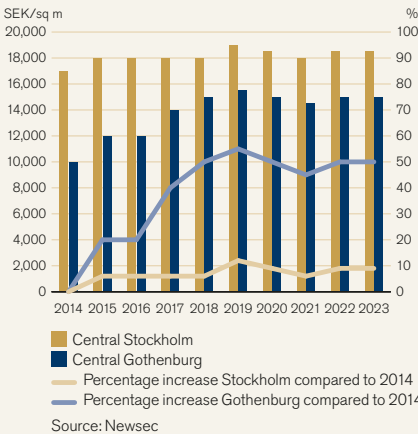
Source: Newsec

Market rent trend prime location office space, nominal (excluding property tax supplement)



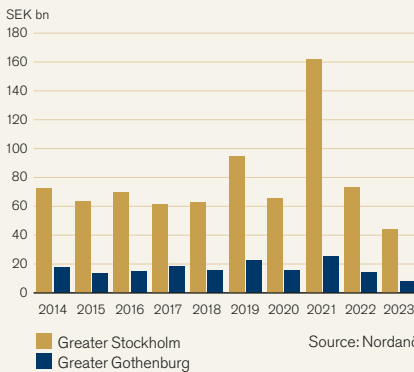
Source: Newsec

Market rent trend prime location retail space, nominal (excluding property tax supplement)



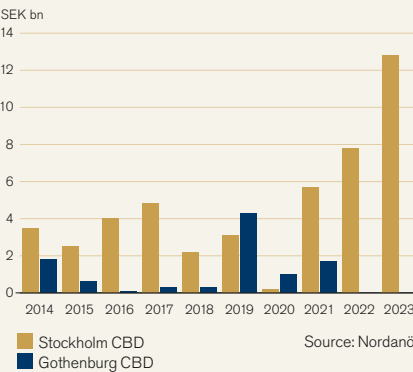
Source: Newsec

Transaction volume in Greater Stockholm and Greater Gothenburg



Source: Nordanö

Transaction volume in Stockholm CBD and Gothenburg CBD

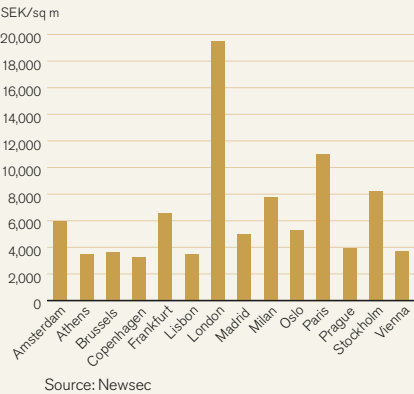


Source: Nordanö

SEK 100 bn

Properties with a total value of just over SEK 100 billion were sold in Sweden.

Prime location office rents in European cities, December 2023



Source: Newsec

Market rents, December 2023 (excluding property tax supplement)

	Office, SEK per sq m and year	Retail, SEK per sq m and year
Stockholm		
Bibliotekstan/NK	8,200–9,800	11,000–25,000
Other CBD	7,000–9,800	3,000–12,000
Östermalm	4,200–6,900	2,500–7,500
Gamla Stan	3,700–5,300	2,000–5,500
Södermalm	3,900–6,000	2,000–6,500
Kungsholmen	3,600–6,000	2,000–6,500
Liljeholmen	2,500–3,600	2,000–5,000
Globen	2,500–3,600	2,000–4,000
Arenastaden	2,600–3,800	2,500–10,000
Kista	2,000–2,800	2,000–5,000
Gothenburg		
CBD	3,200–4,100	3,000–13,000

Offerings that meet customer needs

The Stockholm Business Area consists of 22 office and retail properties in three management areas: Norrmalmstorg, Kungsgatan and West. Norrmalmstorg includes the properties in Bibliotekstan. Kungsgatan includes properties in the eastern part of Kungsgatan and at the junction of Kungsgatan and Sveavägen. West comprises properties located on Drottninggatan and Klarabergsgatan, in Gamla Stan (Old Town Stockholm) and at Kungsträdgården.

Portfolio development

Hufvudstaden offers several office concepts: Own office, turnkey office REDO and Cecil Coworking. These concepts complement each other and enable Hufvudstaden to meet the different needs of its tenants. Most in demand is Own office, for which tenants sign long leases, and the premises can be adapted to the tenant's needs. Hufvudstaden's turnkey office REDO, offers fully furnished and equipped premises with the possibility of rapid move-in and shorter leases. Cecil Coworking is the most flexible concept and offers fully equipped office spaces and office rooms with a high level of service, breakfast and lunch service, and a unique design that takes its inspiration from successful boutique hotels.

During the year, renegotiations were conducted with several customers and leases were signed with a number of new tenants. One of the major renegotiations was with the office tenant Danske Bank in the Packarhuset 4 property at Norrmalmstorg.

Another significant renegotiation was completed with office tenant Entercard, which expanded its premises in Orgelpipan 7. An extensive project was carried out in the property during the year, replacing more than 400 windows and upgrading technical installations to reduce energy consumption.

Some of the office tenants that moved in to Own office during the year included Come On Stockholm, Keel Capital and Ramudden.

In Bibliotekstan, the fire-ravaged property, Vildmannen 7, was re-inaugurated – a fantastic building featuring modern office space behind a 120-year-old façade. Cirio Advokatbyrå moved in at mid-year and leases all of the office space in the property. Chanel Fragrance and Beauty Boutique, A.P.C. and ATP Atelier opened their street-level stores just in time for the Christmas shopping season.

The development of Bibliotekstan continued as the number one destination in Scandinavia for Swedish and international fashion in the premium and luxury segments. The retail sector is in a state of transition, but there is large interest in the district from both Swedish and international brands. Premium brands that opened stores in our properties included Stone Island at Norrmalmstorg and Aim´n on Kungsgatan.

The right mix of businesses is one of our strategies in creating attractive and vibrant marketplaces. This also contributes to expanded service for office tenants.

Customers

Our office tenants in Stockholm are companies with a need for centrally located, high-quality premises. The predominant businesses are banking and finance, law firms and consultancies in the fields of recruitment, IT, management and media. Long-term office tenants include Brummer & Partners, Danske Bank, Entercard, the Swedish Export Credit Agency, Swedish Financial Supervisory Authority, KG 10, Öhman and the law firms of Alrutz, Vinge and White & Case. The business area has 339 customers (354). The ten largest customers lease 51,000 square metres (51,000) and generate total annual rent of SEK 410 million (353).

Retail tenants include Swedish and international companies with demand of high standards in store design and location. The tenants often represent famous brands that are found only in a few selected places. Retail tenants in Bibliotekstan include Scandinavian high-fashion brands like Axel Arigato, By Marlene Birger, Byredo, Filippa K, Gant, Our Legacy, Rodebjer and Totême, combined with large international fashion houses like Cartier, Celine, Chanel, Maje, Michael Kors, Prada, Ralph Lauren, Sandro and Zara. On Kungsgatan, several of the largest tenants are in the area of sport and leisure, such as Alewalds, Haglöfs, Naturkompaniet and Stadium. Other major tenants are Cervera, Telenor, Telia and Ströms.

Some of the most famous restaurants and cafes in Stockholm are also found within the business area, including Eataly, Misshu-masshu, Pas D'Art, Prinsen, Sempre and Vau De Ville. The restaurants create places for people to get together, contribute to a vibrant cityscape and make the district more attractive.

Brands in the business area

BIBLIOTEKSTAN – The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan, which contains stores with high-class brands as well as restaurants and cafes.

BIRGER JARLSPASSAGEN – The historic arcade, located between Birger Jarlsgatan and Smålandsgatan, is a well-known meeting place offering exciting dining concepts.

CECIL COWORKING – The facility in Bibliotekstan offers members first-class service and flexible office workspaces for development and networking.

NORRMALMSTORG 1 – The building is a unique profile property and a commercial hub in central Stockholm. ■

Property holdings

	December 31, 2023	December 31, 2022
Number of properties	22	22
Rentable floor space, sq m	210,904	206,128
– of which office	135,870	132,917
– of which retail and restaurants	42,815	42,201
Annual rent, SEK m	1,510	1,329
Rental vacancy rate, %	7.0	3.3
Floor space vacancy rate, %	8.3	4.9
Number of rentable parking spaces	619	619

Largest tenants

Office	Sq m
Danske Bank	10,800
Advokatfirman Vinge	7,800
Swedish Financial Supervisory Authority	7,200
KG10	6,200
Cecil Coworking ¹⁾	3,200
Retail & Restaurant	Sq m
Zara	2,900
Eataly	2,600
Alewalds	1,300
Ströms	1,300
Chanel	1,100

¹⁾ Wholly owned subsidiary.

Profit from property management¹⁾

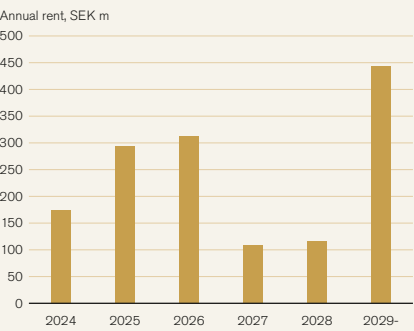
SEK m	2023	2022
Net revenue	1,404.1	1,273.8
Maintenance	-19.0	-12.7
Operation and administration	-138.8	-130.1
Other costs	-155.6	-152.2
Total costs	-313.4	-295.0
Gross profit	1,090.7	978.8

¹⁾ Including intra-Group rent revenue.

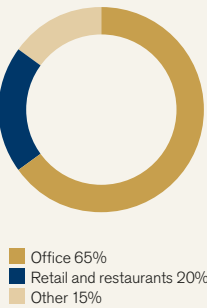
New leases & renegotiations

	2023	2022
New leases, sq m	10,700	15,300
New leases, annual rent, SEK m	70	116
Renegotiated leases, sq m	28,400	26,500
Renegotiated annual rent, SEK m	212	166

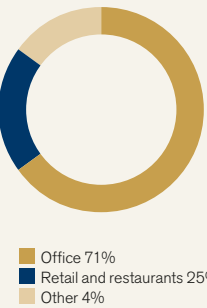
Maturity structure



Rentable floor space by use



Annual rent by use





We offer attractive premises and tailored office solutions, such as Own office, turn-key office REDO and Cecil Coworking, everything to meet the customers’ various needs.

Unique brands strengthen NK department stores

The NK Business Area comprises the NK properties in Stockholm and Gothenburg and the Hästskon 10 property in Stockholm. In addition to department stores, the NK Business Area includes modern and flexible office premises in the NK properties.

AB Nordiska Kompaniet

NK's vision is to be a world-class department store. NK has a unique position in Scandinavia as the leading premium and luxury department store for fashion, beauty and lifestyle, and with first-class service. The departments stores are a shopping and meeting place, where commercial and cultural worlds meet to create memorable experiences. During the year, spring and autumn fashion shows were held, as well as the NK Gala, several customer evenings and a number of other activities for NK's key customers. The most important event in the department stores is Christmas, which commences with the unveiling of the Christmas windows and the first appearance by Santa Claus.

The NK brand

NK is one of the strongest and most recognised brands in Sweden among Swedish and international consumers. NK's ability to promote shopping in the department stores and thus generate higher rent revenue and increased property values depends on nurturing and building the brand. The NK properties and the NK brand are owned by the wholly owned subsidiary AB Nordiska Kompaniet.

Development of the departments stores

During the year, several new departments and brands were added, including Axel Arigato women, Caia Cosmetics, Levi's women, Loewe and Zadig & Voltaire. In Gothenburg, the multi-brand depart-

ment – NK Sophisticated – was added and in Stockholm, NK Man was remodeled and expanded. The restaurant offering in Stockholm was strengthened with Chipirón, a tapas bar on the women's floor. NK Stage is a concept whereby NK offers an area on the women's floor in Stockholm for brands to showcase and sell their products for short periods. In total, around 20 curated brands and experiences in fashion, beauty and lifestyle were exhibited during the year. Sales in the department stores developed positively and exceeded the 2022 level.

During the year, the updated NK Nyckeln loyalty program was launched, featuring expanded ranges and a technical platform that enables more relevant communication to NK's members.

Customers

The business area's ten largest tenants lease approximately 28,000 square metres (30,000), of which the subsidiary NK Retail leases approximately 11,300 square metres of retail space (11,700). Combined, they represent annual rent of SEK 229 million (260).

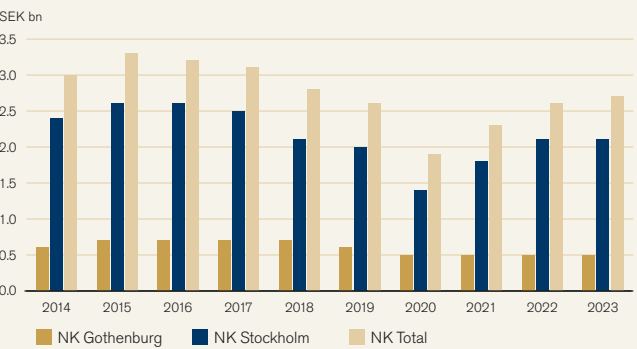
In total, the business area has 107 tenants (106), both Swedish and international, who have become established in Scandinavia's leading marketplace in the premium and luxury segments.

The business area also comprises a total of 17,000 square metres of modern and flexible offices, corresponding to 18 per cent of the total rentable floor space. In total, there are 15 office tenants, of which the three largest are AG Advokat, Deloitte and Starbreeze.

NK Department Stores

	2023	2022
Stockholm		
Rentable retail space, sq m	25,050	25,219
Rentable storage space, sq m	9,269	9,237
Total	34,319	34,456
Number of departments	96	94
Number of restaurants	13	11
Sales including VAT, SEK m	2,145	2,067
Gothenburg	2023	2022
Rentable retail space, sq m	10,589	10,562
Rentable storage space, sq m	983	1,009
Total	11,572	11,571
Number of departments	48	44
Number of restaurants	3	3
Sales including VAT, SEK m	544	514

Sales NK department stores



PROPERTY MANAGEMENT – NK BUSINESS AREA

Property holdings

	December 31, 2023	December 31, 2022
Number of properties	3	3
Rentable floor space, sq m	91,281	91,447
– of which office	16,864	16,894
– of which retail and restaurants	36,480	36,622
Annual rent, SEK m	492	518
Rental vacancy rate, %	4.5	7.0
Floor space vacancy rate, %	5.5	7.2
Number of rentable parking spaces	665	665

Largest tenants

Office	Sq m
Starbreeze	2,800
AG Advokat	2,500
Deloitte	1,800
Foyen Advokatfirma	1,200
Hästen 21	900
Retail & Restaurant	Sq m
NK Retail ¹⁾	11,300
Calceos	1,900
North Retail Sport	1,600
Cervera	1,500
Harjak & Månsson	1,300

¹⁾ Wholly owned subsidiary.

Profit from property management¹⁾

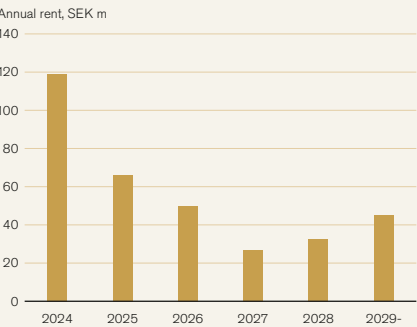
SEK m	2023	2022
Net revenue	484.0	477.3
Maintenance	-22.2	-13.3
Operation and administration	-180.2	-160.6
Other costs	-50.7	-43.6
Total costs	-253.1	-217.5
Gross profit	230.9	259.8

¹⁾ Including intra-Group rent revenue.

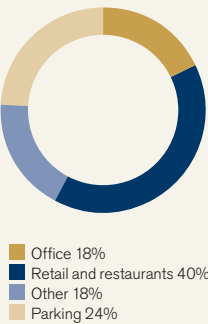
New leases & renegotiations

	2023	2022
New leases, sq m	3,000	5,800
New leases, annual rent, SEK m	21	34
Renegotiated leases, sq m	11,000	12,100
Renegotiated annual rent, SEK m	92	93

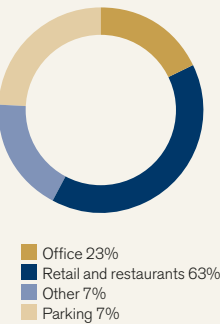
Maturity structure



Rentable floor space by use



Annual rent by use



NK offers unique and exclusive shopping experiences. During the autumn, the skin care and makeup brand Charlotte Tilbury Beauty was launched at NK Stockholm and on nk.se.

PROPERTY MANAGEMENT – GOTHENBURG BUSINESS AREA

Emergence of Johanna block

The properties are located in Gothenburg’s most central business district and are divided into two areas, Fredstan and Nordstan. The property holdings in Fredstan comprise the Inom Vallgraven 12 block and Inom Vallgraven 3:2 block. The property in Nordstan comprises two units, Fyran, opposite Östra Hamngatan, and Femman, opposite the Central Station.

Portfolio development

The comprehensive development project Johanna, in the Inom Vallgraven 12 block in Gothenburg, is currently in progress. The project stretches over several years and is expected to be completed around the end of 2025/begining of 2026. During the year, the frame for the extension reached full height in part of the block. The extension offers a fantastic view of the entire city of Gothenburg. In the section to be newly constructed, demolition and piling work has been completed and part of the base plate has been cast. On completion, the Johanna block will strengthen Gothenburg city centre, adding a new vibrant meeting place with offices and retail.

In Nordstan, adaptations were carried out in 2023 for the new tenants Medartuum and Revelopment, who moved into their new premises in Fyran and Femman, respectively, in the middle of the year. Alektum Group is Hufvudstaden's largest tenant in Gothenburg and leased additional space in Femman in January. In conjunction with this expansion, the premises were adapted.

In 2023, the first phase of Hufvudstaden's largest solar cell installation on the roof of Femman was inaugurated. Initially, about 500 square metres of solar panels of the planned area of 1,300 square metres have been commissioned, which will provide a much-needed addition of self-produced energy.

Hufvudstaden is one of the largest partners in the Nordstan Cooperative Association, which owns and manages the Nordstan parking facility as well as the adjoining stores, squares and pedestrian streets. Nordstan is one of the largest and most visited commercial centres in Sweden, with a wide variety of stores, restaurants and parking facilities, as well as modern offices in the best location in Gothenburg. Nordstan will have direct access to the West Link (Västlänken) via a planned extension and adaptation in the northern part of the shopping centre. During the year, planning and design work were conducted for the entire ground floor to accommodate the new flows of people anticipated. The Swedish Transport Administration estimates that services on the West Link at Centralen and Nordstan will be in operation by 2026/2027.

The Femman shopping centre, situated in Nordstan, comprises approximately 16,000 square metres of retail space on three floors. Several new tenants have established operations in the shopping centre during the year. Among others, the kitchen and interior design store Cervera opened on the ground floor, where the shoe retailer Deichmann and the jewellery concept Pandora are also

newly established. In December, the lingerie brand Intimissimi and the children's concept Newbie opened their flagship stores in Gothenburg.

More than 12 million shoppers visited Femman in 2023, an increase of approximately 13 per cent compared to 2022.

Retail turnover in Nordstan in total was nearly SEK 4.2 billion, of which Femman accounted for more than SEK 900 million and Fyran just over SEK 340 million.

Customers

Customers in Gothenburg operate locally, nationally and internationally. The business area's office customers prefer high-quality premises in prime locations, with close proximity to Central Station, parking facilities, shops, restaurants and service. The predominant sectors are law firms, accountancy firms, and finance and consultancy companies. Retail customers appreciate attractive marketplaces and shopping centres in prime locations.

Retail trade is changing, which is putting increasingly high demands on property owners and retail entrepreneurs. Strong and unique marketplaces like Femman, Nordstan and Fredstan are expected to remain attractive in the future. The business area has a total of 112 customers (113). The ten largest customers lease 26,000 square metres (27,000) and generate total annual rent of SEK 124 million (119).

Brands in the business area

FEMMAN – The Femman shopping centre is one of Gothenburg's most popular marketplaces for shopping, food and social interaction, as well as centrally located, high-quality offices.

FREDSTAN – Fredstan is a vibrant and attractive city district that comprises the blocks surrounding Fredsgatan between Brunnsparken and Trädgårdsföreningen.

JOHANNA BLOCK – Hufvudstaden's largest development project, comprising approximately 32,000 square metres of newly built and remodelled commercial premises. A dynamic destination and place of interaction at the very heart of Gothenburg's city centre.

NORDSTAN – Nordstan is one of Sweden's largest shopping centres in terms of visitors. Hufvudstaden is one of the largest owners in the Nordstan Cooperative Association, with a share of approximately 40 per cent. ■

PROPERTY MANAGEMENT – GOTHENBURG BUSINESS AREA

Property holdings

	December 31, 2023	December 31, 2022
Number of properties	4	4
Rentable floor space, sq m	88,657	88,987
– of which office	49,195	50,428
– of which retail and restaurants	31,237	31,604
Annual rent, SEK m	379	367
Rental vacancy rate, %	21.8	20.5
Floor space vacancy rate, %	31.4	30.0
Number of rentable parking spaces	51	51

Largest tenants

Office	Sq m
Alektum Group	6,100
Folksam	3,800
Advokatfirman Vinge	3,300
Iver	2,800
Grant Thornton	2,000
Retail & Restaurant	Sq m
H&M	2,100
Lidl	2,100
Stadium Outlet	1,900
KappAhl	1,900
Lager 157	1,800

Profit from property management¹⁾

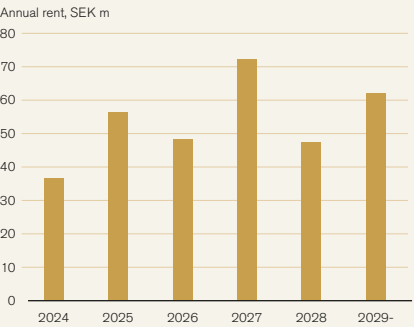
SEK m	2023	2022
Net revenue	327.9	303.6
Maintenance	-5.2	-6.1
Operation and administration	-64.1	-64.3
Other costs	-37.9	-37.1
Total costs	-107.2	-107.5
Gross profit	220.7	196.1

¹⁾ Including intra-Group rent revenue.

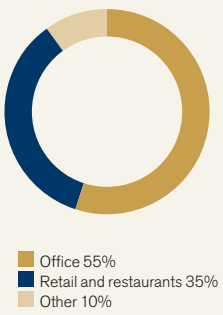
New leases & renegotiations

	2023	2022
New leases, sq m	3,500	7,700
New leases, annual rent, SEK m	15	27
Renegotiated leases, sq m	6,600	10,900
Renegotiated annual rent, SEK m	30	51

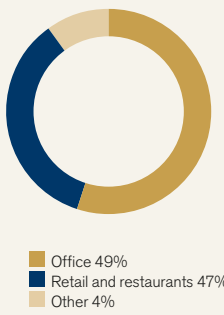
Maturity structure



Rentable floor space by use



Annual rent by use



The development of the Johanna block in Fredstan will offer new opportunities in, on and between the buildings.



Unique concepts, high quality and customer focus

NK Retail operates and develops departments and the range across 11,300 square metres divided between NK Stockholm and NK Gothenburg. The operations comprise around 20 per cent of the total number of departments. The range, primarily in fashion, beauty, accessories and jewellery, is also represented on NK e-commerce.

NK Retail AB

NK Retail, a subsidiary of AB Nordiska Kompaniet, conducts retail operations within the fashion, accessories, jewellery and beauty segments in a total of 33 departments in NK Stockholm and NK Gothenburg. A large share of the range is also represented on NK e-commerce, which is an area of growth.

The brand portfolio comprises carefully selected international and Swedish premium and luxury brands. The customer offering comprises approximately 600 well-known brands, including Byredo, Caia Cosmetics, Cartier, Chanel, Charlotte Tilbury, Dior, Max Mara, Moncler, Omega, Tom Ford and Zegna. With commitment, first-class service and inspiring multi-brand concepts, NK Retail will be an obvious choice for the purchase of premium and luxury brands in the department stores and through e-commerce. Approximately 454 employees work in the operations, corresponding to 295 full-time equivalents.

The cooperation between AB Nordiska Kompaniet and NK Retail has led to positive synergies in several areas. This involved, for example, the launch of NK Retail's departments on the NK

e-commerce site, joint planning of marketing activities, brand repositioning and activation of spaces for short periods, so-called pop-ups.

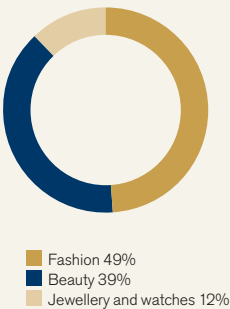
The fact that AB Nordiska Kompaniet operates part of the retail operations at NK in our own subsidiary has led to more rapid renewal in both department stores and the development of NK e-commerce. During the year, NK Man in Stockholm was remodelled and as part of the new concept, luxury brands such as Brunello Cucinelli, Kiton and Tom Ford have been spotlighted. The multi-brand departments NK Details and NK Sophisticated have opened on the women's floor in Gothenburg. Several pop-ups opened during the year, including the Bally and Byredo brands. NK Retail's largest departments are NK Beauty, NK Fine Jewellery & Watches and NK Man. These departments comprise about half of the total sales and recorded a positive trend in 2023. Approximately 15,000 products from NK Retail's product range can be found on NK e-commerce.



NK Retail

NK Stockholm		
	2023	2022
Retail area, sq m	6,909	7,448
Number of departments	16	22
Sales including VAT, SEK m	735	702
NK Gothenburg		
	2023	2022
Retail area, sq m	4,369	4,259
Number of departments	17	15
Sales including VAT, SEK m	224	220
	Total	Total
Number of employees	454	430

Sales



OTHER SEGMENTS – OTHER OPERATIONS

Service at the core

Cecil Coworking

In Bibliotekstan in Stockholm, Hufvudstaden operates a coworking facility called Cecil Coworking. The facility has approximately 3,200 square metres and space for about 300 members. Cecil Coworking opened in 2021 and offers various alternatives for members, such as individual offices of varying sizes, individual desk spaces or lounge spaces. The facility offers a unique environment that is inspired by boutique hotels from around the world. At Cecil, extensive possibilities are offered for networking in shared spaces located around the beautiful atrium, which is the heart of the premises.

During 2023, the occupancy of Cecil averaged about 95 per cent and approximately 85 companies in various sectors now have their domicile at Cecil.

At Cecil, personal service is in focus and, in addition to the reception service and member events, every weekday both breakfast and lunch are offered, prepared by Cecil's own chef. There is also a fully equipped conference facility, with inspiring design, available to members and external customers. In addition to the professional and personal service, it is the facility's central location, the focus on design and furnishings – and above all, our members – that combine to create the unique atmosphere. Cecil is a place where new ideas are born and networks are interwoven. This is where we collaborate to establish a culture, in which people and companies thrive, grow and achieve their full potential.



Parkaden

The wholly owned subsidiary Parkaden AB runs parking operations in two of Hufvudstaden properties in Stockholm. NK Parkering at Hästskon 10 offers 665 parking spaces. Continentalgaraget in the property Orgelpipan 7, which belongs to the Stockholm business area, offers 435 parking spaces.

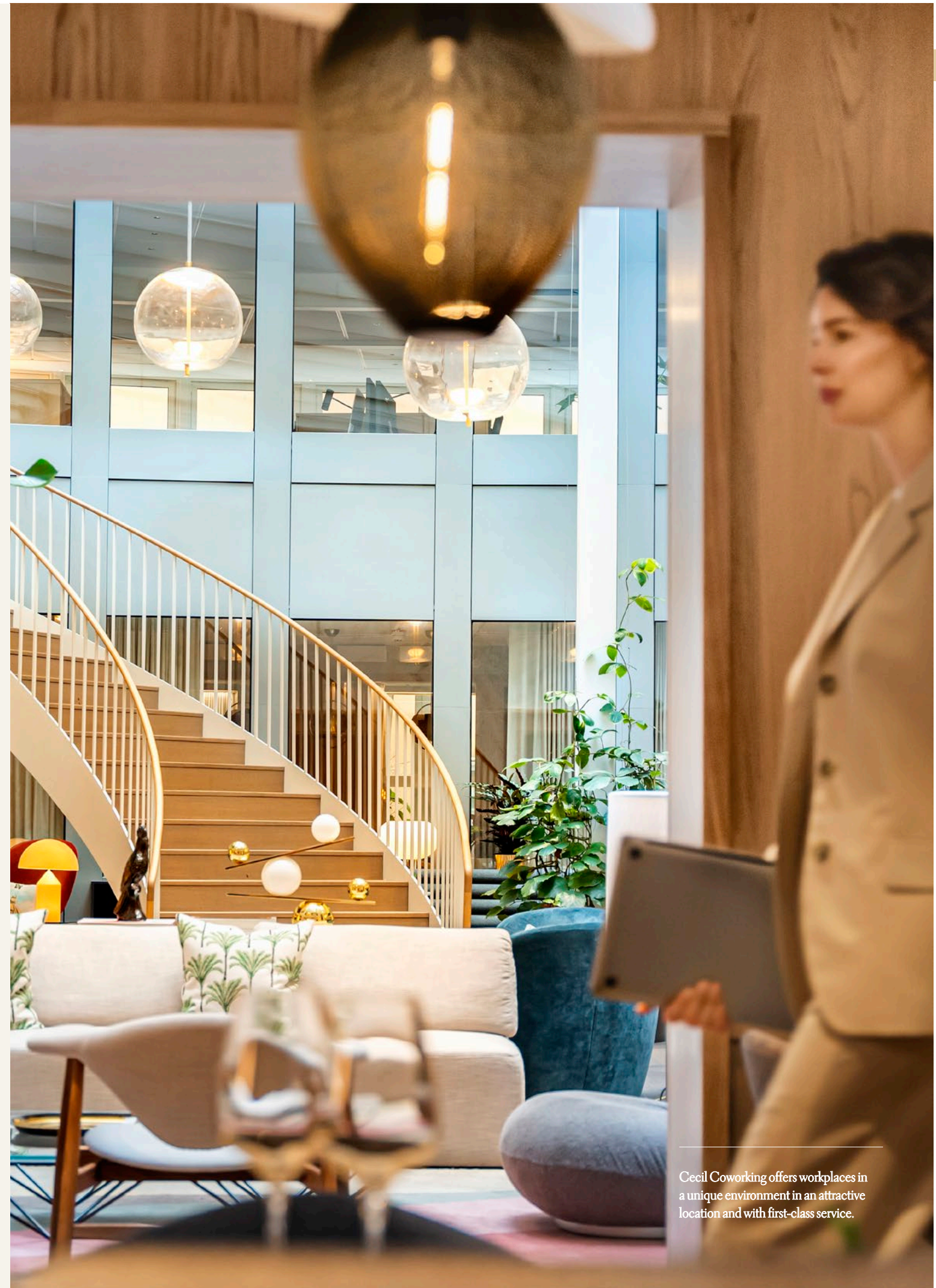
The number of electric cars is still rising, which is leading to a greater need for charging points in parking facilities. To meet demand, Parkaden has been gradually increasing the number of charging points for several years. Half of the parking spaces at NK Parkering are currently equipped with charging points. NK Parkering is one of the parking facilities that offers the most charging points in central Stockholm.

During the year, Parkaden AB invested in a new barrier system for Continentalgaraget to facilitate entrance and exit. The revenue from short-term and contract customers increased during 2023, which had a positive effect on net revenue for Parkaden AB.



NK e-commerce

Investments continued to be made in the NK e-commerce platform, nk.se, and other digital development projects. Focus during the year was on connecting more departments to the platform and integrating the updated NK Nyckeln, NK's loyalty program, which utilises a new technical platform to facilitate more relevant communication to NK's members. Launches of new departments at nk.se are conducted on an ongoing basis, with a further eight departments joining during the year. The purpose of NK e-commerce and nk.se is to ensure a digital presence among our customers and to inspire shopping online and in the department stores. Since the launch of e-commerce, visits to nk.se have increased by approximately 300 per cent. The range on nk.se is to largely reflect NK Stockholm's offering, but also serve as a digital channel for inspiration, information and service.



Cecil Coworking offers workplaces in a unique environment in an attractive location and with first-class service.

Developing the city of the future together

Hufvudstaden is working actively to develop existing properties and by increasing rentable floor space, to enhance flexibility of use and minimise energy consumption. The areas surrounding our properties are being developed to create vibrant and attractive marketplaces, often in partnership with other property owners and local authorities. This development lays the foundation for good, long-term value growth.

Business development

The Business Development department identifies, develops and runs commercial and digital projects regarding offices and retail stores. Hufvudstaden's development work is influenced by the rapid evolution of society that entails changing behaviours, needs and expectations. The purpose is to raise the company's capacity to continuously develop and adapt its methods, operations and business processes.

Change and development projects are carried out with a focus on responding to changes in society and the needs of our tenants. Over the years, projects have been conducted to address the structural transformation that is under way in the retail sector and, to a certain extent, the office market. Changed purchasing behaviour, office use patterns and sustainability are key factors in our development work. An example of this is development of NK's customer offering in the department stores' physical environment and in the digital presence at nk.se.

In Nordstan, a development project was launched to connect with the new entrance from the West Link. Together with other property owners in the Nordstan Cooperative Association, we are creating a new entrance and meeting place with an attractive offering for commuters as well as existing Nordstan customers. The project covers approximately 8,700 sq m, of which approximately 700 sq m is an extension.

Last year's digitalisation strategy project has been implemented to develop and adapt our operations to our customers' and employees' needs. The purpose is to support the operations' overarching strategies to contribute to achieving our operational goals.

Property development

Hufvudstaden's properties are routinely developed in a process rooted in sustainability and a long-term approach. Our objective is to have the most well-developed property portfolio in the industry. The Property Development department runs renovation and development projects. Operations are divided into two main segments, maintenance projects and adaptations, and major development projects based on existing or new building permissions. The guiding principle for all our work is our purpose: "Shaping the city of the future together, since 1915". The projects are conducted in collaboration with different departments in the company as well as with our customers, suppliers and partners.

Efforts aimed at digitalising the properties were intensified during the year, with further broadening of cooperation with industry peers. Energy remained an important focus area, as did digitalisation.

The company's sustainability plan, with the watchwords minimise, future-proof and collaborate, comprises one of the cornerstones in connection with the development of properties. Through active collaboration between internal and external parties, we minimise

energy consumption, demolition and use of materials. We future-proof our properties by building effective solutions that can be used over a long time and prepare for climate changes. One of the most important measures for minimising the total environmental impact is that we build using long-term solutions and material choices that will stand the test of time regardless of the tenant. An critical part of our sustainability work is the materials we choose to install in our buildings, and several alternative materials with lower environmental impact were tested and evaluated during the year.

To meet the rigorous demands on quality, flexibility and a long-term approach, Hufvudstaden has its own project managers at all stages of project implementation. The project managers handle matters related to project management, coordination with tenants and health and safety on a daily basis.

Hufvudstaden has invested approximately SEK 940 million per year in projects for the past five years. Investments in projects in 2023 amounted to around SEK 1,270 million (980). Large-scale development projects account for about 70 per cent, adaptations around 20 per cent and maintenance projects nearly 10 per cent.

Current major projects

Johanna project, Gothenburg

The comprehensive Johanna development project, in the Inom Vallgraven 12 block in Gothenburg, continued during the year. Production in the project is divided into three main parts: extension, new construction, and renovation. For the extension part, reinforcement works were carried out on the existing building and at the end of the year, the frame for the extension reached full height. New construction work included the final phase of the demolition work and environmental remediation. Excavation to foundation depth was completed and casting of the new base plate began. The extended building permission for approximately 15,000 square metres in gross area creates a new overall concept for the block, where the new total building permissions could be up to 45,000 square metres in gross area. In total, the project is expected to result in an increase in the rentable floor space of approximately 11,600 square metres. Development is taking place in close cooperation with the City of Gothenburg and when completed at the end of 2025/beginning of 2026, Gothenburg city centre will gain a vibrant meeting place with offices and retail.

NK Gothenburg

For NK Gothenburg, work is in progress to produce a new local plan for expansion and redevelopment. During the year, work mainly focused on surveys and preparations ahead of future consultations.

Bibliotekstan, Stockholm

In Vildmannen 7, reconstruction of the property was completed following the extensive fire in 2017. During the summer, the tenant

Cirio Advokatbyrå moved in to all of the property's office space. At the end of the year, three retail premises were completed for the Chanel Fragrance and Beauty Boutique, A.P.C. and ATP Atelier brands. The remaining two retail premises have been leased and will be occupied in 2024. The property is totally unique, featuring a modern and flexible building. The preserved sandstone facade from the 19th century adds significant cultural-historical value to Bibliotekstan.

During the year, the lease with Danske Bank in Packarhuset 4 at Norrmalmstorg was renegotiated. In cooperation with the tenant, planning and design has begun to customise and upgrade the office space. As part of the redevelopment, there is a major focus on reuse of materials and improved technology to reduce energy use in the building. The project is expected to be completed by the end of 2025.

Kungsgatan and Klarabergsgatan, Stockholm

In the Hästhuvudet 13 property, at the junction of Sveavägen and Kungsgatan in Stockholm, a major redevelopment of approximately 3,100 square metres of office space was ongoing during the year. As part of the project, the technical installations were upgraded to reduce energy use and improve the indoor climate. The floors will be given a more rational layout and the rentable floor space will increase slightly. Tenants will move in on a phased basis as of 2024.

Two extensive projects were conducted in the Orgelpipan 7 property. On the office floors, all windows were replaced to improve energy performance and increase natural lighting in the premises. Work was carried out with great consideration for the antiquarian aspects and since completion, the attractiveness of the offices has increased. In connection with a major renegotiation in the building, which also involved the tenant expanding the area it leases, the premises were adapted and the indoor climate technology was updated, thereby helping our efforts to save energy.

Adaptations

A large share of the properties' development occurs in conjunction with adaptation of premises for new and existing tenants. When premises become vacant, they are assessed to determine their renovation and development requirements. This assessment is conducted in collaboration with the property operation and management organisation. Flexible solutions are required to meet varying requirements in relation to floor plans. Greater flexibility and the goal of reducing energy consumption places higher demands on ventilation and cooling technology in the premises. Older technical systems often need to be replaced with newer technology or be supplemented with technology for demand-controlled operation to achieve an optimal indoor climate.

Hufvudstaden owns many properties adjacent to each other, which creates flexibility as it facilitates integration of premises with adjoining spaces. In all redevelopment projects, there is considerable emphasis on preserving the character and architectural value of the building. Hufvudstaden takes responsibility for building and developing in a sustainable, long-term and eco-friendly way to meet the needs of today and tomorrow.

During the year, approximately 70 adaptations were conducted for a total of about 38,000 square metres. The adaptations were carried out for both new and existing tenants.

In Stockholm, premises were adapted for several tenants, including Flood Herslow in Rännilen 18, Keel Capital in Oxhuvudet 18 and Transitio in Grönlandet Södra 11.

In Gothenburg, premises were adapted for several tenants, including Medartuum in Fyran and Revelopment in Femman.

In the NK properties, premises were adapted for several office and retail tenants, including the Second Swedish National Pension Fund and Mulberry in NK Gothenburg and UBS and Calceos in NK Stockholm ■

Major current and planned projects at the end of the year

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 (year)
Stockholm	Vildmannen 7	Completed	Office, retail & residential	4,750	4,750	800	2023
Stockholm	Hästhuvudet 13	Current	Office	3,100	–	135	2024
Stockholm	Packarhuset 4	Project planning	Office	9,800	–	160	2025
Stockholm	Orgelpipan 7	Local planning	Office	–	–	–	–
Gothenburg	Inom Vallgraven 12 block	Current	Office, retail & restaurant	31,600	11,600	2,200	2025/2026
Gothenburg	NK Gothenburg	Local planning	Office, retail & restaurant	–	–	–	–

¹⁾ Includes estimated costs for rent losses and financing that are continuously charged to the income statement as well as costs for evacuation. The investment in the Vildmannen 7 property includes extraordinary costs resulting from the fire in 2017.



Vildmannen 7 in brief

Address: Biblioteksgatan 9, Jakobsbergsgatan 6
Area: Bibliotekstan/Norrmalmstorg
Construction year: 1895–1897 and 2023
Rentable floor space: 4,750 sq m

At the project stage, the property is preliminarily certified at BREEAM-SE Excellent level.

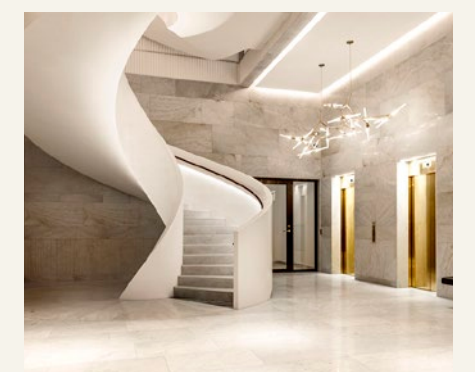
Vildmannen 7 – a unique meeting between old and new

Vildmannen 7 is a piece of cultural history in terms of architecture and the tenants the property has housed over the years. The property was built between 1895 and 1897 and the unusual façade in Roslag sandstone with rich ornamentation was likened to a medieval castle. A devastating fire destroyed the building in November 2017, but because the old façade was saved the building has retained its magnificent exterior.

Following both a spectacular and complicated construction process, Vildmannen 7 is again standing in all its splendour in Bibliotekstan in Stockholm. The new property is a unique meeting between the new and the old. Most buildings that are more than 100 years old have undergone redevelopment, but it is often difficult to optimise space and allow disability access in such old buildings. It is very rare that an opportunity arises to build something completely new inside a 120-year-old façade. Vildmannen 7 has a total of 4,750 sq

m of rentable space and the guiding principle during reconstruction was a long-term approach. The new construction provided the possibility to create an efficient and flexible floor plan that can – with a limited climate footprint – be adapted for different activities in the future. The property features energy-efficient technologies; for example, it uses geothermal energy to produce cooling and heating. The courtyard has a new structure and is brighter. The entire building has plenty of daylight from the courtyard's large windows and Juliet balconies. Biblioteksgatan's grand entrance and the beautiful oak door have been preserved. Inside the office entrance, there is a spiral staircase beautifully illuminated from a skylight window.

All of the office levels are leased by Cirio Law Firm and the retail premises at street level house brands such as Chanel Fragrance and Beauty Boutique, the French fashion brand A.P.C. and the Swedish shoe and accessories brand ATP Atelier.



Sustainable employees

Skilled, committed and healthy employees are the key to Hufvudstaden’s strong company culture. We want to attract, develop and retain employees who – with high competence, great sense of service and customer focus – contribute together to the continued development of the company.

Sustainable employees

Our objective is to have the most skilled and professional employees in the industry. We endeavour to create a work environment in which all employees develop and thrive at work and are able to contribute using their competence.

Our values are integrated in everything we do. The values are the foundation of the Group's culture and an important tool in steering the operations. Since the Group operates several businesses of differing character, the formulation of its values varies. The shared factor is that we all make the customer our central focus.

Attractive employer

Hufvudstaden shall be an attractive employer and employees should be proud to work for us. Employees should be happy, enjoy their work and feel engaged. We carry out employee surveys and pulse surveys to evaluate how we are perceived as an employer. The share of employees who would recommend Hufvudstaden as an employer remained extremely high, but we are endeavouring to gain even more ambassadors.

Recruitment and introduction

Most recruitment is conducted in-house to ensure that it is governed by our values and based on competence, and to build our brand at the same time as we create our own candidate base. Equal opportunities and diversity are always a natural part of all our recruitment processes.

All new employees are offered an introductory programme adapted to specific roles. Additionally, the "New at Hufvudstaden" introductory training course is held regularly and this enables new employees also in the property operations to meet some of our managers to better get to know each other and the company. All new employees attend introductory training within the NK School, where continuous skills development is also offered. NK Retail has worked to promote increased diversity, equal opportunities and inclusion in working groups. The result has yielded a more dynamic and creative work environment, which contributes to satisfied and motivated employees.

A work environment to thrive in

We prioritise health, wellness and workplace satisfaction to create a good working environment in which employees feel engaged and are thriving. We take a preventative approach to health by offering all employees an annual fitness allowance as well as health checks for those working in property operations. We are making a concerted effort to maintain low absenteeism due to illness by, for example, encouraging physical activity. We also arrange group activities, such as museum visits, lectures and after-work gatherings.

Hufvudstaden has established a Health and Safety Committee that meets quarterly and consists of representatives from all departments. The Committee conducted regular follow-ups of the systematic health and safety work, incidents and accidents. In addition to this, inspection rounds are carried out to prevent any injuries and to create a healthy work environment.

Diversity, equal opportunities and inclusion are key perspectives in everything from recruitment to day-to-day work. To support this work, we have an activity plan, which helps us create an equal opportunity workplace with understanding for differences and counteracts discrimination and victimisation. An equal treatment plan was prepared with goals within: health and safety, parenthood, harassment, recruitment, promotion and skills development, and equal pay for equal work. A salary survey is conducted annually.

The equality goal is to achieve an even gender structure with at least 40/60-per cent distribution between women and men. Within the property operations, the proportion is approximately 45/55 between women and men in total. Within NK Retail, most of the employees are women, which is common in the retail sector.

Leadership and employeeship

We strive for leadership that is courageous, inspirational, forward-thinking and exemplary. These four leadership criteria are the basis of our view on leadership and serve as guiding principles in the day-to-day work of all of our managers. These are also a main focus for the assessment of managerial development and performance.

Situation-adapted leadership and employeeship is applied throughout the organisation. This helps to create the right conditions for succeeding in a rapidly evolving world. Continuously identifying and developing employees who demonstrate leadership qualities is a priority. These employees are given the opportunity to grow into the position as manager at an early stage. Management training courses are conducted continuously.

Our managers are trained regularly in current topics. This year's courses contained topics such as sustainable leadership, salary reviews and psychological safety. Within NK Retail, management training courses were conducted on the subjects of well-being, commitment and leadership, labour law, as well as performance and career development reviews and the salary review process.

Skills and learning

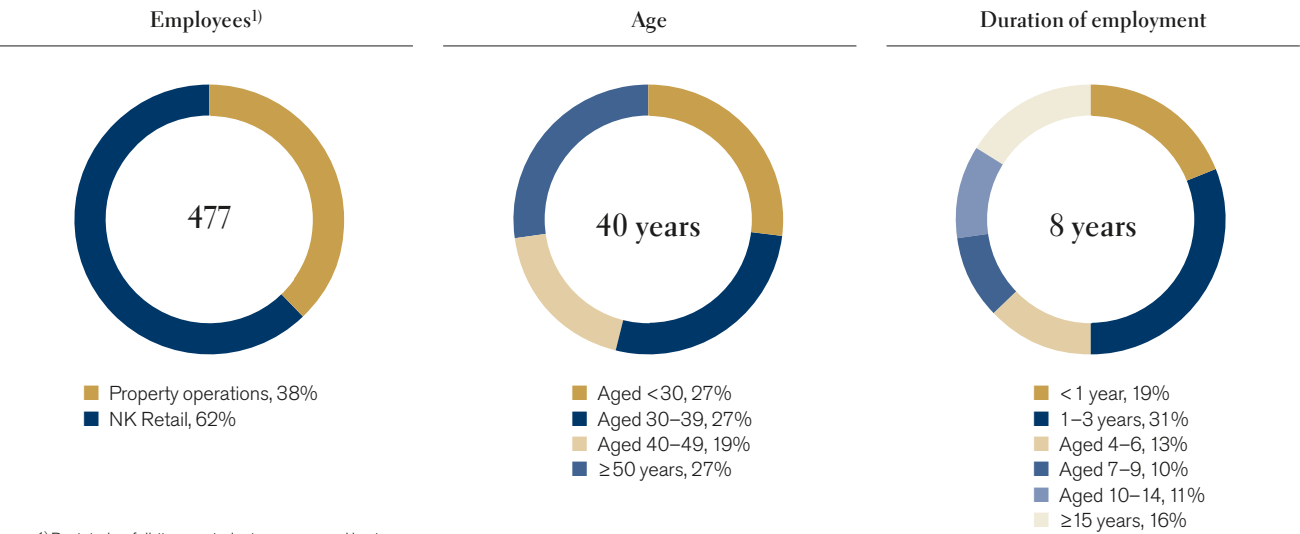
The skills, commitment and involvement of our employees contributes to running the business in a long-term and high-quality manner.

Internal recruitment is a key aspect of our company culture and a way to define various career paths. We make every effort to fill open positions internally at both management and employee levels. To succeed in this work, the skills requirement is reviewed continuously and we offer various types of training and development activities. During the year, we focused on sustainable employees and cooperation. The theme of the year's employee conference was "Together" and of the year's management conference, "Sustainable leadership". In order to further increase awareness in various sustainability areas, a sustainability month with various activities was arranged during the autumn.

NK Retail has the goal of creating memorable experiences and world-class service. To inspire the way in which we can attract and retain employees and customers, training was conducted to motivate employees for better cooperation, drive, heightened commitment and communication. ■



At Hufvudstaden, we have a value-generated way of work, focusing on cooperation and sustainable employees.



¹⁾ Restated as full-time equivalents on an annual basis.



Sustainable energy solutions in our properties create a solid basis for the future.

Vibrant and sustainable environments with a 100-year perspective

Hufvudstaden has been developing city centres for people and commerce for more than 100 years, and we are focusing towards the next century. We own and manage properties and create services for a vibrant city. When the needs of tomorrow change, Hufvudstaden will stand equipped to accommodate them; we are a property company that takes a long-term approach and preserves values.

Our role and impact

Current climate change is one of the greatest challenges of our time and the importance of a sustainable transition is clearer than ever. The construction and property sector accounts for a large amount of the climate impact, not least through the use of materials and energy. In Sweden, buildings account for about 40 per cent of energy use and about one fifth of Sweden's greenhouse gas emissions. Reducing these emissions is a major challenge, but through collaboration and the development of new solutions, we in the industry can contribute to enabling the transition that is needed.

For us, a responsible and ambitious sustainability agenda is a factor for success and a prerequisite for continuing to conduct our business. We work actively on economic, environmental and social sustainability. Hufvudstaden's sustainability activities are based on our sustainability plan that is organised into three focus areas: minimise, future-proof and collaborate. These areas set the direction of the company's sustainability efforts. Minimising entails that we will work to reduce our climate footprint and emissions, with the Paris Agreement as our starting point. We will achieve future-proofing by managing our buildings and operations using a long-term perspective. The needs of the cities of the future and their inhabitants are

changing and we are adapting to address this. Collaboration is key at all levels, and together with our customers, suppliers and partners, we are working to create the conditions for sustainable development.

The sustainability work includes all subsidiaries. For AB Nordiska Kompaniet, there is a supplementary sustainability strategy for the department store operation with a focus on range, department store and experiences. ■

EU Taxonomy Regulation

The purpose of the taxonomy is to classify which investments are environmentally sustainable. A summary of the taxonomy is presented below. For the complete taxonomy report, see pages 105–108.

	Total, SEK m	Taxonomy-eligible, %	Taxonomy-aligned, %	Taxonomy-non-eligible, %
Turnover	2,962	73	11	27
CapEx	1,301	95	1	5
OpEx	90	70	8	30



Top place in GRESB's international sustainability ranking

Hufvudstaden retained its high placement in GRESB's (Global Real Estate Sustainability Benchmark) annual international ranking of property companies' sustainability work. For the third consecutive year, the company received 93 points and five stars of five possible. Hufvudstaden also achieved first place in Europe in the Mixed use category – a recognition of an industry-leading sustainability work.



SUSTAINABILITY

Sustainability targets

● Minimise

We will minimise our footprint to achieve climate-neutral property management not later than 2025.

● Future-proof

We will future-proof our properties and operations for a 100-year perspective.

● Collaborate

Through collaboration, we will create vibrant and sustainable environments that promote sustainable urban development.

Ongoing goals	Outcome 2023
● Reduce the total amount of waste and increase the sorting rate from property management and construction projects.	The sorting rate was 34 per cent for waste from our tenants and 92 per cent from our construction projects.
● The properties are to be future-proofed for climate change.	All properties have been analysed and specific action plans have been prepared. Several measures have been implemented.
● Increase the proportion of green financing.	The proportion of green financing amounted to 49 per cent.
● Actively work for a sustainable supply chain. Our main suppliers are to be evaluated annually.	88 per cent of our main suppliers were evaluated.
● Zero vision for serious workplace accidents.	No workplace accidents took place during the year.
● Hufvudstaden will have the most satisfied customers in the industry.	For the sixth consecutive year, Hufvudstaden ranked first in the Large Company category of the Fastighetsbarometern Customer Satisfaction Index.
Goal 2025 ¹⁾	Outcome 2023 ¹⁾
● Management of our properties is to be climate-neutral.	CO ₂ e emissions have decreased by 26 per cent.
● Energy use per square metre will be reduced by 16 per cent.	Energy use per square metre has been reduced by 16 per cent.
● All properties will have green building certification.	78 per cent of properties are certified.
Goal 2030 ¹⁾	Outcome 2023
● Climate emissions from project development will be halved.	Several projects were carried out during the year with a strong focus on reuse and conservation of materials.

¹⁾ The targets were developed in 2020 and thus use 2019 as the base year. Outcome calculated in relation to the base year.

SUSTAINABILITY

● Minimise

Reduced climate impact

Hufvudstaden supports Sweden's climate target of net zero emissions by 2045. Our goal is to achieve climate-neutral property management not later than 2025, and this goal comprises the emissions generated within the framework of our own operations. To achieve this goal, Hufvudstaden will continue to invest in energy-efficient measures and technology with reduced climate impact. An important requirement for achieving this goal is also that local energy producers become climate-neutral.

During the year, we commenced work to develop a new energy strategy and new long-term goals. We also continued the work to review alternatives to existing refrigerants to find alternatives that have less climate impact. Since 2019, emissions have decreased by 26 per cent. Emissions for 2023 rose slightly compared to 2022 due to an increase in emissions of refrigerants and the fact that the district heating supplier in Gothenburg had a poorer fuel mix.

Another goal in reducing our climate impact is to halve emissions from our project development, measured in emissions per square metre, by 2030. To achieve this goal, we work to minimise the use of new resources by focusing on retaining existing layouts and construction elements, as well as selecting durable materials with a lower climate footprint.

Hufvudstaden has the goal of achieving climate-neutral property management not later than 2025. This goal implies that net emissions of greenhouse gases must be zero and includes the emissions generated within the confines of our own operations. These include emissions from our own vehicles, refrigerants (Scope 1) and purchased energy (Scope 2). We have also chosen to include business travel (Scope 3) within the framework of climate-neutral property management. Initially, actual emissions will be reduced. Climate compensation is permitted to neutralise the emissions that cannot be entirely eliminated.

More efficient energy consumption

Efficient energy use is a key component in achieving more sustainable property management. This is why we make an active effort to develop our operations to reduce energy use, both through the optimisation of operations and investments in energy-efficient technology. In 2023, our activities included upgrading of technical installations in the Rännilen, Pumpstocken and Kvasten blocks, which has

Hufvudstaden has set ambitious climate goals to minimise emissions. Our commitments to reduced emissions were validated by the Science Based Targets initiative (SBTi). SBTi is a global initiative that helps companies to establish targets for reducing emissions in line with the latest research and the Paris Agreement.



improved the energy efficiency of the buildings. We also installed solar cells on the Femman property. All of our electricity usage derives from 100-per cent renewable, origin-labelled electricity. Since 2019, energy use per square metre has decreased by 16 per cent and, compared with the preceding year, the decrease was 5 per cent.

Construction and demolition waste

Large amounts of waste occur in the case of tenant adaptations or other major projects such as extensions or redevelopment. To minimise this waste, Hufvudstaden works with high-quality materials and long-term solutions that include design and functionality that endures over time. This minimizes the risk of major renovations and waste quantities when a new tenant moves in. We work to promote more circular flows of materials through, for example, re-use and recycling of materials. For example, we continuously monitor the sorting of construction and demolition waste. We see major potential in recognising the value in existing material and thus the possibility of increasing re-purposing. We also continued to test new solutions for re-use, such as when our own office in Gothenburg was renovated.

Work to minimise waste at NK

NK wants to offer high-quality products that last for a long time and to help our customers to extend the lifetime of products. We do so by offering, for example, shoemaker and tailoring services in the department store in Stockholm. As part of our circularity efforts, NK has dedicated part of its retail space to second-hand products, with The Vintagebar in Stockholm and Vintagefamiljen in Gothenburg. NK works to reduce the amount of waste that occurs in its operations. The department stores have introduced digital receipts as an alternative to paper receipts, as well as minimising the number of signs produced in connection with campaigns. ■



Hufvudstaden receives award for re-use

When Hufvudstaden's office in Gothenburg was to be renovated, the focus was on re-use rather than purchasing new materials. We repainted re-used doors, kept carpets in the office landscape and re-modelled existing desks to fit the new environment – a clear way of minimising waste and the climate impact of the project. Using simple means, we succeeded in updating the office and gaining a sense of new, without compromising on quality. Knowledge and awareness of re-use among employees at the office also increased during the renovation work. For its work, Hufvudstaden achieved the price "Årets uppstickare" (Newcomer of the Year) by Business Region Göteborg AB within the Handslaget initiative, a forum aimed at creating a circular marketplace in Gothenburg.

● Future-proof

We are adapting for the future

Future-proofing our properties is an important task since we have a long-term perspective in terms of management and refinement of our property portfolio. A key factor is to build correctly from the beginning, using material of good quality that endures over time. For example, there is parquet flooring that has been in some properties for over 100 years and has endured being sanded several times, as well as varying types of businesses and tenants. Everything from floor plans to materials and technology in our properties, must be flexible and adaptable to new requirements, and it must be possible to change them with minimised use of resources.

The building materials in the projects must be environmentally audited through Byggvarubedömningen, the property industry's database for environmental audits of construction materials. During the year, Hufvudstaden continued to work with the development of a standard for construction and material selection. The ambition is to create flexible and timeless properties, which can thus ensure resource savings by avoiding redevelopment to the extent that this is possible.

Climate-adapted property holdings

It is of great importance to adapt our properties and areas to the climate of the future in order to minimise the risks of damage, as well as enabling us to maintain competitiveness over time. Climate changes such as torrential rain and flooding resulting from heavy rainfall or rising water levels involve increased risk for our operations. Since each property is unique and has different conditions, we have prepared a specific action and development plan for each property to enable the management of flooding. The plans were developed using in-depth analysis and site visits to identify potential risks and to identify necessary measures. The action plans are

reviewed and updated annually. During the year, for example, we installed check valves in a number of blocks that will minimise the risk of flooding. We have also prepared an emergency storage area in the property Kvasten 2 in Bibliotekstan containing equipment for torrential rain, including wet vacuum cleaners and emergency pumps. This enables us to respond quickly in case of torrential rain or flooding and thereby limit damage to the properties. Climate adaptation measures are a constant ongoing task that we develop continuously.

Green building certified properties

Hufvudstaden's aim is that all properties should be Green building certified by 2025. Environmental certification provides a great basis for continued sustainability work, since it provides us with an independent audit to determine whether the building meets, for example, energy, indoor environment and materials standards. During the year, we certified Svärdfiskén 2, Kvasten 2, Kvasten 6 and Kvasten 9 in accordance with BREAM In-Use. At the end of 2023, 78 per cent of our portfolio was Green building certified.

Ban on fur and cash at NK

In March 2023, NK ceased selling fur due to an ethical stance taken within the framework of our sustainability work. The decision was taken jointly by NK and the companies in the department store and comprises complete furs and products that have details made of real fur. In recent years, fur has gradually decreased in the department store's range due to changed attitudes and purchasing patterns among customers. During 2023, a decision was also taken to make NK department stores cash-free. The decision was based on the fact that fewer customers use cash and the risk associated with cash sales has grown. ■



To counteract weather-related risks, we have invested in flood protection that can limit damage to our properties in the event of torrential downpours.

● Collaborate

For attractive urban development

To create secure and attractive cities, Hufvudstaden is partnering with other property owners and organisations, as well as the cities of Stockholm and Gothenburg, in several different projects. For several years, Hufvudstaden has participated in the Purple Flag collaborative project in Gothenburg for better and safer experience in the city centre. Purple Flag certifies cities and city centres based on factors such as safety, accessibility and range of activities in the evening and at night. According to the Swedish Police Authority, the project has been successful and the number of reported crimes has decreased since the project began.

Collaborations are also in progress in Stockholm to create safer and more attractive urban environments. This is achieved through activities such as better lighting, upgrading of streets and bike paths, a stronger evening offering, social activities and the climate adaptation of the city.

We are participants in a research-financed project aimed at investigating the potential to pool goods from different stakeholders in central Stockholm to reduce the amount of transportation. The vision is to understand and create a sustainable transport system in the city and thus be able to reduce congestion, the number of vehicle kilometres and energy use. The project is being led by Scania and is a collaboration between the City of Stockholm and several property owners.

To enhance our tenants' well-being and contribute to a more vibrant and attractive environment, several of our properties have terraces and courtyards.

Increased interest in sustainability among tenants

The interest in collaborating on such issues as waste management, indoor climate, reduced energy use and reduced emissions is increasing among our tenants. Among other things, more tenants are requesting energy statistics and green leases. Green leases entail that, together with the tenant, we establish a concrete action plan of measures to contribute to, for example, reduced or more efficient energy use and increased waste sorting. At the end of the year, the proportion of green leases amounted to 21 per cent of total rentable office space. The collaboration and the increased interest among tenants is positive and a key factor in achieving our goal of reduced energy consumption.

Initiative for increased circular flows in Gothenburg

To enable a more rapid transition in the construction and property sector, there is a need for more collaboration, between companies and the public sector. Hufvudstaden, together with about 50 private and public property owners, is part of the Handslaget initiative, which aims to increase re-use and other circular solutions in newbuilds and redevelopment. The goal is to have an established re-use market by 2025, which will contribute to bringing Gothenburg's climate footprint close to zero in 2030. The cooperation within Handslaget is a key factor in achieving our goal of halving the emissions from project development by 2030. During the year, Hufvudstaden participated in network meetings, workshops and tradeshow arranged by the initiative. The meetings have had different focus areas, such as procurement and climate-neutral installations.

Industry collaboration for sustainable supply chain

Together with several commercial property owners in the Stockholm region, Hufvudstaden has developed The Real Estate Industry's Initiative for a Sustainable Supply Chain (Swedish acronym: FIHL), with the aim of strengthening the industry's shared sustainability focus. The purpose of the initiative is to develop a more effective follow-up of sustainability aspects for suppliers in the property sector through a coordinated supplier follow-up and unified approach. All of our suppliers must be well acquainted and comply with our requirements and work methods. Suppliers are evaluated each year through self-assessments of areas such as work environment, working conditions, tax, human rights, legislation and regulations. The annual evaluation provides us with a solid basis to reduce our risks.

Collaboration with support organisations

Hufvudstaden and NK collaborate with various organisations to, for example, collect money for charitable causes. During the year, NK sold pink ribbons to raise money for the Breast Cancer Fund. NK also commenced collaboration with the charity organisation, My Special Day. The organisation works to fulfil wishes and spread joy to children with serious diseases and diagnoses, by giving them experiences on a joy-filled special day. ■

“
Handslaget has given me an insight
into how other property owners work and provided me
with valuable experiences from the industry.
Together we can make a difference.

Lina Ahlström,
Acting Head of Project and Project Manager
Hufvudstaden





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The design and location of the office is important to attract and retain the best employees.

Administration Report

The Board of Directors and the President of Hufvudstaden AB (publ), company registration number 556012-8240, hereby submit the Annual Report for the 2023 financial year for the Group and the Parent Company. The Hufvudstaden share is listed on Nasdaq Stockholm Large Cap. L E Lundbergföretagen AB, company registration number 556056-8817, has a controlling influence in Hufvudstaden and therefore the company is consolidated in the Lundberg Group.

Business concept

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

Key events during the financial year

In 2023, the security situation was tense, with wars in Ukraine and the Middle East. Inflation was very high for most of the year. The central banks' policy rate increases gradually took effect and inflationary pressure had fallen by the end of the year. The market climate was weaker, though developments differed between countries. The strained energy market in Europe, with highly volatile prices, stabilised despite uncertainty in our surrounding world.

In Sweden, society was affected by criminality and elevated terrorist threat level. At the beginning of the year, inflation was 12 per cent measured as CPI. The policy rate hikes by Riksbank from 2.50 to 4.00 per cent helped to counteract inflation and by the end of the year it was just over 4 per cent. The economy was in recession with declining GDP growth. The labour market weakened and unemployment amounted to just over 7.5 per cent. In the difficult economic climate, households were cautious, which had a negative impact on consumption.

The demand for modern offices in Stockholm CBD was stable. However, the letting processes were slightly protracted. Vacancies remained within the normal range and market rents were between SEK 7,000 and SEK 9,800 per square metre at year-end. In Gothenburg, the office rental market was marked by an increased range of completed project properties. Vacancies increased further and in CBD vacancy exceeded 10 per cent. Market rents were between SEK 3,200 and SEK 4,100 per square metre.

Demand for flexible office solutions is continuing to increase. Hufvudstaden's three office concepts – Own office, our turnkey office REDO and Cecil Coworking – make it possible to satisfy customer needs over time.

Many retailers faced major challenges during the year. Profitability was impacted by falling consumption and rising costs. The low-price segment benefited from this trend and the luxury segment also developed well. Interest in Bibliotekstan remains strong and vacancies are low. In Gothenburg, the market for stores was somewhat more cautious, particularly outside prime locations.

Conditions were challenging for NK Retail and NK e-commerce during the three first years of operations. In NK, the physical and digital progress continued with a focus on efficiency improvements as well as improved communication with customers to attract visitors and increase sales.

Vildmannen 7 was inaugurated at the end of summer after several years of reconstruction following the fire in 2017. The property

is totally unique, with a modern and flexible building behind the original sandstone facade. All office and retail space in the property is leased. The comprehensive Johanna block project in Gothenburg is progressing according to plan. The frame for the extension reached full height during the year. Work on the windows and façades as well as the foundations for the new construction is in progress. The rentable floor space will increase by approximately 11,600 square metres. The block will be a vibrant meeting place, with retail and offices that will strengthen Gothenburg's city centre.

Hufvudstaden has a long-term perspective and sustainability is an integral part of our business strategy. This year's first place in the Mixed use category in Europe of the Global Real Estate Sustainability Benchmark (GRESB) ranking confirms that the systematic work towards sustainability is working well.

High inflation meant the indexation of this year's rents was 10.9 per cent. This had a positive impact on earnings while rising financing costs had a negative impact. Profit from current operations increased by 2 per cent to SEK 903 million. The higher interest rate levels led to increased yield requirements in the property market, which resulted in declining property values. Hufvudstaden's financial position remains very solid and the net loan-to-value ratio was 21 per cent, the equity ratio was 59 per cent, and the interest coverage ratio multiple was 4.9.

Property holdings

At the end of the year, Hufvudstaden owned 29 properties (29). Rentable floor space was 285,700 square metres in Stockholm and 105,100 square metres in Gothenburg, making a total of 390,800 square metres (386,600).

The Group's total rental vacancy rate as of December 31, 2023 was 8.8 per cent (7.0), and the floor space vacancy rate was 12.9 per cent (11.2). Excluding current development projects, the rental vacancy rate was 5.7 per cent (4.0). In Stockholm, the rental vacancy rate was 6.1 per cent and in Gothenburg 20.4 per cent. Excluding current projects, the figures were 5.0 per cent and 8.8 per cent.

During the year, 46,000 square metres (49,500) were renegotiated at a total rental value of SEK 334 million (310) per year, and new leases were signed for 17,200 square metres (28,800).

Property 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 of December 31, 2023. To assure the valuation, external valuations were commissioned from three independent valuation companies. The external valuations made at year-end were equivalent to 47 per cent of the internally assessed fair value. The corresponding share at mid-year was 33 per cent.

ADMINISTRATION REPORT

The fair value of the property holdings as of December 31, 2023 was assessed at SEK 46.7 billion (49.5). The unrealised change in value amounted to SEK –4,042.4 million (–209.1), which was primarily due to increasing yield requirements, but was largely offset by the effect of higher rents.

Valuation method

A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place in the form of a valuation according to a variation on the location price method, known as the net capitalisation method. The method involves setting the market yield requirements in relation to the net operating income of the properties.

The table below shows the key factors that influence the valuation and the consequent impact on profit or loss before tax.

A presentation of the valuation method and assumptions can be found in Note 16.

SENSITIVITY ANALYSIS, PROPERTY VALUATION ¹⁾			
	Change +/-		Effects on pre-tax profit, SEK m
Rent revenue	SEK 100 per sq m	+/-	980
Property costs	SEK 50 per sq m	-/+	490
Rental vacancy rate	1.0 percentage point	-/+	640
Yield requirement	0.25 percentage point	-/+	2,910

¹⁾ Valuation date December 31, 2023.

Net asset value

Based on the valuation of the property holdings, the Net Reinstatement Value (EPRA NRV) was SEK 37.5 billion or SEK 185 per share. Net Tangible Assets (EPRA NTA) were SEK 35.3 billion or SEK 175 per share following a deduction for assessed deferred tax liabilities. This 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 estimated actual deferred tax has been set at 5 per cent.

NET ASSET VALUE, DECEMBER 31, 2023		
	SEK m	SEK/share
Equity	28,788.6	142
<i>Reversal</i>		
Recognised deferred tax ¹⁾	8,695.9	43
EPRA NRV (Net Reinstatement Value)	37,484.5	185
<i>Deduction</i>		
Intangible fixed assets	-94.5	0
Estimated actual deferred tax 5%	-2,110.7	-10
EPRA NTA (Net Tangible Assets)	35,279.3	175
<i>Reversal</i>		
Intangible fixed assets as above	94.5	0
Recognised deferred tax ¹⁾ less estimated actual deferred tax	-6,585.2	-33
EPRA NDV (Net Disposal Value)	28,788.6	142

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

Sensitivity analysis, result

The effects on result before tax on a full-year basis, excluding changes in value, in the event of changes in a number of factors are reported in the table below. The increase and decrease in rent levels, vacancy rate, maintenance and operating expenses, depreciation, property tax, and interest rates, show the earnings effects that would have occurred, calculated using current information at the end of the financial year.

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 senior executives.

SENSITIVITY ANALYSIS, RESULT			
	Change +/-		Impact on profit, excluding changes in value before tax, SEK m
Rent level	SEK 100 per sq m	+/-	39
Vacancy rate ¹⁾	1 percentage point	-/+	24
Maintenance, operating expenses and depreciation	10 per cent	-/+	22
Property tax ²⁾	1 percentage point	-/+	29
Interest level	1 percentage point	-/+	37

¹⁾ Estimated vacant floor space at SEK 6,200 per sq m.
²⁾ A share of the cost is billed onwards to tenants within the framework of signed leases, which is taken into account in the calculation.

Sustainability

Hufvudstaden is committed to working actively and long-term towards economic, environmental and social sustainability. Corporate social responsibility is a key element in the company's operations. The company ensures that it complies with current laws and agreements by setting demand for and monitoring its own operations and partners.

The company's statutory Sustainability Report is included in this Annual Report on pages 6–7, 28–35, 43–44, and 98–108.

EU Taxonomy Regulation

To achieve the climate targets and environmental objectives of the EU green deal, the EU decided on a taxonomy aimed at defining which economic activities are sustainable. Hufvudstaden reports in accordance with the Taxonomy Regulation. For the complete taxonomy report, see pages 105–108.

Employees

Hufvudstaden's corporate culture is distinguished by strong employee commitment with a clear and strongly rooted set of values. Our core values are: Quality, Honesty, Attentiveness and Commitment. The values characterise the actions of employees and are a valuable tool in day-to-day work. They also provide a platform enabling us to conduct operations in a responsible manner.

Restated as full-time equivalents on an annual basis, the Group has 477 (441) employees and all employees are covered by collective agreements, both white-collar and blue-collar workers. Personnel turnover and absenteeism due to illness are low in the Group. More information about employees is available on pages 28–29 and 98–99.

ADMINISTRATION REPORT

Guidelines for remuneration to senior executives

Guidelines for remuneration to senior executives were adopted by the 2023 Annual General Meeting to take effect at the close of the meeting. These guidelines were followed in 2023 and the completed guidelines are presented in Note 7.

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 hufvudstaden.se, where subscription applications can be made as well as requests for information.

The Corporate Governance Report is part of the Administration Report and is presented on pages 86–91.

The future

Hufvudstaden's properties are unique, well-maintained and situated in the most central areas of Stockholm and Gothenburg.

The company's operations are characterized by the high quality and long-term approach it has in both its products and services. We use our internal expertise to create new sustainable values in the property holdings and are continuing the transition to reduce our climate footprint. We have a good position in the market, providing us with a solid basis to address future opportunities and challenges.

The office market has changed in recent years due to an increase in remote working and a more digital way of working. To promote office attendance and attract the best employees, the design and location of offices have become increasingly important. This favours our attractive properties in prime locations close to services, stores, restaurants and culture, as well as good transport links. Demand for flexible office solutions is increasing, and efforts to develop our three office concepts – Own office, our turnkey office REDO and Cecil Coworking – will continue moving forward.

The changes and challenges are significant for many retailers. Nevertheless, the low-price and luxury segments have performed well despite uncertain times. We can see that the physical store remains important and that our attractive marketplaces are in demand by both brands and customers.

To remain the first choice, we must be responsive and evolve in line with behavioural and external changes. In the years ahead, we will intensify our focus on the asset management operations, optimise the operation of our properties and stay close to our customers in order to understand their needs. Our strong financial position has enabled current development projects to progress according to plan, which will create new cash flows moving forward. Our sustainability targets from 2019 stand firm, with the aim of property management to be climate-neutral by 2025 while climate-impacting emissions from our project development activities are to be halved by 2030.

We will maintain the company's low risk profile and strong financial position. Our proven business model remains unchanged, and the aim is to retain our good earnings capacity in order to gradually increase earnings from current operations.

Dividend and allocation of unappropriated earnings

The income statements and balance sheets for the Parent Company and the Group is to be adopted at Hufvudstaden's Annual General Meeting on March 21, 2024. The Board of Directors is proposing an unchanged dividend of SEK 2.70 per share (2.70), corresponding to a total dividend of SEK 546.2 million. The proposed dividend is equivalent to 61 per cent of net profit from current operations. The Board's proposed allocation of unappropriated earnings is presented in full in Note 24 and on page 73.

The Board's reasoned statement concerning the dividend proposal is available on hufvudstaden.se and will be appended to the Annual General Meeting documentation. The statement is also available from the company upon request.



The first phase of Hufvudstaden’s largest solar cell installation on the roof of the Femman property in Gothenburg.

Financing

Hufvudstaden is a long-term property owner with a solid financial position and limited financial risk. The company endeavours to ensure a balance between equity and borrowing that is based on the requirements for returns and financial risk. The financing requirements are met through loans and credit facilities from several of the major Nordic banks and investors in the capital market. Active debt management and long-term relationships with financiers create the conditions for owning, managing and developing the company’s properties and marketplaces.

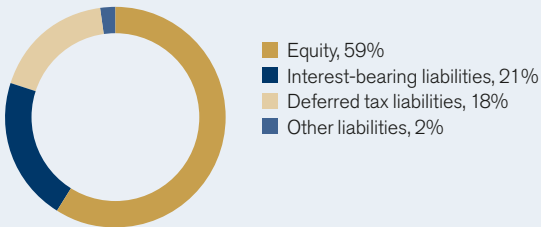
Finance Policy

Hufvudstaden's financing and risk profile are controlled on the basis of a Finance Policy approved by the Board of Directors. The purpose of the Policy is to secure the Group's financing requirements based on a risk-limited and cost-efficient financing. The Policy contains clear guidelines regarding powers and authorisations for financing and debt management.

All financing is managed by the Parent Company. Within the Finance function, there are instructions, systems and segregations of duties to achieve good internal control and structured follow-up of the operations.

Capital structure

The Group endeavours to strike a balance between equity and borrowing that develop the operations so as to achieve set targets and limit financial risk. The aim is to have a debt portfolio comprising various financing forms with a spread of credit maturities.



Interest-bearing liabilities

The Group's total borrowing as of December 31, 2023 amounted to SEK 9,400 million (9,000). Of total borrowing, financing via the capital markets through bonds amounted to SEK 6,100 million (7,000) and commercial paper to SEK 1,100 million (500). Secured bank loans were SEK 2,200 million (1,500) and unutilised loan commitments amounted to SEK 4,800 million (6,000).

Financing facilities, SEK m, December 31, 2023

Loan/facility type	Framework/ facility volume	Unutilised
MTN programme	12,000	5,900
Comm. paper programme	3,000	1,900
Bank loans and loan commitments	7,000	4,800

Green financing

Hufvudstaden has a framework for green bonds aimed at financing green properties and projects promoting climate transition and sustainability. The framework is based on the Green Bond Principles and has undergone an independent evaluation by Cicero, which issued a second opinion with the grade of Medium Green in terms of the level of greenness and a score of Excellent for governance.

Hufvudstaden has also raised green bank loans that follow the issuing institutions' green financing frameworks. Green financing totalled SEK 4,600 million (3,000), corresponding to 49 per cent (33) of total borrowing. Of green borrowing, green bonds amounted to SEK 2,600 million (1,500) and green bank loans to SEK 2,000 million (1,500). The aim is for all properties to have green building certification by 2025 and to increase the share of green financing.

Financial key ratios

The average fixed interest period was 1.2 years (1.7) and the average capital tie-up period was 2.2 years (2.6). The average annual equivalent interest rate (AER) was 3.2 per cent (1.9), including, and 3.1 per cent (1.7) excluding the cost of unutilised loan commitments. To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the long-term borrowing, SEK 4,300 million (5,000) carries a fixed rate of interest.

Fixed interest structure, December 31, 2023

Maturity, year	Credit, SEK m	AER, % ¹⁾	Proportion, %
2024	5,100	4.7	54
2025	1,300	1.7	14
2026	2,500	1.2	27
2027	500	2.2	5
Total	9,400	3.2	100

¹⁾ The costs for unutilised loan commitments are allocated in the tables to the period in which the loan falls due.

Capital tie-up structure, SEK m, December 31, 2023

Maturity, year	Bank loans	Bonds/ Commercial paper	Total	Unutilised loan com- mitments
2024	–	2,100	2,100	1,000
2025	1,200	2,100	3,300	800
2026	–	2,500	2,500	1,000
2027	1,000	500	1,500	2,000
Total	2,200	7,200	9,400	4,800

Interest-bearing net debt was SEK 9,018 million (8,547). In addition, lease liabilities according to IFRS 16 amounted to SEK 729 million (712), and total net debt amounted to SEK 9,747 million (9,259). The net loan-to-value ratio was 20.9 per cent (18.7), the equity ratio – which should be at least 40 per cent over time – amounted to 59 per cent (61), and the interest coverage ratio multiple was 4.9 (7.7).

Financial risks

Hufvudstaden is mainly exposed to financing risk, interest risk and credit risk. For further information about the financial risks, refer to Note 2 on pages 59–60.

ADMINISTRATION REPORT

Risks and risk management

Our value-governed corporate culture means that we identify both opportunities and risk areas in the operations and we continuously evaluate the company’s financial risks. Hufvudstaden’s potential to influence the financial outcome from property management in the short term is limited. Revenue flows are governed by relatively long leases, normally 3–5 years, and operating expenses are difficult to change in the short term without impacting on service and quality. Successful management of risks and opportunities requires the adoption of a long-term approach and clear strategies.

Area of risk	Description of risk	Description of opportunity	Approach
Market and business risks			
Property valuation	Increased yield requirements, lower market rents, increased vacant space, and higher property costs lead to reduced property values.	Lower property values on the market lead to increased acquisition potential.	Hufvudstaden has focused on acquiring and developing properties in prime commercial locations in the largest cities in Sweden – Stockholm and Gothenburg – which is considered to limit the risk over time.
Political decisions	A decision to increase property tax would lead to rising costs. Other political decisions that have repercussions include production of and price on energy as well as corpora-tion tax.	Reducing property tax and cor-poration tax, or more beneficial conditions for meeting Hufvud-staden's energy requirements.	The cost of property tax is mainly passed on to Hufvudstaden's tenants. Part of the energy costs are also passed on. Hufvudstaden has adopted a focused, long-term approach to reducing energy consumption.
A change in the economy could affect consumer purchasing power	Hufvudstaden's commercial prop-erties house mainly offices and retail. Stores are subject to fluctuations in consumer purchasing power, with a resulting impact on Hufvudstaden's profitability, both in terms of rental payments and sales for NK Retail.	Increased purchasing power among consumers is resulting in higher sales for stores, which allows rent increases for retail premises and facilitating higher sales for NK Retail.	Hufvudstaden is striving to secure longer leases for retail operators with a high guaranteed minimum rent, thus limiting the risk of loss of rent revenue, supple-mented by the revenue-generating potential of apply-ing a sales-based rent supplement. By offering diverse products within the premium and luxury segments, the retail operations in NK Retail are more resilient.
E-commerce	E-commerce creates changes in consumer behaviour, which could affect demand for retail premises and payment capability.	E-commerce operators see ben-efits with complementing their business with sales with physical stores, especially in strong mar-ketplaces. NK Retail conducts e-commerce on nk.se.	Continuous development aimed at offering consumers attractive meeting points and marketplaces with unique purchasing experiences. Enhance the pres-ence in digital channels and continue to develop NK e-commerce.
Health and society	A rapidly changing society in a con-nected world where events can have local, national and global effects, such as diseases, geopolitical turbu-lence, IT, the economy and energy.	A solid financial foundation makes it possible to adapt the company's operations to changes, whether for the short or long-term.	Allocating resources for horizon scanning (business intelligence), maintaining a good company culture, geographical concentration and a long-term approach create the prerequisites for rapidly managing and changing course to respond to events that occur.
Operating risks			
Development of properties	Incorrect assessments in the calcu-lation process. Greater complexity leads to higher costs. Time sched-ules put under pressure.	Higher yield on the property holdings.	Hufvudstaden is running expansion and redevelop-ment projects under its own auspices. Own project managers procure and manage implementation together with partners.
Rent trend	Reduced rent revenue as a result of falling market rents leads to lower earnings and reduced cash flow, which has a negative impact on property values.	Positive growth in rent revenue as a result of rising market rents leads to higher earnings and improved cash flow, which has a positive impact on property values.	Hufvudstaden's concentration on properties in prime commercial locations limits the rental risk. The rent for premises with lease terms of three years or longer is linked to the consumer price index and many agree-ments also have a minimum indexation level. Changes in rent take place when a lease is renegotiated or when a new lease is signed.
Rent losses on vacant premises	An increase in vacancy rate due to a fall in demand results in a decrease in earnings and reduced cash flow and has a negative impact on prop-erty values.	A decrease in vacancy rate due to a rise in demand results in higher earnings and improved cash flow and has a positive impact on property values.	There should always be a certain level of vacant office space to offer customers the potential to expand, to facilitate redevelopment, and to test the market's willing-ness to accept higher rent levels. Hufvudstaden works in close ongoing dialogue with tenants to meet their needs.
Property costs	Rising property costs caused by higher prices and taxes and the effects of climate change, etc.	Improvements in efficiency and procurement result in unchanged or lower property costs.	Hufvudstaden is working actively to optimise its prop-erty operations. Procurement of electricity takes place with the aid of forward agreements to reduce sensitivity to fluctuations in energy prices. The property holdings are well maintained, which reduces the risk of unfore-seen cost increases.
Human resources	Not being perceived as and acting as an attractive, modern employer, thus reducing the ability to retain and recruit the desired level of expertise.	Capitalise on the employees' pride in and commitment to the properties, Hufvudstaden as a company and the NK brand.	Hufvudstaden is a value-governed company that, among other things, works with competence develop-ment and equality. We offer a work environment to thrive in with investments in wellness and health in centrally located workplaces.

ADMINISTRATION REPORT

Area of risk	Description of risk	Description of opportunity	Approach
Taxes	Hufvudstaden's operations are pri-marily affected by income, property and value-added tax. Changes in tax laws related to these could have an effect on Hufvudstaden's operations and impact its results. Failure to comply with tax legislation could entail a risk of penalties.	Correct and responsible man-agement will have positive effect on the brand.	Clear processes and an effective control environment, together with competent employees with experience of tax legislation, minimises the risk of non-compli-ance. Hufvudstaden continuously monitors develop-ments in the tax area and is proactive and implements changes as required.
Cybersecurity	External attacks that render IT ser-vices inaccessible or that damage information in some manner.	Offers possibilities to challenge our infrastructure and compe-tencies through testing.	Hufvudstaden has an infrastructure and environment that is focused on security and functionality, with the purpose to prevent attacks. Furthermore, vulnerability tests and ongoing improvements are carried out, in addition to raising security awareness in the organisa-tion in order to increase security. We have imple-mented a risk-based distribution of services between cloud services and services operated locally, with com-prehensive back-up procedures.

Financial risks and regulatory compliance			
Currency risk	The risk of revenue being lower and costs higher in the event of exposure in a currency other than Swedish kronor.	Higher revenue and lower costs if hedging currencies is per-formed in favourable market situation.	In NK Retail operations, a large share of purchases of goods is performed in foreign currency, mainly euro (EUR). Part of the anticipated net outflow of foreign currency has been hedged using currency futures.
Financial reporting	Hufvudstaden's financial reporting forms the basis for a whole series of decisions, both in-house and exter-nally, and thus reliability and accu-racy are vital.	Transparency in reporting com-mands trust and provides a basis for favourable business rela-tions.	Structured processes and good internal control ensure the reliability and accuracy of the financial reporting.
Information leaks	An external party gains access to sensitive information with a purpose of harming the company.	Improve awareness of these issues among staff and new pro-cesses are developed to work in a more purposeful manner with information.	Hufvudstaden has technical multilayer protection of sensitive information assets. Access controls have been implemented that control account authority and IT equipment, combined with multifactor authentica-tion (MFA). We provide regular training in information security and processing of personal data.

Hufvudstaden is also exposed to financing, interest and credit risks. For information about these, refer to Note 2 on pages 59–60.

Sustainability risks			
Construction and management of properties	The risk of workplace accidents among our own employees and among external contractors working on our properties. Increased risk that buildings will be damaged during current projects.	A workplace without personal injuries.	Hufvudstaden works systematically and in line with our work environment plan and carries out ongo-ing environmental, health and safety audits. Own proj-ect managers procure and manage implementation together with partners. We have processes in place for segregation of duties and responsibility throughout the project.
Social responsibility	In the construction and property industry, there is a risk of corruption, unhealthy competition, tax crime (work-related criminality), and human rights violations (workforce exploita-tion) in the supply chain.	Being a responsible and attrac-tive partner and societal stake-holder generates a positive effect for our brand. This also creates better conditions for an effective work environment and quality in the design of our con-struction sites.	Hufvudstaden works according to a Code of Conduct. We set high demands and expectations for our con-tractors. We perform background checks of contrac-tors as part of procurement processes. We also carry out internal and external checks of construction sites, including unannounced site inspections. Inconsisten-cies and irregularities can be reported anonymously using our whistle-blower service. Irregularities that affect Hufvudstaden are highlighted and investigated as early as possible.
Negative environmental impact	The construction and property industry is responsible for a large proportion of energy use and emis-sions in society and it generates large amounts of waste.	Properties without a negative climate footprint and with high environmental performance.	Hufvudstaden has strategies and goals in place to reduce its environmental impact. Our Environmental Programme sets out goals and demands, ensuring the environmental impact of construction projects is mini-mised. Contractors and suppliers that work for Hufvud-staden also work in accordance with the Environmen-tal Programme. The aim is to certify all of our prop-erties as green buildings.
Climate change	The risk of a change in precipitation and temperature patterns resulting in torrential rain and drought.	Long-term property ownership and knowledge of our buildings offer the opportunity to prevent costly consequences.	Hufvudstaden makes climate change risk assess-ments of its property holdings. Climate change events include extreme precipitation and changes in water level. Assessments are made to understand, assess, and facilitate the management of future risks. Read more on page 44.

Climate-related risks and opportunities

Hufvudstaden’s efforts to identify and analyse climate-related risks and opportunities continued during the year. The aim of this work is to understand, assess, and facilitate the management of future risks to future-proof our properties and minimise possible financial impact. Hufvudstaden supports the recommendations of Task Force on Climate-related Financial Disclosures (TCFD)¹⁾.

Climate risk assessment

Hufvudstaden performs regular assessments of the property holdings in relation to climate change. During 2023, we implemented torrential rain measures in line with established torrential rain and flooding assessments. These measures included an emergency storage in Kvasten 2, which contains equipment for torrential rain, including water barriers, wet vacuum cleaners, emergency pumps and drying materials. We can thereby act swiftly in the event of flooding and hopefully reduce possible damage to the properties.

These climate risk assessments form the basis of Hufvudstaden’s work on climate adaptation of its properties. For more information, refer to page 34.

Scenario analyses

The scenario analyses are based on two different climate scenarios – one in which emissions essentially follow the current levels (RCP 8.5) and one in which we successfully meet the Paris Agreement (RCP 2.6). Climate-related risks include both transition risks and physical risks. Transition risks include technology-related risks, regulatory and legal risks, market risks and reputational risks. Physical risks can be of an acute type, such as extreme weather and chronic physical risks that are connected with recurring changed weather patterns or elevated water and temperature levels. It is probable that several aspects of both scenarios will occur, as well as events that we cannot forecast today. We are closely monitoring developments and working continuously to assess whether needs or conditions have changed.

Description of scenario	Risks	Opportunities	Potential financial impact
In line with the Paris Agreement The average temperature in Sweden has risen by about 2 degrees by 2100. This is the result of functioning global cooperation between politicians, companies, industries and communities, who are developing strict regulations and rapid technological development. Demands and requirements for climate-adapted products and services from customers and investors are high. Carbon emissions will be halved by 2050 and carbon tax will be increased. Weather events are becoming stronger and more frequent. The energy intensity is low and large-scale renewable energy technology is being introduced. Regulations that include sustainability requirements affect construction and place more stringent demands on reporting. ²⁾	<ul style="list-style-type: none">Higher taxes and fees, as well as increased regulations for carbon emissions and construction.Older and/or culturally protected properties are difficult to make energy-efficient, making them less attractive.Requirements to minimise emissions in the value chain place high demands on changes in business and the company.Higher prices for energy, materials and transport due to higher demands.Increased need for investment to enhance the energy efficiency and climate adapt properties.	<ul style="list-style-type: none">Increased urbanisation and densification in city centres and proximity to established services and infrastructure make Hufvudstaden’s holdings attractive.Increased demand for innovation and new technology offered by Hufvudstaden.Increased demand for high utilisation of properties.Reduced need for energy due to more efficient use of resources results in lower energy costs.Customers’ and investors’ increased sustainability requirements make Hufvudstaden a more attractive property owner and investment.	<ul style="list-style-type: none">More investments in the transition.Increased costs for climate adaptations.Possibility of higher rents for highly climate-adapted properties.Higher valuation for climate-adapted properties.
Emissions continue at today’s levels Climate and transformation policies have failed and there are no climate demands from investors and customers. The average temperature in Sweden will increase by approximately 5 degrees by 2100. Rainfall levels will increase strongly by approximately 20–40 per cent and sea levels and sea temperatures will continue to rise. Extreme weather will occur more frequently, which will mean that the operations will be increasingly governed according to sudden events. The energy intensity is high and fossil fuels continue to be used frequently. Climate change will lead to more uninhabitable places around the world, with people forced to flee, leading to higher population density in Sweden. ²⁾	<ul style="list-style-type: none">Damage to property from extreme weather, for example storms and heatwaves.Water damage to properties that have been flooded due to increased heavy rainfall and/or water level increases.Greater shortage of electricity and energy due to increased needs in society.Failed climate adaptation of properties means that buildings could need to be closed periodically and be unusable.Failed or low level of climate adaptation makes properties less attractive.Considerable need for increased maintenance and repairs due to a warmer and more humid climate having a negative impact on technology and construction material.Increased costs not covered by insurance policies.	<ul style="list-style-type: none">Increased need for climate adaptation in major cities raises the willingness of the city and other stakeholders regarding joint efforts and collaboration, such as building flood defences.Increased willingness to pay for climate adaptation in cities where many stakeholders and people are affected.Climate-adapted properties make Hufvudstaden a more attractive property owner.	<ul style="list-style-type: none">Increased investments in the management of climate change.Increased costs for climate adaptations.Increased energy costs.Increased operating and maintenance costs.Higher insurance premiums/costs.Reduced value of properties that are not climate-adapted.Increased value for properties that are climate-adapted.Reduced rent revenue, for example, for basement levels that cannot be leased.

¹⁾ The TCFD index is presented on hufvudstaden.se/en/corporate-social-responsibility
²⁾ Source: smhi.se/en/climate/future-climate/future-climate



Nordiska Kompaniet offers a comprehensive experience. The department stores feature restaurants, cafés and retail, all under one roof.

GROUP FINANCIAL STATEMENTS

Statement of profit or loss – Group

SEK m	Note	2023	2022
Net revenue	3–4		
Property management, gross		2,216.0	2,054.7
Rent revenue, intra-Group		-182.9	-199.8
Property management, net		2,033.1	1,854.9
Other segments		928.5	890.9
		2,961.6	2,745.8
Property management expenses			
– Maintenance		-46.4	-32.1
– Operation and administration		-383.1	-355.0
– Property tax		-236.4	-227.0
– Depreciation	5	-7.8	-5.9
Property management expenses		-673.7	-620.0
Other segments, gross expenses		-1,001.6	-972.0
Rental costs, intra-Group		182.9	199.8
Other segments, net expenses		-818.7	-772.2
Operating expenses	5–9	-1,492.4	-1,392.2
Gross profit		1,469.2	1,353.6
– of which Property management		1,359.4	1,234.9
– of which Other segments		109.8	118.7
Central administration	5–9	-53.2	-55.7
Operating profit before items affecting comparability and changes in value		1,416.0	1,297.9
Items affecting comparability	10	370.3	–
Changes in value, investment properties	16	-4,042.4	-209.1
Operating result		-2,256.1	1,088.8
Financial income and expenses			
Interest and financial income	11	9.8	2.2
Interest and financial expenses	12	-288.9	-186.7
		-279.1	-184.5
Result before tax		-2,535.2	904.3
Tax	14	608.0	-182.3
NET RESULT FOR THE YEAR		-1,927.2	722.0
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		-1,927.2	722.0
Net earnings per share for the year, before and after dilution, SEK	24	-9.53	3.57
Dividend per share, SEK		2.70 ¹⁾	2.70

¹⁾ Proposal by the Board.

GROUP FINANCIAL STATEMENTS

Comments

Property management

Net revenue from property management excluding intra-Group rents of SEK 182.9 million (199.8) amounted to SEK 2,033.1 million (1,854.9) for the period, an increase of approximately 10 per cent. The increase was attributable primarily to indexation as well as higher gross rents in conjunction with new leases and renegotiations of offices. Since early 2022, net revenue has been impacted by the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project.

The sales-based rent supplement was SEK 8.9 million (12.0), of which the NK department stores accounted for SEK 6.8 million (9.9). Sales in the NK department stores totalled SEK 2,690 million (2,581). Apart from the sales-based rent supplement, there are no other material seasonal variations in rents. Hufvudstaden renegotiations during the year correspond to approximately SEK 334 million in annual rental value. The outcome of the renegotiations were positive for offices and negative for retail premises. On average, the renegotiations resulted in a rent reduction of approximately 2 per cent compared with indexed outgoing rent in 2023.

The rental vacancy rate was 8.8 per cent (7.0). Excluding current development projects, the rental vacancy rate was 5.7 per cent (4.0).

Maintenance costs amounted to SEK -46.4 million (-32.1) and operating expenses were SEK -270.4 million (-245.8). The increase was primarily the result of higher costs for property management and development projects. Administration costs amounted to SEK -112.7 million (-109.2). Property tax has increased due to special property tax assessments and amounted to SEK -236.4 million (-227.0). Property tax has mainly been invoiced onward to tenants. Depreciation, referring primarily to depreciation of right-of-use assets, amounted to SEK -7.8 million (-5.9). The total expenses for property management amounted to SEK -673.7 million (-620.0).

Gross profit for the year amounted to SEK 1,359.4 million (1,234.9). Including intra-Group rent revenue, gross profit was SEK 1,542.3 million (1,434.7).

Other segments

Other segments comprise NK Retail and other operations. Other operations consist of Cecil Coworking, NK e-commerce and the parking business in Parkaden.

Net revenue for NK Retail amounted to SEK 789.5 million (760.2). Costs excluding intra-Group rents of SEK -106.7 million (-133.6) were SEK -731.7 million (-691.5). Gross profit for NK Retail excluding intra-Group rental costs was SEK 57.8 million (68.7). The decrease was mainly due to higher purchasing costs, lower full-price sales and a higher proportion of sales in product categories with lower gross profit. Sales for NK Retail are impacted by seasonal variations, with the first quarter of the year normally being the weakest and the fourth quarter being the strongest.

Net revenue for other operations amounted to SEK 139.0 million (130.7). Costs excluding intra-Group rents of SEK -76.2 million (-66.2) were SEK -87.0 million (-80.7). Gross profit excluding intra-Group rental costs was SEK 52.0 million (50.0).

Other profit and loss items

Central administration amounted to SEK -53.2 million (-55.7).

Items affecting comparability

Items affecting comparability were SEK 370.3 million (-) and refer to insurance compensation for the reconstruction of the Vildmannen 7 property following the extensive fire in 2017.

Changes in value

Unrealised changes in the value of investment properties were SEK -4,042.4 million (-209.1). The unrealised decrease in value was primarily due to increasing yield requirements but was offset to some extent by the effect of higher rents. The average yield requirement has increased by 39 basis points and, as of the valuation date, was 4.1 per cent (3.7).

Financial items

Financial income amounted to SEK 9.8 million (2.2). Financial expenses amounted to SEK -288.9 million (-186.7). Borrowing costs were SEK -266.2 million (-163.8), of which fees for new mortgage deeds were SEK 0.0 million (-20.6). Interest expenses for leasing was SEK -22.7 million (-22.9), which primarily referred to ground rent. The increase in financial expenses related to borrowing can be attributed to a higher average interest rate, which was 3.2 per cent (1.9) including expenses for unutilised loan commitments at year-end.

Tax

The Group's tax for the year was SEK 608.0 million (-182.3), of which SEK -70.4 million (-91.2) comprised current tax and SEK 678.4 million (-91.1) was deferred tax. The decrease in current tax was mainly due to higher deductible expenses for investments in properties. The change in deferred tax was due to the negative unrealised changes in the value of the property holdings during the period.

Net result for the year

Net result for the year was SEK -1,927.2 million (722.0). The decrease was due to the negative unrealised changes in the value of the property holdings during the period.

GROUP FINANCIAL STATEMENTS

Statement of financial position – Group

SEK m	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible fixed assets	15	94.5	89.3
Investment properties	16	46,742.8	49,546.9
Equipment	17	66.3	51.0
Right-of-use assets	19	727.9	711.0
Non-current receivables	20	22.7	25.1
Total non-current assets		47,654.2	50,423.3
Current assets			
Inventories	21	255.2	220.8
<i>Current receivables</i>			
Accounts receivable	22	24.7	31.8
Other receivables		19.0	4.5
Prepaid expenses and accrued income	23	108.1	102.0
Cash and cash equivalents		382.4	453.0
Total current assets		789.4	812.1
TOTAL ASSETS		48,443.6	51,235.4
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,056.4	1,056.4
Other contributed capital		628.1	628.1
Retained earnings, including net profit for the year		27,104.1	29,577.5
Total equity		28,788.6	31,262.0
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	25	7,300.0	6,500.0
Deferred tax liabilities	26	8,574.8	9,253.2
Non-current lease liabilities	25	721.0	702.8
Other non-current liabilities		99.7	104.0
Other provisions	27	28.7	31.7
Total non-current liabilities		16,724.2	16,591.7
<i>Current liabilities</i>			
Current interest-bearing liabilities	25	2,100.0	2,500.0
Current lease liabilities	25	8.0	9.0
Accounts payable		249.3	243.5
Tax liabilities		15.1	27.3
Other liabilities	28	98.6	79.4
Accrued expenses and prepaid income	30	459.8	522.5
Total current liabilities		2,930.8	3,381.7
Total liabilities		19,655.0	19,973.4
TOTAL EQUITY AND LIABILITIES		48,443.6	51,235.4

GROUP FINANCIAL STATEMENTS

Comments

Investment properties

The carrying amounts of investment properties in the Group amounted to SEK 46,742.8 million (49,546.9). The decrease in the fair value of the properties was attributable to negative unrealised changes in the value of the property holdings of SEK -4,042.4 million (-209.1) but was partly off-set by investments for the period. The unrealised decrease in value was mainly due to increasing yield requirements but was offset to some extent by the effect of higher rents. Investments in the property holdings during the year amounted to SEK 1,238.3 million (966.3). Investment properties in the Group are recognised at fair value according to IAS 40, which means there is no depreciation. The valuation method is described in Note 16. The properties’ fiscal residual value was SEK 3.2 billion (3.3).

Right-of-use assets

Right-of-use assets amounted to SEK 727.9 million (711.0) and comprise mainly of site leaseholds recognised at fair value with the corresponding lease liability. Site leaseholds are considered as perpetual leases and there is no depreciation.

Inventories

The inventories comprise merchandise for sale in NK Retail and amounted to 0.5 per cent (0.4) of the Group’s total assets and 8.6 per cent (8.0) of the Group’s net revenue.

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 382.4 million (453.0). Rents are paid mainly at the turn of the quarter, whereupon temporary surpluses may arise. The surplus liquidity is normally used for amortisation of loans or is invested in short-term instruments with high liquidity and low risk. There are no restrictions regarding the right to use cash and cash equivalents.

Lease liabilities

Lease liabilities totalled SEK 729.0 million (711.8) and consisted primarily of site leaseholds recognised at fair value.

Interest-bearing liabilities

The Group’s liabilities to credit institutions amounted to SEK 2,200.0 mil-lion (1,500.0). At the year-end, Hufvudstaden’s commercial paper amounted to SEK 1,100.0 million (500.0) and bonds was SEK 6,100.0 million (7,000.0). Total borrowing amounted to SEK 9,400.0 million (9,000.0). The average fixed interest period was 1.2 years (1.7), the capital tie-up period was 2.2 years (2.6) and the average annual equivalent inter-est rate was 3.2 per cent (1.9) including, and 3.1 per cent (1.7) excluding, the cost of unutilised loan commitments. Lease liabilities are recognised as interest-bearing liabilities but are reported separately in the statement of financial position. Interest-bearing net debt amounted to SEK 9,017.6 million (8,547.0) and net debt, which includes the lease liabilities, amounted to SEK 9,746.6 million (9,258.8).

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 8,574.8 million (9,253.2). The decline was due to negative unrealised changes in the value of property holdings.



Today, the office is far more than just a place where employees sit at their desks. Corporate culture and brand are built from the office.

GROUP FINANCIAL STATEMENTS

Statement of changes in equity – Group

SEK m	Share capital	Other contributed capital	Retained earnings, including net result for the year	Total
Opening equity, January 1, 2022	1,056.4	628.1	29,381.5	31,066.0
Net result for the year			722.0	722.0
Other comprehensive income for the year			–	–
Comprehensive income for the year			722.0	722.0
Dividend			-526.0	-526.0
Closing equity, December 31, 2022	1,056.4	628.1	29,577.5	31,262.0

Opening equity, January 1, 2023	1,056.4	628.1	29,577.5	31,262.0
Net result for the year			-1,927.2	-1,927.2
Other comprehensive income for the year			–	–
Comprehensive income for the year			-1,927.2	-1,927.2
Dividend			-546.2	-546.2
Closing equity, December 31, 2023	1,056.4	628.1	27,104.1	28,788.6

The Annual General Meeting held on March 23, 2023 granted renewed authorisation to the Board to acquire Class A shares up to 10 per cent of all issued shares. The purpose is to enable the Board to adjust the capital structure in order to create increased value for the company's shareholders and/or to make it possible to use treasury shares as liquidity or to finance acquisitions of businesses or properties.

Hufvudstaden's total holdings of treasury shares amounted to 8,965,000 Class A shares, corresponding to 4.2 per cent of all issued shares and 0.9 per cent of the total votes. No buyback took place during the year or after the end of the reporting period.

A dividend of SEK 2.70 per share was paid to the company's shareholders in 2023, totalling SEK 546,228,719.

The proposed dividend according to the proposed allocation of unappropriated earnings amounts to SEK 546.2 million.

GROUP FINANCIAL STATEMENTS

Statement of cash flows – Group

SEK m	Note	2023	2022
Current operations			
Result before tax		-2,535.2	904.3
Depreciation and impairment of assets		52.8	53.4
Items affecting comparability	10	-187.8	–
Unrealised change in value, investment properties		4,042.4	209.1
Other changes		-2.4	-0.4
Income tax paid		-70.4	-91.2
Cash flow from current operations before changes in working capital		1,299.4	1,075.2
Cash flow from changes in working capital:			
Decrease (+) / Increase (–) in inventories		-38.2	-69.9
Decrease (+) / Increase (–) in operating receivables		-9.6	-35.2
Increase (+) / Decrease (–) in operating liabilities		133.7	54.2
Cash flow from current operations		1,385.3	1,024.3
Investment activities			
Investment in intangible fixed assets		-30.8	-15.7
Investment in investment properties		-1,238.3	-966.3
Investment in equipment		-32.6	-35.9
Disposal of equipment		0.7	0.1
Cash flow from investment activities		-1,301.0	-1,017.8
Financing activities			
Loans raised	25	5,200.0	2,800.0
Amortisation of loan debt	25	-4,800.0	-3,000.0
Amortisation of lease liabilities	25	-8.7	-9.5
Dividend paid	24	-546.2	-526.0
Cash flow from financing activities		-154.9	-735.5
Cash flow for the year		-70.6	-729.0
Cash and cash equivalents at the beginning of the year		453.0	1,182.0
Cash and cash equivalents at year-end		382.4	453.0
SUPPLEMENTARY DISCLOSURES, STATEMENT OF CASH FLOWS			
Interest received		10.7	2.2
Interest paid		-289.4	-141.6

GROUP FINANCIAL STATEMENTS

Comments

Cash flow from current operations

Cash flow from current operations before changes in working capital increased by SEK 224.2 million to SEK 1,299.4 million (1,075.2). The increase was mainly due to insurance compensation for the reconstruction of the Vildmannen 7 property following the extensive fire in 2017. Changes in working capital increased cash flow by SEK 85.9 million (-50.9). Cash flow from current operations thus amounted to SEK 1,385.3 million (1,024.3).

Cash flow from investment activities

Cash flow from investment activities amounted to SEK -1,301.0 million (-1,017.8) and refers to investments in existing property holdings, equipment and intangible fixed assets.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK -154.9 million (-735.5). Borrowing increased by a net SEK 400.0 million compared with a decrease of SEK 200.0 million last year.

Cash flow for the year

Cash flow for the year amounted to SEK -70.6 million (-729.0).

Cash and cash equivalents

The Group's cash and cash equivalents amounted SEK 382.4 million (453.0) and comprised cash and bank holdings. As at December 31, 2023, Hufvudstaden had loan commitments of SEK 5,500.0 million (6,000.0). At year-end, SEK 4,800.0 million was unutilised. The commercial paper programme totalled SEK 3,000.0 million, of which SEK 1,100.0 million was outstanding at year-end. The unutilised amount was SEK 1,900.0 million. Hufvudstaden MTN programme amounts to SEK 12,000.0 million, of which SEK 6,100.0 million had been issued. The unutilised amount of the framework was SEK 5,900.0 million.

There are no restrictions regarding the right to use cash and cash equivalents.

PARENT COMPANY FINANCIAL STATEMENTS

Parent Company financial statements

INCOME STATEMENT

SEK m	Note	2023	2022
Net revenue	4	1,585.9	1,444.4
Operating expenses	5–9	-934.2	-835.3
Gross profit		651.7	609.1
Central administration	5–9	-53.2	-55.8
Items affecting comparability	10	315.0	–
Operating profit		913.5	553.3
Result from financial items			
Interest and financial income	11	171.4	168.4
Interest and financial expenses	12	-266.1	-163.7
		-94.7	4.7
Profit after financial items		818.8	558.0
Appropriations	13	-72.8	-115.1
Profit before tax		746.0	442.9
Tax	14	-71.0	-91.3
NET PROFIT FOR THE YEAR		675.0	351.6

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2023	2022
Net profit for the year		675.0	351.6
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		675.0	351.6

BALANCE SHEET

SEK m	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible fixed assets	15	1.0	1.6
Tangible assets			
Investment properties	16	9,108.4	8,589.5
Equipment	17	13.5	13.4
Total tangible assets		9,121.9	8,602.9
Financial assets			
Shares in Group companies	18	5,398.4	2,598.4
Receivables from Group companies		1,163.5	3,448.0
Non-current receivables	20	22.7	25.1
Total financial assets		6,584.6	6,071.5
Total non-current assets		15,707.5	14,676.0

SEK m	Note	Dec 31, 2023	Dec 31, 2022
Current assets			
Current receivables			
Accounts receivable	22	4.7	7.8
Receivables from Group compa-nies		311.3	278.3
Other receivables		1.8	1.8
Prepaid expenses and accrued income	23	55.2	42.2
Total current receivables		373.0	330.1
Cash and bank holdings		372.2	441.5
Total current assets		745.2	771.6
TOTAL ASSETS		16,452.7	15,447.6

EQUITY AND LIABILITIES

Equity	24		
Restricted equity			
Share capital		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
Non-restricted equity			
Retained earnings		1,889.8	2,084.4
Net profit for the year		675.0	351.6
Total non-restricted equity		2,564.8	2,436.0
Total equity		4,543.5	4,414.7

Untaxed reserves	29	48.3	51.0
Provisions			
Pension provisions	27	28.7	31.7
Deferred tax liabilities	26	881.2	879.8
Total provisions		909.9	911.5

Non-current liabilities			
Non-current interest-bearing liabili-ties	25	7,300.0	6,500.0
Liabilities to Group companies		220.5	5.0
Other liabilities		88.7	92.8
Total non-current liabilities		7,609.2	6,597.8

Current liabilities			
Current interest-bearing liabilities	25	2,100.0	2,500.0
Accounts payable		127.7	107.7
Liabilities to Group companies		731.8	433.5
Tax liabilities		7.9	12.4
Other liabilities	28	26.0	30.5
Accrued expenses and prepaid income	30	348.4	388.5
Total current liabilities		3,341.8	3,472.6
TOTAL EQUITY AND LIABILITIES		16,452.7	15,447.6

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings, including net profit for the year	Total
Opening equity, January 1, 2022	1,056.4	124.2	798.1	2,610.4	4,589.1
Net profit for the year				351.6	351.6
Other comprehensive income for the year				–	–
Comprehensive income for the year				351.6	351.6
Dividend				-526.0	-526.0
Closing equity, December 31, 2022	1,056.4	124.2	798.1	2,436.0	4,414.7
Opening equity, January 1, 2023	1,056.4	124.2	798.1	2,436.0	4,414.7
Net profit for the year				675.0	675.0
Other comprehensive income for the year				–	–
Comprehensive income for the year				675.0	675.0
Dividend				-546.2	-546.2
Closing equity, December 31, 2023	1,056.4	124.2	798.1	2,564.8	4,543.5

CASH FLOW STATEMENT

SEK m	Note	2023	2022
Current operations			
Profit after financial items		818.8	558.0
Depreciation and impairment of assets		185.3	196.5
Group contributions		-137.8	-157.7
Items affecting comparability	10	-132.5	–
Other changes		-3.8	-0.1
Income tax paid		-69.6	-87.6
Cash flow from current operations before changes in working capital		660.4	509.1
Cash flow from changes in working capital:			
Decrease (+) / Increase (–) in operating receivables		94.6	74.5
Increase (+) / Decrease (–) in operating liabilities		593.0	-35.0
Cash flow from current operations		1,348.0	548.6
Investment activities			
Shareholders' contribution paid	18	-2,800.0	–
Investment in investment properties		-750.5	-515.0
Investment in equipment		-5.9	-3.2
Disposal of equipment		0.7	0.1
Cash flow from investment activities		-3,555.7	-518.1
Financing activities			
Loans raised	25	5,200.0	2,800.0
Amortisation of loan debt	25	-4,800.0	-3,000.0
Change in non-current receivables		2,284.6	–
Dividend paid	24	-546.2	-526.0
Cash flow from financing activities		2,138.4	-726.0
Cash flow for the year		-69.3	-695.5
Cash and cash equivalents at the beginning of the year		441.5	1,137.0
Cash and cash equivalents at the year-end		372.2	441.5

SUPPLEMENTARY DISCLOSURES, CASH FLOW STATEMENT

SEK m	2023	2022
Interest received	33.8	10.7
Interest paid	-266.6	-118.7

Comments

Net revenue amounted to SEK 1,585.9 million (1,444.4). The increase was attributable primarily to indexation as well as higher gross rents in conjunction with new leases and renegotiations of offices. Since early 2022, net revenue has been impacted by the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project. Rent revenue totalled SEK 1,533.2 million (1,397.2) and service revenue amounted to SEK 52.7 million (47.2).

Operating expenses amounted to SEK -934.2 million (-835.3). The increase was mainly attributable to higher maintenance costs for major development projects and property management. Gross profit amounted to SEK 651.7 million (609.1). Central administration was SEK -53.2 million (-55.8). Items affecting comparability amounted to SEK 315.0 million (-) and refer to insurance compensation for the reconstruction of the Vild-mannen 7 property following the extensive fire in 2017 of SEK 370.3 mil-lion and the disposal of buildings in the Inom Vallgraven 12 block, where the Johanna project is in progress, of SEK -55.3 million.

Result from financial items was SEK -94.7 million (4.7). Financial items include Group contributions of SEK 137.8 million (157.7) received from subsidiaries.

Investments in existing property holdings and equipment totalled SEK 756.4 million (518.2).

Cash and cash equivalents at the end of the period amounted to SEK 372.2 million (441.5).

Financial notes

NOTE 1 ACCOUNTING POLICIES

General information

Hufvudstaden AB (publ), company registration number 556012-8240, is a limited liability company with its registered office in Stockholm. Hufvudstaden is listed on Nasdaq Stockholm Large Cap. The Group's principal area of business is the ownership, development and management of commercial properties in the central of Stockholm and Gothenburg. The company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. Visiting address: Regeringsgatan 38. L E Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence in Hufvudstaden, which is why the company is consolidated into the Lundberg Group. The Annual Report and consolidated financial statements for Hufvudstaden AB (publ) for 2023 have been approved for publication according to a decision reached by the Board on February 15, 2024. It is proposed that the Annual Report and consolidated financial statements be adopted at the Annual General Meeting on March 21, 2024.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as well as those adopted by the European Union (EU). In addition, the Swedish Financial Reporting Board's 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 policies as the Group, except in those cases stated below under the heading 'Parent Company accounting policies'. The deviations that arise between the policies applied by the Parent Company and the policies applied by the Group 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 preparation of the financial statements

The Parent Company's functional currency is Swedish kronor, which is also the reporting currency for the Group. Assets and liabilities are recognised at the historical acquisition value, apart from certain financial assets and liabilities as well as investment properties measured at fair value. Measurement at fair value of investment properties and financial derivatives is the accounting policy that has greatest impact on the consolidated financial statements.

The accounting policies 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 policies 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.

Judgements and estimates

Preparing the financial reports in compliance with IFRS requires Senior Executives to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenue and costs recognised in the accounts. Estimates and assumptions are regularly reviewed. Judgements made by Senior Executives in applying IFRS that have material effect on the financial statements as well as estimates that could result in material adjustments to the financial statements in subsequent years are described in greater detail below.

Investment 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, known as the net capitalisation method. The method involves setting the market yield requirements in relation to the net operating income of the properties. In this valuation, assessment is made of the yield requirement for each individual property. The properties' net operating income is calculated based on the market rent revenue, long-term rental vacancy rate, and normalised operating and maintenance costs. In the case of other project properties and undeveloped land, the value is determined based on weighing up the location price method and a development calculation where the net capitalisation method is used for a completed property with a deduction for construction costs, a profit for the developer that is line with the market, as well as financial expenses and rental vacancy costs during the construction period. The Group's internal property valuation is checked with independent external valuation companies, where an uncertainty range of +/-5 per cent of the assessed fair value is given.

If the Group's valuation is outside the uncertainty range, an explanation for the deviation is given. External changes could mean that an assumption made by Senior Executives 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 16.

New accounting policies

Hufvudstaden is part of a group, L E Lundbergföretagen, which is subject to OECD rules for Pillar II that come into effect on January 1, 2024. Lundbergs' assessment of the rules indicates that the Group will not need to pay top-up tax. Hufvudstaden applies the exemptions in IAS 12 Income Taxes item 4A, which stipulates that the Group does not need to report or disclose the amount of a deferred tax asset and deferred tax liability relating to income taxes under Pillar II.

Additional new or amended EU-approved standards and interpretations from the IFRS Interpretations Committee are currently deemed to have no material impact on Hufvudstaden's earnings or financial position. The accounting policies and calculation methods are unchanged compared to last year's Annual Report.

New standards that will come into effect in 2024 onwards

New and amended IFRS that will be applied in the future are not expected to have any material impact on the consolidated financial statements.

Consolidated financial statements

The consolidated financial statements 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 measured at fair value according to the acquisition analysis. If the acquisition does not refer to business 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 and a deferred tax receivable/liability in conjunction with the acquisition.

Reporting of revenue and costs

Rent revenue and service revenue

Net revenue comprises rent revenue and service revenue. Rent revenue refers to invoiced rent, including indexation, supplementary property tax charges, as well as investments. Service revenue comprises all other additional charges, such as heating, cooling, waste management and water. Rent revenue is allocated to a specific period on a straight-line basis over the term of the lease. Service revenue is reported during the period in which the service is performed on behalf of the tenant. Rent revenue and service revenue paid in advance are thus reported as deferred income.

Revenue, NK Retail

Revenue is primarily generated through the sale of clothing, accessories, beauty products and jewellery to consumers. The Group's performance commitment is thus to provide goods to customers, either to consumers in the Group's own stores or to e-commerce customers when goods are delivered to independent shippers. All revenue is recognised under the IFRS 15 category "at a point in time", meaning upon delivery. Revenue from the sale of goods at a fixed price is recognised when the company has transferred control of the good to the customer, which normally occurs at the time of sale when the customer takes the good with them out of the store, or upon delivery to an e-commerce customer under the terms and conditions of sale.

The main store sales are on approval for 30 days (full right of return), which means that revenue from sales in stores is recognised less estimated returns. The estimated repayment for returned goods is recognised as a repayment liability (the amount the company is expected to owe the customer). The right to receive the goods being returned is recognised as inventory. Revenue also decreases with variable remuneration in the form of discounts and customer loyalty programmes. Sales revenue is recognised less VAT, returns and discounts as net revenue in the income statement under "Other segments".

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 the operating result.

Financial income and expenses

Financial income and expenses comprises interest income and interest expenses, and unrealised and realised gains on financial investments. Interest income and interest expenses are calculated according to the effective interest rate method.

Leases

Lease agreements where the Group is the lessor

All the Group's lease agreements relating to commercial premises, as lessor, are classified as operating lease agreements. Accounting policies of these are presented in the section Rent revenue and service revenue above.

Lease agreements where the Group is the lessee

The Group recognises a right-of-use asset and a lease liability on the date the lease agreement came into effect. Right-of-use assets are initially measured at acquisition value. Right-of-use assets are depreciated on a straight-line basis from the date of commencement to the end of the right-of-use period of the asset or the end of the lease term. The lease liability is initially measured at the present value of the remaining lease costs for the estimated term. The lease term comprises the non-terminable period plus additional extension periods in the lease agreement if it is deemed reasonably certain on the commencement date that these options will be utilised. The lease costs are discounted at the Group's average incremental borrowing rate. In those cases where the interest rate implicit in the lease agreement can be readily determined, this interest rate is used instead. The Group's average incremental borrowing rate as of December 31, 2023 was 3.00 per cent. The lease liability for the Group's commercial premises with index-linked rent are calculated on the rent payable at the end of each reporting period.

The Group's agreements for commercial premises and land, not site leasehold agreements, comprise mainly non-terminable terms of several years, which are extended by a further number of years if the Group or the lessor does not terminate the agreement by giving 9–24 months' notice. For the majority of these agreements, the Group's assessment is that it is not reasonably certain that the agreements will be extended beyond the first term. In its capacity as lessee, the Group has identified site leasehold agreements to be the most material. The lease liability as of December 31, 2023 was SEK 729 million, of which site leasehold agreements totalled SEK 694 million. According to IFRS 16, site leasehold rights are considered to be perpetual leases measured at fair value and will thus not be depreciated. The value of the right-of-use asset remains until the next renegotiation of the ground rent. The lease liability is not amortised, and the value remains unchanged until the ground rent is renegotiated. Ground rent costs are recognised in their entirety as a financial expenses. For lease agreements where the lease term is 12 months or less, or which have an underlying low-value asset, i.e. below SEK 50,000, no right-of-use asset or lease liability are recognised. Lease costs for these leases are recognised as a cost on a straight-line basis over the term of the lease agreement.

Remuneration to employees

Remuneration to employees, such as salaries, paid holidays and social insurance costs, are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported at year-end, refer to the guidelines on variable remuneration in Note 7. 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 contractual pension plan. During the 2023 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 profit or loss when they arise.

Tax

Tax is recognised in profit or loss apart from when the underlying transaction is recognised in other comprehensive income or equity, whereupon the associated tax effect is recognised in 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 realised, and on application of the tax rates and tax rules that had been decided or notified as at the year-end. Deferred tax assets in respect of deductible temporary differences and a loss carryforward of unused tax losses are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

The Group classifies the financial assets and liabilities measured at amortised cost or fair value through profit or loss. Financial instruments is initially measured at fair value with additions for any transaction costs except for assets and liabilities measured at fair value through profit or loss which initially is valued without addition for 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.

FINANCIAL NOTES

Financial assets and liabilities measured at amortised cost

Financial assets that are included in this category are rent receivables and accounts receivable, cash and cash equivalents, loan receivables, and other receivables. Financial liabilities that are included in this category are loans and other financial liabilities, such as accounts payable. The initial carrying amount of loans is adjusted by any discounts or premiums paid when the loan was raised, and such adjustments are allocated over the term of the loan in accordance with the effective interest method. Any profit or loss that arises when the loan is repaid in advance is recognised through profit or loss.

Impairment of financial assets

The Group reports as principle expected credit losses for all financial assets that are measured at amortised cost. For rent and accounts receivable, the expected credit losses are valued based on the entire remaining contractual term of the receivables. The Group applies a matrix to calculate these expected credit losses with different expected loss rates based on how long the receivables are late in their payments. The loss rate have been calculated based on historical experiences which are supplemented with adjustments for the specific conditions prevailing as of the period-end and expected changes in customers' payment capacity. The Group is considering a 90-day delay in contractual payments as a significant increase in the credit risk and with that criteria the receivable is considered to be credit impaired and the loss reserve is calculated as the present value of the expected cash flows discounted with the receivables original effective interest rate.

Intangible fixed assets

Intangible fixed assets acquired by the Group consist of e-commerce platform and other IT-systems and are recognised at acquisition value less accumulated amortisation and any impairment losses. Development costs for new or improved processes in the Group's e-commerce platform are recognised as an asset in the statement of financial position if the process is technically and commercially feasible and the Group has sufficient resources with which to complete the process.

Principles for amortisation

Amortisation is recognised in profit or loss on a straight-line basis across the estimated useful lives of intangible fixed assets. The estimated useful life of intangible fixed assets is 5 years.

Tangible assets

Tangible assets primarily comprise equipment and are recognised at acquisition value less accumulated depreciation and any impairment losses.

Depreciation, property management

Depreciation of tangible assets used in administration is included in property management administration.

Depreciation, other segments

Depreciation of tangible assets is included in the cost of other segments.

Principles for depreciation

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

Investment properties

Investment properties are properties that are held for the purposes of securing rent revenue and/or an increase in value. Initially, investment properties are recognised at the acquisition cost, which includes expenses directly attributable to the acquisition. After the initial recognition, investment properties are reported in the balance sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations take place each quarter. To assure the quality of the valuation, independent external valuations are obtained from valuation companies at least once a year. The external valuations normally cover 30–40 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. The Group 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. Unrealised and realised changes in value are recognised through profit or loss. Changes in value are reported net.

Additional expenses are only capitalised when it is probable that the future economic benefits 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.

Impairment

The carrying amounts for the Group's assets – with the exception of investment properties, financial assets, and deferred tax assets – are tested 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 selling costs and its value in use.

Inventories

Inventory is measured at the lower of acquisition value and net realisable value. The acquisition value of inventory is calculated using the first-in, first-out (FIFO) method and includes fees that arose from acquiring inventory items and transporting them to their current location in their current condition. The net realisable value is the estimated sales price in current operations, less the estimated selling costs.

Earnings per share

Calculation of earning per share is based on the consolidated net result for the year and on the weighted average number of shares outstanding during the year. Total profit is attributable to the Parent Company's shareholders and there are no dilution effects.

Cash flow statements

The cash flow statements 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.

PARENT COMPANY ACCOUNTING POLICIES

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 policies and the Parent Company accounting policies are stated below. Group contributions received are reported under Financial items and Group contributions granted are reported under Appropriations.

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

FINANCIAL NOTES

Changed accounting policies

Parent Company accounting policies have not changed compared to last year's Annual Report.

Subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the cost method. This means that transaction costs are included in the reported value of holdings in subsidiaries.

Investment properties

The Parent Company investment properties are reported according to the Group principles for tangible assets although without the opportunity to apply the fair value method. Instead, the cost method is applied with depreciation over the assessed useful life of the buildings. The acquisition value comprises the acquisition price, cost of title deeds, and value-enhancing improvements. Only charges that generate a permanent increase in the value of the properties are capitalised. Development costs of a maintenance nature are charged to profit or loss. Borrowing costs are not capitalised in the Parent Company. In accordance with the special provisions for investment properties in RFR 2, buildings are reported as a single depreciation unit without a division into components.

Valuation of investment properties and tangible assets

The carrying amount of investment properties and tangible assets is tested for impairment 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 realisable value and the value in use. The net realisable value is set through comparison with the sale of similar objects. The value in use comprises the present 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 recognised through profit or loss. Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount.

Depreciation – investment properties

The Parent Company's depreciation according to plan is based on the original acquisition value, 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. The revaluation is depreciated over the remaining depreciation period of the underlying asset.

Leased assets

The Parent Company does not apply IFRS 16 in accordance with the exception in RFR 2. As a lessee, lease costs are recognised as a cost on a straight-line basis over the term of the lease and consequently rights of use and lease liabilities are not reported in the balance sheet.

NOTE 2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Hufvudstaden is mainly exposed to financing risk, interest risk and credit risk. The Group endeavours to have a loan portfolio with a diverse credit maturity structure that facilitates possible amortisations. No loans are raised in foreign currency, and consequently the Group is limited exposed to currency risk. NK Retail hedges purchases in foreign currencies so the net exposure is low. Borrowing takes place both with short and long fixed interest periods.

Hufvudstaden's Finance function is a Group function with the central responsibility for financing and liquidity planning. The work is governed by

the Finance Policy decided by the Board, which aims to secure the Group's financing requirements based on a risk-limited and cost-efficient financing. Within the Finance function, there are instructions, systems and segregations of duties to achieve good internal control and follow-up of the operations. Major financing solutions and derivative transactions are to be approved by the Chairman of the Board, and the Board is informed at each Board meeting of the financial development and planning.

Hufvudstaden's aim is to use surplus liquidity to amortise existing loans. Surplus liquidity not used for amortisations 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

Financing risk consists of difficulties to obtain financing for the business at a given point in time. Hufvudstaden strives to work together with three to five lenders and a loan portfolio with a spread of due dates and long terms. To minimise the cost of Group borrowing and to ensure that financing can be secured, the company have loan commitments that cover the refinancing of loans and investments. In addition, the company has a commercial paper programme and an MTN programme. Rolling forecasts for the Group's liquidity are prepared on the basis of expected cash flows. At year-end, Hufvudstaden's borrowing amounted to SEK 9,400 million (9,000). The average fixed interest period was 1.2 years (1.7), the capital tie-up period was 2.2 years (2.6) and the average annual equivalent interest rate was 3.2 per cent (1.9) including, and 3.1 per cent (1.7) excluding, the cost of unutilised loan commitments. Interest-bearing net debt was SEK 9,018 million (8,547). In addition, there is lease liabilities in accordance with IFRS 16 totalling SEK 729 million (7 12). Total net debt was SEK 9,747 million (9,259). As of December 31, 2023, the Group had long-term loan commitments of SEK 4.5 billion, of which SEK 3.8 billion was unutilised. There is also a commercial paper programme of SEK 3.0 billion, of which SEK 1.9 billion was unutilised, and an MTN programme of SEK 12.0 billion, of which SEK 5.9 billion was unutilised. The company has satisfactory margins to the lenders' covenants in the loan agreements.

MATURITY DATE STRUCTURE, INTEREST AND CAPITAL, DECEMBER 31, 2023

Maturity, year	Interest payments, SEK m	Nominal amount, SEK m	Proportion, %
2024, Q1	65.4	400	4
2024, Q2	50.0	700	8
2024, Q3	50.2	500	5
2024, Q4	42.6	500	5
2025	152.0	3,300	35
2026	95.8	2,500	27
2027	64.6	1,500	16
Total	520.6	9,400	100

In addition to the above, there are other current liabilities, which also include accounts payable, which normally fall due within 30 days.

Interest risk

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 expenses. Hufvudstaden's financing primarily comprises of equity and borrowings.

The borrowings are interest-bearing loans, meaning the Group is exposed to an interest risk. Hufvudstaden's Finance Policy states the framework for how interest risks are to be managed. An overall aim is that the maturity structure of 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 period for net debt should normally be 1–4 years.

FINANCIAL NOTES

To limit the risk, fixed interest periods are structured based on the development of the financial market. The differentiation in the fixed interest period, with short – normally 3–6 months – and long – normally 5–7 years – maturities, is based on a financial environment analysis and the criteria stipulated in the Finance Policy. As of December 31, 2023, the Group's fixed interest period was 1.2 years. Of long-term borrowing, SEK 4,300 million accrues interest at a fixed rate. A change in the market interest rate of + 1 percentage point, assuming an unchanged loan volume and fixed interest period, would increase Hufvudstaden's interest expenses by SEK 37 million (30), while a change in the market interest rate of - 1 percentage point would reduce Hufvudstaden's interest expenses by SEK 37 million (30).

Credit risk

Credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. The aim is to minimise the credit risk through advance rent payments and to only proceed into credit transactions with large financing institutions. A credit risk can be attributed mainly to outstanding accounts receivable/rent receivables, as well as cash and cash equivalents, which as at the year-end had a carrying amount of approximately SEK 25 million and about SEK 382 million, which means that the Group has limited exposure to credit risk.

Losses on accounts receivables/rent receivables occur when customers files for bankruptcy or, for other reasons, are unable to fulfil their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks further, the credit rating of the Group's customers is reviewed through obtained information from different credit information companies. In accordance with Hufvudstaden's Credit Policy, a security in the form of a deposit, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rents are invoiced in advance.

DISCLOSURE OF FAIR VALUES, FINANCIAL INSTRUMENTS

SEK m	Recognised at fair value through profit or loss		Recognised at amortised cost		Disclosures of fair value	
	2023	2022	2023	2022	2023	2022
GROUP						
Non-current receivables			22.7	25.1	22.7	25.1
Current receivables			76.1	55.4	76.1	55.4
Cash and cash equivalents			382.4	453.0	382.4	453.0
Non-current liabilities			7,328.7	6,531.7	7,535.0	6,910.7
Current liabilities	1.3	–	2,409.0	2,810.0	2,427.0	2,828.3
PARENT COMPANY						
Non-current receivables			22.7	25.1	22.7	25.1
Current receivables			38.9	28.7	38.9	28.7
Cash and cash equivalents			372.2	441.5	372.2	441.5
Non-current liabilities			7,328.7	6,531.7	7,535.0	6,910.7
Current liabilities			2,287.4	2,674.2	2,304.1	2,692.5

For bonds with a fixed rate of interest, the overvalue is SEK 223.0 million (397.3). These values has been calculated on the basis according to level 2 in IFRS 13, i.e. the value has been calculated based on official market listings.

CONCENTRATION OF CREDIT RISK, DECEMBER 31, 2023^{1) 2)}

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0–99	64	2,211	0.1
100–499	50	14,645	0.7
500–999	52	39,259	2.0
1,000–2,499	141	237,059	12.0
2,500–4,999	105	385,027	19.5
5,000–9,999	62	428,453	21.7
10,000–	39	869,869	44.0
Total	513	1,976,523	100.0

¹⁾ Excluding vacant floor space and floor space used internally within the Group.
²⁾ Annual rent as of December 31, 2023.

The Group's ten largest tenants represent 22 per cent of the total contracted rent, and the single largest customer accounts for 5 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited.

Fair value

The fair value of financial instruments traded on an active market, such as financial assets or liabilities held for trading, is based on listed market prices at period-end. The listed price used is the applicable buying rate. 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 similar, which are recognised at amortised cost with a deduction for possible impairment, the fair value was considered to be in line with the carrying amount as these instruments have a very short term. The assessment is that the fair value is essentially in line with the carrying amount.

FINANCIAL NOTES

NOTE 3 SEGMENT INFORMATION

The Group's operations are divided into three segments: Property Management, NK Retail and Other operations. Other operations comprises Cecil Coworking (Stockholm Business Area), NK e-commerce and the parking business in Parkaden (NK Business Area). The segments are divided into the business areas, which are in line with the Company's operational control system.

In the Parent Company, there is only one operating segment – Property Management. The following presentation shows revenue and expenses as well as assets and investments for the various business areas in 2023 and the comparison year 2022.

SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Intra-Group elimination		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
GROUP										
Property management										
Revenue and expenses ¹⁾										
Rent revenue	1,373.3	1,245.7	434.8	429.3	305.0	283.7	-182.9	-199.8	1,930.2	1,758.9
(of which sales-based rent supplement)	(2.1)	(1.9)	(6.8)	(9.9)	(0.0)	(0.2)			(8.9)	(12.0)
Service revenue	30.8	28.1	49.2	48.0	22.9	19.9			102.9	96.0
Maintenance	-19.0	-12.7	-22.2	-13.3	-5.2	-6.1			-46.4	-32.1
Operation and administration	-138.8	-130.1	-180.2	-160.6	-64.1	-64.3			-383.1	-355.0
Property tax	-155.0	-151.5	-43.9	-38.8	-37.5	-36.7			-236.4	-227.0
Depreciation	-0.6	-0.7	-6.8	-4.8	-0.4	-0.4			-7.8	-5.9
Gross profit, property management	1,090.7	978.8	230.9	259.8	220.7	196.1	-182.9	-199.8	1,359.4	1,234.9
NK Retail										
Net revenue			789.5	760.2					789.5	760.2
Expenses			-838.4	-825.1			106.7	133.6	-731.7	-691.5
Gross profit or loss, NK Retail			-48.9	-64.9			106.7	133.6	57.8	68.7
Other Operations										
Net revenue	44.4	41.0	94.6	89.7					139.0	130.7
Expenses	-42.9	-36.4	-120.3	-110.5			76.2	66.2	-87.0	-80.7
Gross profit or loss, other operations	1.5	4.6	-25.7	-20.8			76.2	66.2	52.0	50.0
Central administration									-53.2	-55.7
Items affecting comparability									370.3	–
Changes in value, investment properties									-4,042.4	-209.1
Operating result									-2,256.1	1,088.8
Financial income and expenses									-279.1	-184.5
Result before tax									-2,535.2	904.3
Assets										
Investment properties	32,352.0	33,748.4	8,227.0	9,077.7	6,163.8	6,720.8			46,742.8	49,546.9
Investments										
Investment properties and equipment	715.7	432.6	136.5	125.1	418.7	444.5			1,270.9	1,002.2

¹⁾ For comparable holdings, see Business Areas in figures, page 82.

FINANCIAL NOTES

NOTE 4 LEASE AGREEMENTS – GROUP AS LESSOR

Operating leases

The Group rents out premises in its investment property holdings. The Group classifies these lease agreements as operating leases as the lease agreements do not transfer the material risks and benefits associated with

the ownership of the underlying asset. See table below for a maturity analysis of lease payments where the remaining term is between 1 and 13 years.

MATURITY STRUCTURE^{1) 2) 3)}

	2024	2025	2026	2027	2028	2029-	Total
Number of agreements							
Office	55	58	55	29	21	44	262
Retail	77	68	66	31	13	18	273
Other	458	217	132	78	24	39	948
Total, Group	590	343	253	138	58	101	1,483
Proportion, %	39.8	23.1	17.1	9.3	3.9	6.8	100.0
Total, Parent Company	465	257	197	112	49	85	1,165
Annual rent, SEK m							
Office	159.3	219.8	220.5	113.0	138.2	451.0	1,301.8
Retail	143.5	163.4	167.2	81.9	44.5	79.9	680.4
Other	27.7	32.9	23.9	12.5	12.7	18.9	128.6
Total, Group	330.5	416.1	411.6	207.4	195.4	549.8	2,110.8
Proportion, %	15.7	19.7	19.5	9.8	9.3	26.0	100.0
Total, Parent Company	208.7	330.9	325.5	178.4	160.9	387.5	1,591.9

¹⁾ Including leases signed for future access/commencement, whereupon the corresponding present floor space is excluded.
²⁾ Excluding vacant floor space and floor space used internally within the Group.
³⁾ Excluding residential leases.

NOTE 5 DEPRECIATION

	Group		Parent Company	
SEK m	2023	2022	2023	2022
Depreciation per type of asset				
Capitalised expenditures for programmes	25.6	22.3	0.6	0.8
Investment properties			176.2	187.7
Equipment	17.2	10.7	5.7	5.2
Right-of-use assets	8.0	7.2	–	–
Total	50.8	40.2	182.5	193.7
Depreciation per function				
<i>Property management</i>				
Operation and administration	6.6	6.3	5.9	5.5
Depreciation	7.8	5.9	176.6	188.2
<i>Other segments</i>				
Other segments, costs	36.2	27.8	–	–
Central administration	0.2	0.2	–	–
Total	50.8	40.2	182.5	193.7

NOTE 6 AVERAGE NUMBER OF EMPLOYEES

	2023 ¹⁾		2022 ¹⁾	
	of whom, men, %		of whom, men, %	
Parent Company	151	49	141	49
– of whom senior executives	8	62	8	62
Wholly owned subsidiaries				
NK Retail AB	295	15	292	15
Parkaden AB	2	100	3	67
Cecil Coworking AB	5	20	5	20
NK Service AB	24	33	–	–
Total, Group	477	27	441	26
– of whom senior executives	8	62	8	62

Of the Group's 59 managers (57) 35 are women (32) or 59 per cent (56). The Board of the Parent Company comprised 6 men (6) and 3 women (3). The Group only has employees in Sweden.

¹⁾ The calculation is based on full time equivalents (FTEs).

FINANCIAL NOTES

NOTE 7 SALARIES AND REMUNERATION

	Group				Parent Company			
SEK k	2023	Of which bonus	2022	Of which bonus	2023	Of which bonus	2022	Of which bonus
Salaries and other remuneration								
Fee to the Chairman of the Board	535		515		535		515	
Fee to other Board members	1,873		1,803		1,873		1,803	
Remuneration and benefits to:								
President	4,992	289	5,270	573	4,992	289	5,270	573
Vice President, Head of NK BA	3,399	212	3,266	390	3,399	212	3,266	390
Vice President, CFO	2,731	171	2,960	309	2,731	171	2,960	309
Other senior executives	8,723	513	9,077	811	8,723	513	9,077	788
Other employees ¹⁾	237,113	3,018	217,783	7,416	92,184	2,787	89,889	7,243
Total	259,366	4,203	240,674	9,499	114,437²⁾	3,972	112,780²⁾	9,303
National insurance expenses, including special employer's contribution								
Chairman of the Board	55		53		55		53	
Other Board members	475		444		475		444	
President	1,884		2,075		1,884		2,075	
Vice President, Head of NK BA	1,266		1,226		1,266		1,226	
Vice President, CFO	1,038		1,142		1,038		1,142	
Other senior executives	3,320		3,401		3,319		3,401	
Other employees ¹⁾	78,911		73,219		31,879		33,057	
Total	86,949		81,560		39,916		41,398	
Pension expenses								
President	1,286		1,783		1,286		1,783	
Vice President, Head of NK BA	809		828		809		828	
Vice President, CFO	781		885		781		885	
Other senior executives	2,168		2,336		2,168		2,336	
Other employees ¹⁾	25,203		24,456		15,994		16,158	
Total	30,247		30,288		21,038		21,990	

¹⁾ NK Service AB is included in the Group from January 1, 2023.
²⁾ Salary and other remuneration also include non-monetary benefits.

Guidelines on salary, bonus and other remuneration to senior executives are decided by the Annual General Meeting. The company has followed the guidelines adopted by the 2023 Annual General Meeting, see separate section below.

All permanent employees in the Group, excluding the subsidiaries NK Retail AB and NK Service AB, were included in a bonus scheme during the year. Bonuses are recognised according to the criteria of operating results, customer satisfaction and personal assessment of managers. Bonuses for Senior Executives follows the guidelines presented below. The bonus for other managers is capped at two months' salary. For other employees, bonuses are capped at one month's salary. For the bonus scheme, decisions are made for one year at a time and the bonus is capped. Bonuses are recognised only if the company shows a positive operating result before any unrealised changes in value and other items affecting comparability. In the closing accounts for 2023, bonuses were reserved for attaining operating results targets, customer satisfaction and personal targets.

Pensions for Group employees are covered by the respective collective agreements. These are the ITP plan for white-collar workers and the SAF-LO pension agreement for blue-collar workers. The ITP plan includes both a defined benefit pension and a defined contribution pension. 102 employees are covered by a defined benefit pension. Alecta's surplus in the form of the collective consolidation level as of December had not been confirmed at the time of the signing of this Annual Report. Alecta's collective funding level as of September 30, 2023 was 178 per cent. The collective funding level comprises the fair 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.

Directors' fees

An expensed directors' fee of SEK 535,000 was recognised to the Chairman of the Board Fredrik Lundberg for 2023, and Board members Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Katarina Ljungqvist, Fredrik Persson and Sten Peterson were each recognised SEK 267,500. The President, Anders Nygren, does not receive any remuneration for his work on the Board.

Guidelines for remuneration to senior executives

The 2023 Annual General Meeting resolved that the following guidelines for remuneration to senior executives shall come into effect from the 2023 Annual General Meeting.

The guidelines contribute to the company's business strategy, long-term interests and sustainability

It is Hufvudstaden's vision to always be perceived as, and prove to be, the most attractive property company in Sweden. One of the company's operating goals in its endeavour to realise this vision is to have the most professional employees in the industry, with great commitment to the customer, good business acumen, and professional know-how. Successful implementation of the company's business concept, long-term interests and sustainability, presuppose that the company can recruit the right employees. These guidelines are intended to provide the conditions for recruiting and retaining qualified employees.

FINANCIAL NOTES

Forms of remuneration

Remuneration of senior executives is to comprise fixed salary, variable remuneration, other benefits and pension. Total remuneration should be market-based and competitive.

The criteria for variable remuneration in the form of bonuses should be designed to promote the company's business concept and long-term interests, including sustainability. Bonuses of this nature shall be linked to pre-set, quantifiable criteria, the fulfilment of which will be measured annually, and only be paid if the company can report positive results, excluding unrealised changes in the value of the property holdings and items affecting comparability. A bonus to the President is subject to a maximum of three months' fixed salary per year, and for other senior executives a maximum of the higher of three months' fixed salary or SEK 250,000 per person per year. Bonuses shall be pensionable. In total, 70 per cent of the criteria shall refer to financial goals related to operating results (meaning operating profit excluding changes in the value of property holdings and items affecting comparability as well as with certain other adjustments due to such factors as the executive's areas of responsibility and position), 15 per cent to operating targets related to customer satisfaction, and 15 per cent to individual goals.

Other benefits may include benefits accrued under a collective agreement, health insurance, and company car benefit. Such benefits can amount to a maximum of 10 per cent of the fixed annual cash salary.

Pension rights for the President and other senior executives are to apply from the age of 65, with benefits corresponding to the ITP plan. In cases where the ITP plan means that a senior executive's pension is a defined contribution pension, the pension premiums shall amount to a maximum of 30 per cent of the fixed annual cash salary.

In addition, a defined contribution pension is payable to the President and Vice Presidents for the part of their salary not covered by the ITP plan. Any such pension premiums shall amount to a maximum of 20 per cent of the fixed annual salary.

Period of notice and severance pay

On cessation of employment, the period of notice can be a maximum of 12 months. A fixed annual salary during the period of notice and severance pay shall not exceed an amount equivalent to two years' fixed annual salary in the case of the President and one year in the case of the Vice Presidents and other senior executives. In the case of notice of termination given by the executive, the period of notice shall be a maximum of six months with no entitlement to severance pay. In all cases, there shall be a set-off against any payment received from a new employer.

Decision-making process for establishing, reviewing and implementing the guidelines

When formulating the Board of Directors' proposal for these remuneration guidelines, the salary and employment conditions for the company's other employees have been evaluated by obtaining information regarding the employees' total remuneration, the components that make up the remuneration, and the increase in remuneration and rate of increase over time which have been used when evaluating and deciding on the reasonableness of the guidelines.

The Board of Directors has examined the matter of establishing a remuneration committee but has opted not to appoint such a committee and will instead handle remuneration matters as part of the regular work of the Board of Directors. The entire Board of Directors, apart from the President, shall carry out the duties that rest with a remuneration committee, including following up and evaluating programmes for variable remuneration for Senior Executives, the application of guidelines for remuneration to senior executives, as well as general remuneration structures and remuneration levels within the company.

When the Board of Directors discusses and decides on remuneration-related issues, the President shall not be present and nor shall other Senior Executives to the extent they are affected by the issues under discussion. The Board of Directors shall issue proposals for new guidelines at least every fourth year and shall present their proposal for a decision at the Annual General Meeting. The guidelines shall apply up to the point at which new guidelines are adopted at the General Meeting.

When the measurement period for bonus fulfilment comes to an end, the extent to which the criteria have been fulfilled is assessed. The Board of Directors is responsible for the assessment with regard to variable remuneration of the President. As regards variable remuneration of other senior executives, responsibility for assessment rests with the President. As regards financial goals, the assessment shall be based on the most recent Annual Report published by the company.

Deviations from the guidelines

The Board of Directors shall be entitled to temporarily deviate from the guidelines, either wholly or in part, if in an individual case there are specific reasons for doing so and where a deviation is necessary to satisfy the company's long-term interests and sustainability, or to ensure the company's financial strength.

FINANCIAL NOTES

NOTE 8 REMUNERATION TO AUDITORS

SEK m	Group		Parent Company	
	2023	2022	2023	2022
PwC				
Audit fees	1.8	1.7	1.2	1.2
Audit activities other than the audit assignment	0.4	0.4	0.4	0.4
Other services	0.6	0.4	0.6	0.4
Total	2.8	2.5	2.2	2.0

NOTE 9 OPERATING COSTS PER COST CATEGORY

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Raw materials and consumables	478.8	450.1	–	–
Maintenance	46.1	31.7	352.5	257.3
Operation and administration	366.2	354.3	85.0	77.8
Ground rents	–	–	13.1	13.0
Property tax	236.4	227.0	177.5	173.0
Depreciation and impairment	50.8	40.1	182.4	193.4
Personnel costs	367.3	344.7	176.9	176.6
Total	1,545.6	1,447.9	987.4	891.1

NOTE 10 ITEMS AFFECTING COMPARABILITY

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Insurance compensation	370.3	–	370.3	–
Disposal	–	–	-55.3	–
Total	370.3	–	315.0	–

Insurance compensation for the reconstruction of the Vildmannen 7 property following the extensive fire in 2017, of which SEK 187.8 million (-) pertains to previously insurance compensation received on account. Disposal of buildings in the Inom Vallgraven 12 block, where the Johanna project is in progress, and the item in its entirety does not impact cash flow.

NOTE 11 INTEREST AND FINANCIAL INCOME

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Interest income, current investments	9.8	2.2	9.7	2.1
Interest income, Group companies			23.9	8.6
Group contributions received, subsidiaries			137.8	157.7
Total	9.8	2.2	171.4	168.4

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

NOTE 12 INTEREST AND FINANCIAL EXPENSES

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Interest expenses				
– borrowing	243.1	125.1	243.1	125.1
– lease liabilities	22.7	22.9	–	–
Fees for new mortgages	–	20.6	–	20.6
Other financial expenses	23.1	18.1	23.0	18.0
Total	288.9	186.7	266.1	163.7

Of the financial expenses, SEK 266.2 million (163.8) refers to financial instruments not measured at fair value.

NOTE 13 APPROPRIATIONS

SEK m	Parent Company	
	2023	2022
Accelerated depreciation	2.7	1.8
Group contributions granted	-75.5	-116.9
Total	-72.8	-115.1

FINANCIAL NOTES

NOTE 14 TAX

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Current tax expenses				
Tax expenses for the year	-74.3	-90.7	-71.5	-87.6
Tax attributable to previous years	3.9	-0.5	1.9	0.0
Deferred tax expenses/tax income				
Difference between fiscal and accounting depreciation of properties	-0.2	-2.8	-0.8	-3.1
Unrealised change in value, investment properties	676.7	-91.8	–	–
Effect, allocation to untaxed reserves	2.2	4.7	–	–
Effect, pension provisions	-0.6	-0.1	-0.6	-0.1
Right-of-use assets	-3.5	0.9	–	–
Lease liabilities	3.6	-0.9	–	–
Other	0.2	-1.1	–	-0.5
Total tax	608.0	-182.3	-71.0	-91.3
Result before tax	-2,535.2	904.3	746.0	442.9
Tax according to current tax rate, 20.6%	522.3	-186.3	-153.7	-91.2
Tax attributable to previous years	3.9	-0.5	1.9	0.0
Non-taxable revenue	84.3	4.9	82.8	0.1
Non-deductible expenses	-1.9	-0.4	-0.6	-0.2
Utilisation of previous loss carryforwards	0.4	–	–	–
Other	-0.9	0.0	-1.4	0.0
Total tax	608.0	-182.3	-71.0	-91.3

As at year-end, there were no loss carryforwards in the Group.

NOTE 15 INTANGIBLE FIXED ASSETS

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Opening acquisition value	137.0	122.6	2.9	4.2
Investments for the year	30.8	15.7	–	–
Sales/disposals	–	-1.3	–	-1.3
Closing acquisition value	167.8	137.0	2.9	2.9
Opening amortisation	-47.7	-25.9	-1.3	-1.0
Amortisation for the year	-25.6	-22.3	-0.6	-0.8
Sales/disposals	–	0.5	–	0.5
Closing accumulated amortisation	-73.3	-47.7	-1.9	-1.3
Closing residual value according to plan	94.5	89.3	1.0	1.6

Refers to acquired intangible fixed assets which comprise e-commerce platform and other IT-systems.

FINANCIAL NOTES

NOTE 16 INVESTMENT PROPERTIES

GROUP

Investment properties are recognised at fair value.

SEK m	Group	
	2023	2022
Investment properties	46,742.8	49,546.9
Information about changes in the carrying amounts of investment properties.		
SEK m	2023	2022
Opening fair value	49,546.9	48,789.6
Investment in property holdings	1,238.3	966.3
Unrealised change in value	-4,042.4	-209.1
Closing fair value	46,742.8	49,546.9

For revenue and expenses attributable to investment properties, refer to Note 3.

All properties are owned by the Group and are classified as investment properties. They cover the balance sheet items buildings, building equipment, land and development in progress. Investment properties are valued according to level 3 in the fair value hierarchy in IFRS 13. The property holdings include commercial properties that mainly comprise office and retail space and are treated as one single asset category. Fair value is based on an internal valuation.

Valuation method

Valuation of the property holdings is carried out by assessing the fair value of each individual property. The assessment took place in the form of a valuation according to a variation of the location price method, known as the net capitalisation method. The method involves setting the market yield requirements in relation to the net operating income of the properties.

In the case of other project properties and undeveloped land, the value is determined based on weighing up the location price method and a development calculation where the net capitalisation method is used for a completed property with a deduction for construction costs, a profit for the developer that is line with the market, as well as financial expenses and rental vacancy costs during the construction period.

The assessment of the yield requirements is based on information compiled about the market's yield requirements for purchases and sales of comparable properties in similar locations. If few or no deals have been concluded in the property's sub-area, transactions in the adjoining areas are analysed. Transactions not yet concluded also provide guidance on the market yield requirements. Account is also taken of the property type, technical standard, building construction and major investment requirements. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is assured with independent valuation and advisory companies. The assessment is that the market is active based on transactions completed and ongoing transaction processes, and the valuation model is therefore considered applicable.

Hufvudstaden's average yield requirement since December 31, 2018 has varied between 3.5 per cent to 4.1 per cent, and as of December 31, 2023 the figure was 4.1 per cent. For leasehold properties, the calculation

is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold.

The net operating income is based on market rent revenue. Rent 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 by assessing a long-term rental vacancy rate. The vacancy rate 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 rate of 4 per cent has been estimated. The actual average vacancy rate excluding projects between 2014–2023 varied between 1 and 7 per cent, and as of December 31, 2023, the figure was 5.7 per cent.

A deduction is made for standard costs for operation and maintenance, excluding costs that can be 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 of SEK 550–650, and the estimated cost in the valuation as at December 31, 2023 was on the same level.

The building cost is based on standard information as well as information reported in current leasehold cases with an upward adjustment in line with an assumed cost trend. In addition, a deduction is made for profit requirements for the developer in line with market conditions, financing costs and the loss of rent revenue on vacant space that arose during the construction period.

External valuation

To assure the quality of the valuation, external valuations were obtained from three independent valuation companies: Cushman and Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuations on December 31, 2023 comprised nine properties and were equivalent to 47 per cent of the internally assessed fair value. The corresponding share at mid-year was 33 per cent. The basis for the selection was that the properties should represent variations in property category, town, location, technical standard and construction standard. The properties valued externally were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Kåkenhusen 40 (part of), Orgelpipan 7, Packarhuset 4, Rännilen 11, Skären 9 and Vildmannen 7 in Stockholm and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value of SEK 22.9 billion. Hufvudstaden's internal valuation of the same properties was SEK 22.2 billion. The internal valuations thus concur well with the external valuations.

Sensitivity analysis

Fair value is an estimate of the probable sales price on the market at the time of valuation. However, the price can only be set 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 estimates of fair value. 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 recognised at SEK 46.7 billion and with a degree of uncertainty of +/-5 per cent, it would mean that the assessed fair value varies by SEK +/-2.3 billion. The material factors influencing the valuation and the consequent impact on profit or loss before tax are presented on page 68.

THE FOLLOWING INFORMATION HAS BEEN USED IN THE VALUATION

Office and retail	Range (weighted average)			
	2023		2022	
Net operating income (SEK/sq m)	2,650–8,880	(5,370)	1,490–8,270	(4,970)
Vacancy rate (%)	2–5	(4)	2–5	(4)
Yield requirement, Stockholm (%)	3.7–4.2	(3.9)	3.3–3.8	(3.5)
Yield requirement, Gothenburg (%)	4.7–4.9	(4.8)	4.3–5.0	(4.5)
Yield requirement, total (%)	4.1		3.7	

FINANCIAL NOTES

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change, +/-	Impact on profit or loss before tax, +/-
Rent revenue	SEK 100 per sq m	SEK 980 m
Property costs	SEK 50 per sq m	SEK 490 m
Rental vacancy rate	1.0 percentage point	SEK 640 m
Yield requirement	0.25 percentage point	SEK 2,910 m

¹⁾ Valuation date December 31, 2023.

TAX VALUES, INVESTMENT PROPERTIES, GROUP

SEK m	2023	2022
Tax values, buildings	13,548.2	13,437.3
Tax values, land	10,038.0	10,101.4
	23,586.2	23,538.7

PARENT COMPANY

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

SEK m	2023	2022
Investment properties, Parent Company	9,108.4	8,589.5

INVESTMENT PROPERTIES, EXCLUDING LAND

SEK m	2023	2022
Opening acquisition value	5,590.6	5,075.6
Investments for the year	750.5	515.0
Disposals for the year	-92.9	–
Closing acquisition value	6,248.2	5,590.6
Opening depreciation	-2,207.5	-2,033.5
Depreciation for the year	-162.5	-174.0
Depreciation for the year on disposals	41.4	–
Closing depreciation	-2,328.6	-2,207.5
Opening revaluation according to the adopted balance sheet for the previous year	957.6	971.3
Depreciation for the year	-13.7	-13.7
Impairment for the year on revaluation amounts	-3.9	–
Closing revaluation	940.0	957.6
Closing residual value according to plan	4,859.6	4,340.7

NOTE 17 EQUIPMENT

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Opening acquisition value	90.8	60.8	31.1	29.8
Investments for the year	32.6	35.9	5.9	3.2
Sales/disposals	-7.5	-5.9	-2.7	-1.9
Closing acquisition value	115.9	90.8	34.3	31.1
Opening depreciation	-39.8	-34.9	-17.7	-14.4
Depreciation for the year	-17.2	-10.7	-5.8	-5.2
Sales/disposals	7.4	5.8	2.7	1.9
Closing accumulated depreciation	-49.6	-39.8	-20.8	-17.7
Closing residual value according to plan	66.3	51.0	13.5	13.4

LAND

SEK m	2023	2022
Closing acquisition value	1,207.4	1,207.4
Closing value, revaluation	3,041.4	3,041.4
Closing residual value according to plan	4,248.8	4,248.8

Investment properties are divided into different categories, which are depreciated as follows:

- Buildings: Offices, 1 per cent
- Buildings: Department stores, parking facility, restaurants, 2 per cent
- Building equipment: 5–20 per cent
- Land improvements: 3.75 –5 per cent

INFORMATION ABOUT THE FAIR VALUE OF INVESTMENT PROPERTIES

SEK m	2023	2022
Investment properties, Parent Company	34,832.4	36,682.7

TAX VALUES, INVESTMENT PROPERTIES, PARENT COMPANY

SEK m	2023	2022
Tax values, buildings	9,945.5	9,851.6
Tax values, land	7,580.9	7,564.7
	17,526.4	17,416.3

FINANCIAL NOTES

NOTE 18 SHARES IN GROUP COMPANIES

	Company reg. no.	Reg. office	Capital (votes) %	Number	Nominal value, SEK k	Carrying amount 2023, SEK m
PARENT COMPANY						
Shares in subsidiaries						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.3
Gbg Inom Vallgraven 3–2 AB	556724-2531	Stockholm	100	1,000	100	0.0
Cecil Coworking AB	559242-1506	Stockholm	100	1,000	100	5.1
						2,598.1
Shares in dormant companies						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	–
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	–
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	2,800.0
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						2,800.3
Parent Company total						5,398.4

OTHER GROUP COMPANIES

Owned by AB Citypalatset

Aktiebolaget Hamngatsgaraget	556068-6601	Stockholm	100	3,000	300	231.5
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Owned by Förvaltnings AB Norrmalmstorg Nr 1

Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	2,800.0
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Owned by Fastighetsaktiebolaget Stockholms City

Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4
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Owned by AB Nordiska Kompaniet

NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
NK Retail AB	559268-4103	Stockholm	100	10,000,000	10,000	10.0
NK Service AB	559401-3491	Stockholm	100	100,000	1	0.1
						10.6

Other Group companies, total						3,045.5
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There are no foreign subsidiaries in the Group. Intra-Group sales refer mainly to rents and amounted to SEK 237.7 million (250.6) during the year.

CHANGE IN THE PARENT COMPANY’S HOLDINGS IN GROUP COMPANIES

SEK m	Parent Company	
	2023	2022
Opening carrying amount	2,598.4	2,598.4
Shareholders’ contribution paid	2,800.0	–
Closing carrying amount	5,398.4	2,598.4

NOTE 19 RIGHT-OF-USE ASSETS

GROUP				
SEK m	Site lease-hold rights	Commercial premises	Other	Total
Opening balance January 1, 2023	675.8	33.6	1.6	711.0
Depreciation	–	-7.7	-1.3	-9.0
Revaluation	18.4	7.5	0.0	25.9
Closing balance December 31, 2023	694.2	33.4	0.3	727.9

Opening balance January 1, 2022	675.8	37.1	2.5	715.4
Additional right-of-use assets	–	–	0.6	0.6
Depreciation	–	-7.0	-2.4	-9.4
Revaluation	–	3.5	0.9	4.4
Closing balance December 31, 2022	675.8	33.6	1.6	711.0

Additional right-of-use assets during 2023 totalled SEK 0.0 million (0.6). For a maturity analysis of the lease liabilities and the effects of IFRS 16 on the outgoing cash flow, see Note 25.

FINANCIAL NOTES

EFFECT OF IFRS 16, GROUP

SEK m	2023			2022		
	Income statement	Balance sheet	Total	Income statement	Balance sheet	Total
Depreciation and impairment of right-of-use assets	-7.9	-1.1	-9.0	-7.2	-2.2	-9.4
Interest on lease liabilities	-22.7	0.0	-22.7	-22.9	-0.1	-23.0
Variable charges not included in the valuation of the lease liability	-1.4	–	-1.4	-1.2	–	-1.2
Revenue from right-of-use assets	5.7	–	5.7	6.3	–	6.3
Costs for short-term leases/low-value leases	-2.2	–	-2.2	-2.7	–	-2.7
Net effect	-28.5	-1.1	-29.6	-27.7	-2.3	-30.0

NOTE 20 NON-CURRENT RECEIVABLES

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Opening balance	25.1	24.9	25.1	24.7
Change for the year	-2.4	0.2	-2.4	0.4
Closing balance	22.7	25.1	22.7	25.1

NOTE 21 INVENTORIES

Inventory is measured at the lower of acquisition value and net realisable value. The acquisition value of inventory is calculated using the first-in, first-out (FIFO) method and includes fees that arose from acquiring inventory items, including customs duty and freight. The net realisable value is the estimated sales price in current operations, less the estimated selling costs. The actual outcome of future sales prices could deviate from the estimates made. The chosen method entails that any obsolescence in the inventory has been taken into consideration.

The inventory comprised 0.5 per cent (0.4) of the Group's total assets and 8.6 per cent (8.0) of the Group's net revenue.

The value of inventory in the financial statements refers only to the goods owned by the company. The Group also provides inventory storage for partner suppliers, where the Group does not own the goods and does not consider them an asset.

Obsolescence

The inventory undergoes an obsolescence assessment four times a year in conjunction with the quarterly results. The inventory is valued based on age and impairment is conducted for goods from earlier seasons for which the net realisable value is deemed to have changed. At year-end, the inventory was deemed to have a good structure.

NOTE 22 ACCOUNTS RECEIVABLE

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Accounts receivable	18.9	27.0	0.6	4.9
Rent receivables	5.8	4.8	4.1	2.9
Total	24.7	31.8	4.7	7.8

Accounts receivable and rent receivables are recognised at amortised cost, 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 -2.8 million (6.3). Impairment is based on an assessment of expected credit losses. Accounts receivable and rent receivables that have fallen due, but have not been impaired, amounted to SEK 10.9 million (15.1).

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Accrued rent revenue	23.2	22.8	21.8	20.8
Accrued revenue	10.4	14.3	1.0	2.0
Prepaid expenses	55.4	61.8	13.3	16.3
Prepaid interest expenses	19.1	3.1	19.1	3.1
Total	108.1	102.0	55.2	42.2

NOTE 24 EQUITY

GROUP
SHARE CAPITAL

SEK m	2023
Breakdown of share classes	
A 203,001,207 shares, quotient value SEK 5	1,015.0
C 8,270,726 shares, quotient value SEK 5	41.4
Total	1,056.4
SEK m	2022
Breakdown of share classes	
A 203,000,110 shares, quotient value SEK 5	1,015.0
C 8,271,823 shares, quotient value SEK 5	41.4
Total	1,056.4

Hufvudstaden AB (publ) has two share classes, A and C. Class A shares carry one vote per share. Class C shares carry 100 votes per share. All shares carry equal rights to a share in the company's assets and liabilities. The Class A shares were listed on what was historically the Stockholm Fondbörs (Stock Exchange) in 1938 and are now listed on the Large Cap segment of Nasdaq Stockholm. Class C shares were listed in 1998 and delisted in late January 2020 upon request by Nasdaq Stockholm. Shareholders have the right to request conversion of Class C shares into Class A shares. During the year, 1,097 Class C shares were converted to Class A shares.

Hufvudstaden owns 8,965,000 Class A treasury shares. Share buybacks were executed in 2003 and 2020. The average number of shares outstanding is 202,306,933 (202,306,933). There are no potentially dilutive instruments.

Other contributed capital

Refers to equity contributed by the owners. This includes share premium reserves paid out in conjunction with share issues.

Retained earnings, including net profit for the year

Retained earnings, including net result 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.

FINANCIAL NOTES

Dividend

A total dividend of SEK 546,228,719 corresponding to SEK 2.70 per share was distributed to shareholders in the company during 2023. The Board proposes a dividend of SEK 2.70 per share for 2023, corresponding to a total dividend of SEK 546,228,719.

Capital management

The company's capital is defined as the Group's reported equity.

Hufvudstaden's aim is to improve profit from current operations and to have a well consolidated balance sheet with an equity ratio of at least 40 per cent over time. The shareholders shall have good dividend growth over time, and the dividend shall comprise more than half of the net profit from current operations unless investments or the company's financial position in general justify a deviation.

Earnings per share

When calculating earnings per share, comprehensive income for the year and the average number of shares are used. Total profit is attributable to the Parent Company's shareholders and there are no dilution effects.

	2023	2022
Net result for the year, SEK m	-1,927.2	722.0
The average number of shares out-standing	202,306,933	202,306,933
Earnings per share, SEK	-9.53	3.57

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 a revaluation reserve.

Non-restricted equity

Retained earnings – This comprises non-restricted equity from previous years after payment of dividends. Retained earnings, together with the net result 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	
	2023	2022	2023	2022
Non-current liabilities				
Bank loans	2,200	1,500	2,200	1,500
Bonds	5,100	5,000	5,100	5,000
Lease liabilities	721	703	–	–
Total	8,021	7,203	7,300	6,500
Current liabilities				
Bonds	1,000	2,000	1,000	2,000
Commercial paper	1,100	500	1,100	500
Lease liabilities	8	9	–	–
Total	2,108	2,509	2,100	2,500
Loan commitments	4,800	6,000	4,800	6,000

Bank loans raised are normally secured by means of mortgage in properties and are supplemented in many cases by a guarantee regarding the equity ratio and interest coverage ratio. Bonds and commercial paper loans are not secured.

CAPITAL TIE-UP STRUCTURE, LOAN TERMS AND ANNUAL EQUIVALENT RATE OF INTEREST DECEMBER 31, 2023

Group and Parent Company

Maturity, year	AER, % ^{1) 2)}	Nominal amount, SEK m		
		Bank loans ³⁾	Bonds ⁴⁾	Commercial paper ⁵⁾
2024	1.4	–	1,000	1,100
2025	3.9	1,200	2,100	–
2026	1.2	–	2,500	–
2027	4.4	1,000	500	–
Total		2,200	6,100	1,100

¹⁾ All loans are denominated in SEK.
²⁾ Excluding costs for unutilised loan commitments.
³⁾ Interest terms are three months Stibor with an interest margin supplement. Interest is paid quarterly.
⁴⁾ Fixed rate of interest with an annual coupon.
⁵⁾ Interest terms are 3–12 months Stibor with an interest margin supplement. Interest is paid at the date of issue.

RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING

Group and Parent Company

SEK m	Opening balance January 1, 2023	Loans raised	Amortisa-tion	Closing balance December 31, 2023
Bank loans	1,500	1,200	-500	2,200
Bonds	7,000	1,100	-2,000	6,100
Commercial paper	500	2,900	-2,300	1,100
Total	9,000	5,200	-4,800	9,400

Lessee

The Group leases several types of assets, mainly site leasehold rights, commercial premises, machinery, and IT equipment. No lease agreements contain covenants or other limitations apart from the collateral in the leased asset.

Lease liabilities	Group	
SEK m	2023	2022
Current	8.0	9.0
Non-current	721.0	702.8
Lease liabilities included in the statement of financial position	729.0	711.8

Amounts recognised in the statement of cash flows	Group	
SEK m	2023	2022
Total cash outflows attributable to lease agreements	33.0	34.6

The above cash flow includes amounts for lease agreements recognised as a lease liability, and amounts of variable lease costs, short-term leases and low-value leases.

Maturity analysis of lease costs	Group	
SEK m	2023	2022
< 1 year	8.0	9.0
1 year – 2 years	5.0	5.9
2 years – 3 years	3.1	1.7
3 years – 4 years	2.0	1.0
4 years – 5 years	0.9	1.0
> 5 years ¹⁾	710.0	693.2
Total discounted lease costs	729.0	711.8

¹⁾ Discounted ground rent of SEK 694.2 million is included in discounted lease costs that fall due later than five years from the reporting date. The Group has four site leaseholds whose annual undiscounted ground rent totals SEK 22.2 million. From the Group's perspective, these lease agreements are considered to be perpetual leases as the Group does not have any right to terminate the leases. All site leasehold leases will be renegotiated within 1–8 years, which will have an effect on the ground rents.

FINANCIAL NOTES

Maturity analysis of lease costs		Parent Company	
SEK m		2023	2022
< 1 year		11.5	14.7
1 year – 5 years		1.6	11.5
> 5 years		–	–
Total undiscounted lease costs		13.1	26.2

NOTE 26 DEFERRED TAX LIABILITIES

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Investment properties	8,552.9	9,229.4	887.1	886.3
Untaxed reserves	28.2	30.4	–	–
Pension provision	-5.9	-6.5	-5.9	-6.5
Right-of-use assets	150.0	146.5	–	–
Lease liabilities	-150.1	-146.6	–	–
Other	-0.3	–	–	–
Total	8,574.8	9,253.2	881.2	879.8

There were no loss carryforwards in the Group at year-end.

CHANGES IN DEFERRED TAXES

SEK m	Opening balance January 1	Recognised in profit or loss	Closing balance December 31
GROUP			
2023			
Investment properties	9,229.4	-676.5	8,552.9
Untaxed reserves	30.4	-2.2	28.2
Pension provision	-6.5	0.6	-5.9
Right-of-use assets	146.5	3.5	150.0
Lease liabilities	-146.6	-3.5	-150.1
Other	–	-0.3	-0.3
	9,253.2	-678.4	8,574.8

2022			
Investment properties	9,134.8	94.6	9,229.4
Untaxed reserves	35.1	-4.7	30.4
Pension provision	-6.6	0.1	-6.5
Right-of-use assets	147.4	-0.9	146.5
Lease liabilities	-147.5	0.9	-146.6
Other	-1.1	1.1	–
	9,162.1	91.1	9,253.2

SEK m	Opening balance January 1	Recognised in profit or loss	Closing balance December 31
PARENT COMPANY			
2023			
Investment properties	886.3	0.8	887.1
Pension provision	-6.5	0.6	-5.9
	879.8	1.4	881.2

2022			
Investment properties	883.2	3.1	886.3
Pension provision	-6.6	0.1	-6.5
Other	-0.5	0.5	–
	876.1	3.7	879.8

NOTE 27 OTHER PROVISIONS

Provisions have been made in the balance sheet for pension liabilities in respect of endowment insurance for the President, Vice President and the former President.

NOTE 28 OTHER LIABILITIES

SEK m	Group		Parent Company	
	2023	2022	2023	2022
VAT	9.3	3.5	12.7	15.0
Other	89.3	75.9	13.3	15.5
Total	98.6	79.4	26.0	30.5

NOTE 29 UNTAXED RESERVES

SEK m	Parent Company	
	2023	2022
Accumulated accelerated depreciation		
Opening balance	51.0	52.8
Depreciation for the year	-2.7	-1.8
Closing balance	48.3	51.0

NOTE 30 ACCRUED EXPENSES AND PREPAID INCOME

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Prepaid rent revenue	325.2	325.6	269.4	246.9
Accrued interest expenses	59.7	66.5	59.7	66.5
Other accrued expenses	74.9	130.4	19.3	75.1
Total	459.8	522.5	348.4	388.5

NOTE 31 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	2023	2022	2023	2022
Property mortgages for liabilities to credit institutions	3,000.6	3,500.6	3,000.6	3,500.6
(of which mortgages on sub-sidiaries' properties)			(863.5)	(863.5)
Other non-current receivables	22.7	25.1	22.7	25.1
Total	3,023.3	3,525.7	3,023.3	3,525.7

Pledged assets for own liabilities include mortgages on own properties which Hufvudstaden has pledged as collateral for loans on its properties. Mortgages not used to raise loans are filed with the company. There are no contingent liabilities.

NOTE 32 RELATED PARTIES

Hufvudstaden AB is under the controlling influence of L E Lundberg-företagen AB and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen AB. Fredrik Lundberg's directors' fee for 2023 was SEK 535,000. Details of payments to Board members and senior executives can be found in Note 7.

In addition to the related-party transactions stated for the Group, the Parent Company also has related-party transactions, which means that it has a controlling influence over its subsidiaries, see Note 18.

NOTE 33 EVENTS AFTER THE YEAR-END

No significant events occurred after the end of the financial year.

PROPOSED ALLOCATION OF UNAPPROPRIATED EARNINGS

Proposed allocation of unappropriated earnings

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

A statement explaining the proposed distribution of earnings is available on hufvudstaden.se, or can be obtained free of charge from the company upon request.

Retained earnings	SEK 1,889,761,497
Net result for the year	SEK 674,979,247
	SEK 2,564,740,744
Dividend to the shareholders	
SEK 2.70 per share	SEK 546,228,719
To be carried forward	SEK 2,018,512,025
	SEK 2,564,740,744

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 policies in Sweden, and that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and of the Council (EC) of 19 July 2002 on the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair view 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 15, 2024


Fredrik Lundberg
Chairman


Anders Nygren
President
Board Member


Claes Boustedt
Board Member


Peter Egardt
Board Member


Liv Forhaug
Board Member


Louise Lindh
Board Member


Katarina Ljungqvist
Board Member


Fredrik Persson
Board Member


Sten Peterson
Board Member

Our auditor's report was submitted on February 16, 2024


PricewaterhouseCoopers AB
Magnus Svensson Henryson
Authorised Public Accountant



Together with our tenants, we create offices to thrive in.

Auditor’s report

Unofficial translation

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

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Hufvudstaden AB (publ) for the year 2023 except for the corporate governance statement and statement on the statutory sustainability report on pages 86–91 respective 6–7, 28–35, 43–44 and 98–108. The annual accounts and consolidated accounts of the company are included on pages 6–7, 28–35, 37–73, 78–81, 86–91, and 98–108 in this document.

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 parent company and the group as of 31 December 2023 and its financial performance and cash flow 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and statement on the statutory sustainability report on pages 86–91 respective 6–7, 28–35, 43–44 and 98–108. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and statement of profit or loss and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was

evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition

Net sales amount to SEK 2,962 million and are a significant item in the income statement.

The Group has various types of income which consist of rental income, related income from the property management and income from the retail operations within NK Retail.

The different revenue streams have different character, which leads to different processes for revenue recognition.

Response in the audit of the key audit matter

Our audit procedures have included, but are not limited to, the following activities.

We have:

- Evaluated the Group's revenue recognition processes.
- Randomly tested a selection of controls in the process of rental income.
- Performed data analyzes to ensure that all leases have been invoiced.
- Tested a selection of rental invoicing is in line with rental agreements.
- Tested a selection of cash transactions against proof of purchase and general ledger.
- Evaluated routines and processes for cash management in the operations within NK Retail.
- Examined the information presented in the annual report and assessed that it provides sufficient information in accordance with the requirements of the regulations.

AUDITOR’S REPORT

Key audit matter

Valuation of investment properties

Investment properties are reported in the consolidated accounts at fair value and amount to SEK 46,743 million as of December 31, 2023. The value of the properties is determined on the basis of internal valuations.

Important assumptions in the valuation model, market yield requirement, long-term vacancy rate and rental levels. In order to assure the quality of the internal valuations, the senior executives has also obtained external valuations from independent property appraisers for a part of the property holdings.

In all valuations based on estimates of future outcomes, there is an inherent uncertainty in the valuation.

Response in the audit of the key audit matter

Our audit procedures have included, but are not limited to, the following activities.

We have:

- Evaluated the internal valuation process.
- Randomly tested input data in a selection of internal valuations.
- Performed own calculations for a selection of property valuations.
- Evaluated significant assumptions including market yield requirements, rental levels and long-term vacancy rates.
- Reconciled the internal valuations against the external valuations obtained by the company. In addition, the internal valuations have been reconciled with our own perception of the market's pricing of similar assets.
- Examined the information presented in the annual report and assessed that it provides sufficient information in accordance with the requirements of the regulations.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 8–27, 36, 74–77, 82–85, 92–97 and 110–115. The remuneration report that we obtained before the date of this audit report also constitutes other information. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director’s and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting.

The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor’s report.

Report on other legal and regulatory requirements

The auditor’s audit of the administration of the company and the proposed appropriations of the company's profit and loss

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the President of Hufvudstaden AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Director's and the President be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company’s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor’s examination of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the President have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Hufvudstaden AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors’ responsibility section. We are independent of Hufvudstaden AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the President

The Board of Directors and the President are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the President determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires me (us) to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements. Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted

auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the President, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the President.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor’s examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 86–91 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Hufvudstaden AB (publ) by the general meeting of the shareholders on the 23 March 2023 and has been the company's auditor since the 25 March 2021.

Stockholm, February 16, 2024
PricewaterhouseCoopers AB



Magnus Svensson Henryryson
Authorized Public Accountant

MULTI-YEAR REVIEW – GROUP

Multi-year review – Group

	2023	2022	2021	2020	2019
Income statements, SEK m					
<i>Net revenue</i>					
Property management, gross	2,216	2,055	1,936	1,768	1,896
Rent revenue, intra-Group	-183	-200	-153	-44	-43
Property management, net	2,033	1,855	1,783	1,724	1,853
Other segments	929	891	705	72	85
	2,962	2,746	2,488	1,796	1,938
<i>Property management expenses</i>					
Maintenance, operation and administration	-430	-387	-352	-325	-316
Property tax	-236	-227	-204	-201	-201
Depreciation	-8	-6	-6	-5	-6
Property management expenses	-674	-620	-562	-531	-523
Other segments, gross expenses	-1,001	-972	-735	-69	-53
Rental costs, intra-Group	183	200	153	44	43
Other segments, net expenses	-818	-772	-582	-25	-10
Operating expenses	-1,492	-1,392	-1,144	-556	-533
Gross profit	1,469	1,354	1,344	1,240	1,405
– of which Property management	1,359	1,235	1,221	1,193	1,330
– of which Other segments	110	119	123	47	75
Central administration	-53	-56	-58	-47	-49
Operating profit before items affecting comparability and changes in value	1,416	1,298	1,286	1,193	1,356
Items affecting comparability	370	–	–	36	–
Changes in value, investment properties	-4,042	-209	2,579	-2,930	2,727
Changes in value, interest derivatives	–	–	–	–	4
Operating result	-2,256	1,089	3,865	-1,702	4,087
Financial income and expenses	-279	-185	-139	-132	-119
Result before tax	-2,535	904	3,726	-1,833	3,968
Tax	608	-182	-771	371	-822
Net result for the year	-1,927	722	2,955	-1,462	3,146
Balance sheets, SEK m					
<i>Assets</i>					
Investment properties	46,743	49,547	48,790	45,636	47,681
Other non-current assets	912	876	863	874	861
Current assets	789	812	1,446	887	1,800
Total assets	48,444	51,235	51,099	47,397	50,342
<i>Equity and liabilities</i>					
Equity	28,789	31,262	31,066	28,617	31,383
Interest-bearing liabilities	10,129	9,712	9,916	9,370	9,110
Other liabilities and provisions	9,526	10,261	10,117	9,410	9,849
Total equity and liabilities	48,444	51,235	51,099	47,397	50,342
Property holdings					
Fair value, SEK bn	46.7	49.5	48.8	45.6	47.7
Tax value, SEK bn	23.6	23.5	20.9	20.5	20.5
Rentable floor space, 1,000 sq m	390.8	386.6	386.5	386.8	384.2
Rental vacancy rate, %	8.8	7.0	7.3	8.2	5.0
Floor space vacancy rate, %	12.9	11.2	10.2	9.8	6.7
Investments in properties, SEK m	1,238	966	574	886	865
Surplus ratio, %	70	70	71	70	72
Net operating income per sq m ¹⁾	3,946	3,712	3,556	3,199	3,574

¹⁾ The calculation was based on the number of square metres at year-end. Acquired properties are adjusted upwards to the value for the year. Including intra-Group rent revenue.

MULTI-YEAR REVIEW – GROUP

	2023	2022	2021	2020	2019
Financial key ratios					
Return on equity, %	-6.4	2.3	9.9	-4.9	10.4
Return on equity, adjusted, %	3.0	2.8	3.0	2.8	3.2
Return on capital employed, %	-5.6	2.6	9.8	-4.3	10.7
Equity ratio, % ¹⁾	59	61	61	60	62
Interest coverage ratio, multiple ¹⁾	4.9	7.7	9.3	9.1	11.4
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.2
Net loan-to-value ratio, properties, % ¹⁾	20.9	18.7	17.9	18.8	15.5
Gross margin, %	49.6	49.3	54.0	69.0	72.5
Cash flow from current operations, SEK m	1,385	1,024	994	1,072	1,367
Cash flow for the year, SEK m	-71	-729	398	-923	635
Average number of employees	477	441	416	140	135
Data per share (no dilutive effects exist)					
Net result for the year, SEK	-9.53	3.57	14.61	-7.13	15.25
Dividend, SEK	2.70 ²⁾	2.70	2.60	2.50	3.90
Dividend proportion, %	61 ²⁾	62	58	61	83
Equity, SEK	142.30	154.53	153.56	141.45	152.15
Fair value of properties, SEK	231.05	244.91	241.17	225.58	231.16
Cash flow from current operations, SEK	6.85	5.06	4.91	5.23	6.63
Cash flow for the year, SEK	-0.35	-3.60	1.97	-4.50	3.08
Share price, Class A, at year-end, SEK	142.10	148.30	135.20	136.20	185.10
P/E ratio, multiple	-14.9	41.5	9.3	-19.1	12.1
Share price/equity, %	99.9	96.0	88.0	96.3	121.7
Yield, %	1.9 ²⁾	1.8	1.9	1.8	2.1
Number of shares outstanding at year-end	202,306,933	202,306,933	202,306,933	202,306,933	206,265,933
Average number of shares outstanding during the year	202,306,933	202,306,933	202,306,933	205,130,742	206,265,933
Total number of shares at year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933
EPRA Performance Measures¹⁾					
EPRA Earnings, SEK m	1,433	1,025	1,032	1,020	1,132
EPRA Company specific Adjusted Earnings, SEK m	1,063	1,025	1,032	984	1,132
EPRA EPS, SEK	7.08	5.07	5.10	4.97	5.49
EPRA Company specific Adjusted EPS, SEK	5.25	5.07	5.10	4.80	5.49
EPRA NRV (Net Reinstatement Value), SEK m	37,484.5	40,635.1	40,340.0	37,232.3	40,453.3
EPRA NRV per share, SEK	185	201	199	184	196
EPRA NTA (Net Tangible Assets), SEK m	35,279.3	38,270.8	37,992.3	35,014.4	38,181.2
EPRA NTA per share, SEK	175	189	188	173	185
EPRA NDV (Net Disposal Value), SEK m	28,788.6	31,262.0	31,066.0	28,616.5	31,382.7
EPRA NDV per share, SEK	142	155	154	141	152
EPRA Vacancy rate, %	5.7	4.0	5.9	6.7	1.7

¹⁾ Hufvudstaden presents certain financial measures ("alternative performance measures") that are not defined under IFRS. The purpose of these measures is to describe the company's development and improve comparability between periods. The key figures categorised as alternative performance measures are defined on page 84 and the derivations are found on pages 80–81.

²⁾ Proposal by the Board

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the performance measures presented 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 under Definitions and Glossary, see page 84. Below is the derivation of alternative performance measures.

SEK m	2023	2022	2021	2020	2019
Net profit from current operations					
Result before tax	-2,535	904	3,726	-1,833	3,968
Reversal of items affecting comparability and changes in value	3,672	209	-2,579	2,894	-2,731
Standard corporate tax	-234	-229	-236	-227	-264
Net profit from current operations	903	884	911	834	973
Return on equity, adjusted, %					
Net result for the year	-1,927	722	2,955	-1,462	3,146
Reversal of items affecting comparability and changes in value	3,672	209	-2,579	2,894	-2,731
Reversal of tax on items affecting comparability and changes in value	-833	-43	531	-596	563
Net profit for the year, adjusted	912	888	907	836	978
Average equity	30,026	31,164	29,842	30,000	30,192
Return on equity, adjusted, %	3.0	2.8	3.0	2.8	3.2
Net debt, SEK m					
Non-current interest-bearing liabilities	7,300	6,500	7,000	6,200	6,700
Non-current lease liabilities	721	703	707	710	719
Current interest-bearing liabilities	2,100	2,500	2,200	2,450	1,650
Current lease liabilities	8	9	9	10	41
Cash and bank holdings	-382	-453	-1,182	-784	-1,706
Net debt	9,747	9,259	8,734	8,586	7,404
Equity ratio, SEK m					
Equity	28,789	31,262	31,066	28,617	31,383
Total assets	48,444	51,235	51,099	47,397	50,342
Equity ratio, %	59	61	61	60	62
Net loan-to-value ratio, properties, SEK m					
Interest-bearing liabilities	9,400	9,000	9,200	8,650	8,350
Lease liabilities	729	712	716	720	760
Interest-bearing assets	-382	-453	-1,182	-784	-1,706
Total	9,747	9,259	8,734	8,586	7,404
Carrying amount, properties	46,743	49,547	48,790	45,637	47,681
Net loan-to-value ratio, properties, %	20.9	18.7	17.9	18.8	15.5
Interest coverage ratio, SEK m					
Result before tax	-2,535	904	3,726	-1,833	3,968
Reversal of items affecting comparability and changes in value	3,672	209	-2,579	2,894	-2,731
Interest expenses	289	166	139	132	119
Total	1,426	1,279	1,286	1,193	1,356
Interest expenses	289	166	139	132	119
Interest coverage ratio, multiple	4.9	7.7	9.3	9.1	11.4

ALTERNATIVE PERFORMANCE MEASURES

EPRA Performance Measures

The European Public Real Estate Association (EPRA) is a not-for-profit association for the publicly traded European real estate sector. EPRA's mission is to improve standards and transparency in the real estate sector in order to enhance credibility and security for investors. In 2023, Hufvudstaden was awarded EPRA sBPR Silver and EPRA BPR Bronze, which is a proof of the company's structured work on transparent reporting.



For information on EPRA sBPR-related performance measures, refer to the sustainability notes on pages 98–108 and also in the separate appendix on hufvudstaden.se/en/corporate-social-responsibility.

SEK m	2023	2022	2021	2020	2019
EPRA Earnings, SEK m					
Operating result	-2,256	1,089	3,865	-1,702	4,087
Reversal of changes in value	4,042	209	-2,579	2,930	-2,731
Financial income and expenses	-279	-185	-139	-132	-119
Earnings from property management	1,507	1,113	1,147	1,096	1,237
Current tax, earnings from property management	-74	-88	-115	-77	-105
EPRA Earnings	1,433	1,025	1,032	1,019	1,132
Reversal of items affecting comparability	-370	0	0	-36	0
EPRA Company specific Adjusted Earnings	1,063	1,025	1,032	984	1,132
Average number of shares outstanding, million	202.3	202.3	202.3	205.1	206.3
EPRA EPS, SEK	7.08	5.07	5.10	4.97	5.49
EPRA Company specific Adjusted EPS, SEK	5.25	5.07	5.10	4.80	5.49
EPRA NRV/NTA/NDV, SEK m					
Equity according to the balance sheet	28,789	31,262	31,066	28,617	31,383
<i>Reversal</i>					
Derivatives according to the balance sheet	–	–	–	–	–
Recognised deferred tax ¹⁾	8,696	9,373	9,274	8,616	9,071
Net Reinstatement Value (EPRA NRV)	37,485	40,635	40,340	37,232	40,453
Number of shares outstanding, million	202.3	202.3	202.3	202.3	206.3
Net Reinstatement Value (EPRA NRV) per share, SEK	185	201	199	184	196
<i>Deduction</i>					
Intangible fixed assets	-95	-89	-97	-127	-71
Estimated actual deferred tax 5%	-2,111	-2,275	-2,251	-2,091	-2,202
Net Tangible Assets (EPRA NTA)	35,279	38,271	37,992	35,014	38,181
Number of shares outstanding, million	202.3	202.3	202.3	202.3	206.3
Net Tangible Assets (EPRA NTA) per share, SEK	175	189	188	173	185
<i>Reversal</i>					
Derivatives as above	–	–	–	–	–
Intangible fixed assets as above	95	89	97	127	71
Recognised deferred tax ¹⁾ less estimated actual deferred tax	-6,585	-7,098	-7,023	-6,525	-6,869
Net Disposal Value (EPRA NDV)	28,789	31,262	31,066	28,617	31,383
Number of shares outstanding, million	202.3	202.3	202.3	202.3	206.3
Net Disposal Value (EPRA NDV) per share, SEK	142	155	154	141	152
Rental vacancy rate excl. projects (EPRA vacancy rate)					
Rental value for vacant space, total	211	155	154	167	102
Rental value for vacant space, project	74	68	29	29	67
Rental value, total	2,381	2,214	2,095	2,020	2,024
Rental vacancy rate, %	8.8	7.0	7.3	8.2	5.0
Rental vacancy rate, projects, %	3.1	3.0	1.4	1.5	3.3
Rental vacancy rate excl. projects (EPRA vacancy rate), %	5.7	4.0	5.9	6.7	1.7

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

BUSINESS AREAS IN FIGURES

Business areas in figures

	Stockholm Business Area				NK Business Area				Gothenburg Business Area				Property management, total			
	2023		2022		2023		2022		2023		2022		2023		2022	
	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m
Property holdings (comparable holdings)																
Gross rents, includ- ing charge for con- sumables	1,494.4	7,086	1,334.0	6,472	507.4	5,559	518.1	5,666	410.3	4,628	397.9	4,471	2,412.1	6,172	2,250.0	5,821
(of which property tax supplement)	138.7	658	140.4	681	41.4	454	40.7	445	28.4	320	27.2	306	208.5	533	208.3	539
Rent losses on vacant space	-88.5	-420	-58.8	-285	-30.1	-330	-37.9	-414	-81.4	-918	-93.4	-1,050	-200.0	-512	-190.1	-492
Bad debt losses	-1.8	-9	-1.4	-7	6.7	73	-2.9	-32	-1.0	-11	-0.9	-10	3.9	10	-5.2	-13
Net revenue	1,404.1	6,657	1,273.8	6,180	484.0	5,302	477.3	5,220	327.9	3,699	303.6	3,411	2,216.0	5,670	2,054.7	5,316
Maintenance	-19.0	-90	-12.7	-62	-22.2	-243	-13.3	-145	-5.2	-59	-6.1	-69	-46.4	-119	-32.1	-83
Operations	-88.5	-420	-81.2	-394	-136.9	-1,500	-119.5	-1,307	-45.0	-508	-45.1	-507	-270.4	-692	-245.8	-636
Administration	-50.3	-238	-48.9	-237	-43.3	-474	-41.1	-449	-19.1	-215	-19.2	-216	-112.7	-288	-109.2	-282
Property tax	-155.0	-735	-151.5	-735	-43.9	-481	-38.8	-424	-37.5	-423	-36.7	-412	-236.4	-605	-227.0	-587
Depreciation	-0.6	-3	-0.7	-3	-6.8	-74	-4.8	-52	-0.4	-5	-0.4	-4	-7.8	-20	-5.9	-15
Total property costs	-313.4	-1,486	-295.0	-1,431	-253.1	-2,772	-217.5	-2,377	-107.2	-1,210	-107.5	-1,208	-673.7	-1,724	-620.0	-1,603
Gross profit	1,090.7	5,171	978.8	4,749	230.9	2,530	259.8	2,843	220.7	2,489	196.1	2,203	1,542.3	3,946	1,434.7	3,713

Property data	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31	2023	2022	2023	2022	2023	2022	2023	2022
Number of properties	22	22	3	3	4	4	29	29
Rentable floor space, sq m	210,904	206,128	91,281	91,447	88,657	88,987	390,842	386,562
– of which, offices	135,870	132,917	16,864	16,894	49,195	50,428	201,929	200,239
– of which retail and restaurants	42,815	42,201	36,480	36,622	31,237	31,604	110,532	110,427
Annual rent, SEK m	1,510	1,329	492	518	379	367	2,381	2,214
Rental vacancy rate, %	7.0	3.3	4.5	7.0	21.8	20.5	8.8	7.0
Floor space vacancy rate, %	8.3	4.9	5.5	7.2	31.4	30.0	12.9	11.2
Number of rentable parking spaces	619	619	665	665	51	51	1,335	1,335

Rentable floor space and annual rent	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31, 2023	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
Office	135,870	1,074	16,864	114	49,195	185	201,929	1,373
Retail and restaurants	42,815	384	36,480	311	31,237	178	110,532	873
Storage and miscellaneous	12,672	23	16,423	35	4,932	10	34,027	68
Parking	18,443	26	21,514	32	1,275	2	41,232	60
Residential	1,104	3	0	0	2,018	4	3,122	7
Total	210,904	1,510	91,281	492	88,657	379	390,842	2,381

Floor space vacancy rate and rental vacancy rate	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31, 2023	Vacant floor space, sq m rate, SEK m	Rental vacancy rate, SEK m	Vacant floor space, sq m rate, SEK m	Rental vacancy rate, SEK m	Vacant floor space, sq m rate, SEK m	Rental vacancy rate, SEK m	Vacant floor space, sq m rate, SEK m	Rental vacancy rate, SEK m
Office	10,240	74.7	1,956	6.0	15,911	47.1	28,107	127.8
Retail and restaurants	2,946	24.2	1,953	13.3	6,635	26.7	11,534	64.2
Storage and miscellaneous	2,855	4.1	1,107	2.9	2,204	3.6	6,166	10.6
Parking	884	1.0	0	0	1,275	1.9	2,159	2.9
Residential	504	2.0	0	0	1,840	3.2	2,344	5.2
Total	17,429	106.0	5,016	22.2	27,865	82.5	50,310	210.7

BUSINESS AREAS IN FIGURES

Maturity analysis ^{1) 2) 3)}
December 31, 2023

Number of leases	2024	2025	2026	2027	2028	2029-	Total
Stockholm Business Area							
Office	45	50	49	24	14	34	216
Retail	17	24	35	7	6	14	103
Other	362	152	87	57	16	29	703
Total	424	226	171	88	36	77	1,022
Proportion, %	41.5	22.1	16.7	8.6	3.5	7.6	100.0
NK Business Area							
Office	5	3	2	0	1	4	15
Retail	42	29	19	12	3	2	107
Other	59	38	26	10	3	5	141
Total	106	70	47	22	7	11	263
Proportion, %	40.3	26.6	17.9	8.3	2.7	4.2	100.0
Gothenburg Business Area							
Office	5	5	4	5	6	6	31
Retail	18	15	12	12	4	2	63
Other	37	27	19	11	5	5	104
Total	60	47	35	28	15	13	198
Proportion, %	30.3	23.7	17.7	14.1	7.6	6.6	100.0
Hufvudstaden, total							
Office	55	58	55	29	21	44	262
Retail	77	68	66	31	13	18	273
Other	458	217	132	78	24	39	948
Total	590	343	253	138	58	101	1,483
Proportion, %	39.8	23.1	17.1	9.3	3.9	6.8	100.0

Annual rent, SEK m	2024	2025	2026	2027	2028	2029-	Total
Stockholm Business Area							
Office	117.3	203.1	189.5	85.5	88.0	370.3	1,053.7
Retail	42.4	70.5	110.1	17.2	15.6	54.9	310.7
Other	14.9	19.9	13.8	5.5	12.0	17.6	83.7
Total	174.6	293.5	313.4	108.2	115.6	442.8	1,448.1
Proportion, %	12.0	20.3	21.6	7.5	8.0	30.6	100.0
NK Business Area							
Office	30.6	9.2	15.6	0.0	14.2	33.1	102.7
Retail	81.0	50.6	28.8	22.5	17.9	11.4	212.2
Other	7.5	6.3	5.6	4.4	0.4	0.4	24.6
Total	119.1	66.1	50.0	26.9	32.5	44.9	339.5
Proportion, %	35.1	19.5	14.7	7.9	9.6	13.2	100.0
Gothenburg Business Area							
Office	11.4	7.5	15.4	27.5	36.0	47.6	145.4
Retail	20.1	42.3	28.3	42.2	11.0	13.6	157.5
Other	5.3	6.7	4.5	2.6	0.3	0.9	20.3
Total	36.8	56.5	48.2	72.3	47.3	62.1	323.2
Proportion, %	11.4	17.5	14.9	22.4	14.6	19.2	100.0
Hufvudstaden, total							
Office	159.3	219.8	220.5	113.0	138.2	451.0	1,301.8
Retail	143.5	163.4	167.2	81.9	44.5	79.9	680.4
Other	27.7	32.9	23.9	12.5	12.7	18.9	128.6
Total	330.5	416.1	411.6	207.4	195.4	549.8	2,110.8
Proportion, %	15.7	19.7	19.5	9.8	9.3	26.0	100.0

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

²⁾ Excluding vacant floor space and floor space used internally within the Group.

³⁾ Excluding residential leases.

DEFINITIONS AND GLOSSARY

Definitions and glossary

Finance

Average equity. The average of equity in the beginning and end for the year.

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

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

Central administration. Costs for Senior Executives and Group staff functions as well as costs of maintaining the company's stock exchange listing and other common company costs.

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

Earnings from property management. Operating result before items affecting comparability and changes in value minus financial income and expenses.

EPRA Company specific Ajusted Earnings – Company-specific earnings from property management after nominal tax. Operating result before items affecting comparability and changes in value with a deduction for financial income and expenses and computed current tax, excluding a loss carryforward of unutilised tax losses. The tax deducted has been calculated with account taken of, among other things, tax-deductible depreciation and investments.

EPRA Earnings – Earnings from property management after nominal tax. Operating result before changes in value with a deduction for financial income and expenses and computed current tax, excluding a loss carryforward of unutilised tax losses. The tax deducted has been calculated with account taken of, among other things, tax-deductible depreciation and investments.

EPRA. European Public Real Estate Association. Not-for-profit association for listed property companies in Europe.

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 fixed assets, adjusted for actual deferred tax instead of nominal deferred tax.

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

Gross margin. Gross profit in relation to net revenue.

Interest coverage ratio. Result after financial items, excluding items affecting comparability and changes in value plus financial expenses, in relation to financial expenses.

Items affecting comparability. Non-recurring items that make comparability difficult between two given periods.

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

Net debt. Interest-bearing liabilities, including lease liabilities and the decided dividend, minus current investments and cash and cash equivalents.

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

Net profit from current operations. Result before tax, excluding changes in value and items affecting comparability, charged with standard corporate tax for the year.

Return on capital employed. Result before tax plus financial expenses in relation to the average capital employed.

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

Return on equity, adjusted. Net result for the year after tax excluding tax-adjusted items affecting comparability and changes in value in relation to the average equity.

Surplus ratio. Net operating income as percentage of net revenue from property management including intra-Group rents.

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

Shares

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

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

Dividend proportion. Dividend in relation to net profit from current operations.

Earnings per share. Net result for the year in relation to the average number of shares outstanding during the year.

EPRA Company specific Adjusted EPS. EPRA Company specific Adjusted Earnings in relation to the average number of shares outstanding during the year.

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

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

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

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

Shares outstanding. The total number of shares reduced by the shares bought back by the company.

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

Properties

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.

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

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.

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

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

Gross rent. Defined as the contracted rent, excluding supplements for utility charges, and including assessed market rent for vacant premises.

Net operating income. Net revenue from property management including intra-Group rents less expenses for property management.

Property tax supplement. Reimbursement of property tax by tenants.

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.

Renegotiations. New or extended leases with existing tenants whose earlier leases have come to an end.

Rent losses. Loss of revenue as a result of vacant premises.

Rentable floor space. Total floor space available for renting.

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

Sales-based rent supplement. Rent in addition to the guaranteed minimum rent, based on the turnover of a store or restaurant.

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



By reusing materials and furniture in connection with tenant adaptations, we have reduced our climate impact and created an inspiring and creative work environment for employees.

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

Corporate Governance Report

Regulations and Articles of Association

Hufvudstaden is a Swedish public listed limited company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, Nordic Main Market Rulebook for Issuers of Shares from Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), the Swedish Stock Market Self-Regulation Committee's Rules on Remuneration of the Board and Senior Executives and on Incentive Programmes and other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership, and is intended to be part of the self-governance process in Swedish industry. 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 one deviation in regard to election committee stipulations. The deviation from the Code is explained in more detail below.

Shares and shareholders

Hufvudstaden's Class A shares are listed on Nasdaq Stockholm. The company's Class C shares were delisted upon request by Nasdaq Stockholm in January 2020. Share capital in the company at year-end amounted to SEK 1,056,359,665, divided among 211,271,933 shares, giving a quotient value of SEK 5 per share. Of the shares, 203,001,207 are Class A shares, carrying one vote per share, and 8,270,726 are Class 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 L E Lundbergföretagen AB, with a total of 47.2 per cent of shares outstanding and 88.6 per cent of the votes. Apart from L E 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 Class C shares are entitled to request conversion of their Class C shares into Class A shares. During the year, 1,097 Class C shares were converted to Class 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.

Share buyback

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back Class A shares up to a maximum of 10 per cent of all shares in the company. The authorisation was renewed at the 2023 Annual General Meeting. The aim is to give the Board the opportunity to adjust the capital structure in order to create increased value for the 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 of December 31, 2023, Hufvudstaden held 8,965,000 Class A shares, equivalent to 4.2 per cent of the total number of issued shares. No shares were bought back in 2023 or after the end of the reporting period (up to and including February 15, 2024).

Annual General Meeting

Shareholders' right to decide in Hufvudstaden's matters are exercised at the Annual General Meeting. Shareholders who are registered in the share register as of the record date and have notified participation in time, have the right to participate and vote at the Annual General Meeting, in person or through agents.

Shareholders whose shares are nominee-registered must, in order to exercise voting rights at the Annual General Meeting, temporarily re-register their shares in their own name, according to what follows from the notice convening the Annual General Meeting. In addition, the company's Articles of Association state that prior to a general meeting, the Board of Directors may decide that the shareholders have the possibility of casting their votes in advance (postal voting) in accordance with the process set out in the Swedish Companies Act. Decisions at the meeting are normally made through simple majority. In some matters however, the Companies Act prescribes that a proposal must be approved by a higher proportion of the votes represented and cast on the meeting.

Individual shareholders, who wish to receive a matter discussed at the meeting, can request so from Hufvudstaden's Board at a special address, which is published on hufvudstaden.se well in advance of the notice period for the meeting.

The Annual General Meeting will be held in Stockholm within six months of the end of the financial year. At the Annual General Meeting, matters are decided concerning, inter alia, the adoption of income statements and balance sheets, dividends, discharge of liability for the Board members and President, election of Board members, Chairman of the Board and auditors and remuneration to the Board and auditors, principles for remuneration to senior executives, approval of the remuneration report and other important issues. Notice of the Annual General Meeting takes place through advertising in Post- och Inrikes Tidningar and on hufvudstaden.se. The notice shall be advertised in Dagens Nyheter.

The 2023 Annual General Meeting was held on March 23, 2023. A total of 358 shareholders, representing 141,580,098 Class A shares and 8,263,132 Class C shares, were represented, and they represented 967,893,298 votes, equivalent to 95 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual General Meeting to adopt the income statement and balance sheet presented, as well as the consolidated income statement and consolidated balance sheet, and to issue a dividend of SEK 2.70 per share to the shareholders. At the Meeting, the members of the Board of Directors and the President were discharged from liability, and a decision was reached on remuneration to the members of the Board of Directors and the auditors. All members of the Board and the auditors were re-elected for the period up to the end of the next Annual General Meeting. Finally, the Meeting resolved to approve the remuneration report for 2022 and grant authorisation to the Board to decide on the acquisition and transfer of the company's own Class A shares.

The 2024 Annual General Meeting will be held in Stockholm on March 21, 2024.

Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise a minimum of five and a maximum of ten members. Members are elected at the Annual General Meeting of the shareholders for the period up to the end of the first Annual General Meeting to be held after the year in which the members of the Board of Directors were elected. In the light of the concentrated ownership structure, Hufvudstaden does not have a formally appointed election committee. The duty of an election committee, to prepare decisions to be reached at the Annual General Meeting in matters relating to elections and fees, rests with Hufvudstaden's main shareholder, L E Lundbergföretagen AB. Hufvudstaden's procedure regarding the election committee is a deviation from the Code. The main shareholder presents a proposal regarding the person who will chair the Annual General Meeting, the Board of Directors, the Chairman of the Board, and

directors' fees. A proposal regarding the auditor and the audit fee is presented by the Board of Directors. Other shareholders have the opportunity to submit nomination proposals at the address stated on hufvudstaden.se. The proposals are published no later than the time of the issuing of the notice of the Annual General Meeting.

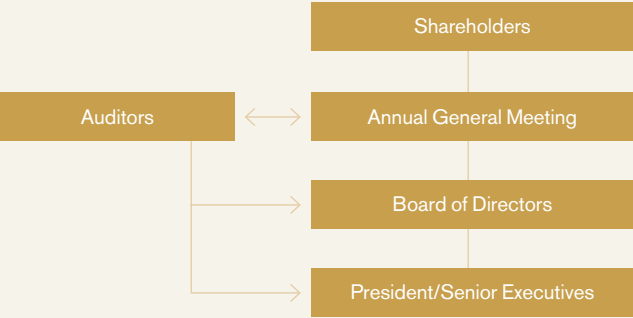
The main shareholder has applied point 4.1 in the Code as a diversity policy, which means that the composition of the Board of Directors must be well adapted in light of the company's operations, the current phase in its development, and circumstances in general. The composition of the Board must reflect diversity and breadth in terms of the expertise, experience and background of the members elected at the Annual General Meeting, and an even gender distribution must be sought. A decision was reached at the 2023 Annual General Meeting in accordance with the proposal set forth by the main shareholder, which resulted in the election of nine members, of whom three were women and six were men.

As a basis for its proposal prior to the 2024 Annual General Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate using, for example, applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual General Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the company's operations. All Board members have been assessed based on skills, experience and background. The only member of Senior Executives on the Board is the President, and he is the only one who can be regarded as not being independent in relation to the company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are not independent in relation to the largest shareholder L E Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 90–91. An external lawyer is engaged to act as secretary to the Board of Directors.

HUFVUDSTADEN'S CONTROL STRUCTURE



Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organisation 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 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 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.
- Adoption of guidelines governing the way the company should act in the community from a sustainability point of view.

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 duties of the Board of Directors and the President, and the allocation of duties between the Board of Directors and the President. The relevance and validity of the rules of procedure are reviewed annually.

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to monitor 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 evaluation takes place by each Board member completing a questionnaire. The responses are collated by the Chairman, who then presents the results to the Board of Directors, after which a discussion takes place within the Board. The Board of Directors 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

The Board of Directors held seven meetings during 2023, of which one was a statutory meeting. Economic, financial and operational reports from the business areas are presented at every Board meeting. In addition, key matters of a principal nature or of major economic significance are addressed at every ordinary meeting. The work of the Board of Directors during the year was aimed specifically at strategy

Name	Function	Attendance ¹⁾	Independent in relation to the company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		6	Yes	No
Peter Egardt		7	Yes	Yes
Liv Forhaug		7	Yes	Yes
Louise Lindh		7	Yes	No
Katarina Ljungqvist		7	Yes	Yes
Anders Nygren	President	7	No (employee)	Yes
Fredrik Persson		7	Yes	Yes
Sten Peterson		7	Yes	No

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

CORPORATE GOVERNANCE REPORT

discussions, issues relating to the economic climate and financing, property valuation, acquisitions, and investments. Other matters dealt with during the year were major current projects, including insurance compensation and completion of Vildmannen 7, the large development project Johanna and the redevelopment of Håsthuvudet 13 as well as sustainability topics. Company officials attend the Board meetings as presenters.

The company's auditor attended the Board meeting in February when the 2022 Annual Report was approved, and attended the Board meeting in August in conjunction with the analysis by the Board of the company's six-month report.

Board committees

The Board of Directors has considered the question of establishing an audit committee and a remuneration committee but has chosen not to do so. Matters that rest with such committees will instead be handled as part of the regular work of the Board of Directors. The full expertise of the Board can thus be utilised, and the meetings can be made more efficient. This means that the Board of Directors collectively performs the duties that rest with an audit committee, and that the entire Board, the President excluded, discharge the duties that rest with a remuneration committee. This includes following up and evaluating current variable remuneration programmes for Senior Executives as well as programmes that were terminated during the year. The Board of Directors also follows and evaluates the application of guidelines governing remuneration to senior executives, as decided at the Annual General Meeting, and governing company remuneration structures and remuneration levels for senior executives.

Senior Executives

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 make well-informed judgements. Senior Executives comprises the President and three Heads of business areas, as well as the CFO, Head of Business Development, Head of Property Development, and Head of Human Resources. Refer to pages 92–93 for information about Senior Executive individuals.

Senior Executives meets approximately once a month to discuss current issues. They also hold a strategy conference twice a year.

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 2023 Annual General Meeting, PricewaterhouseCoopers AB was re-elected as auditing company for a term of one year. Magnus Svensson Henryson is the lead auditor. Magnus Svensson Henryson's major engagements include Alleima AB, Bure Equity AB, Embracer Group AB, Holmen AB and L E Lundbergföretagen AB.

The Board meets the company's auditor twice a year, of which at least one meeting is in the absence of the President. On these occasions, the auditor presents a report, and there is a discussion about the audit scope and observations. Internal routines and control sys-

tems are examined continuously during the year. The half-year report is examined on a general basis. The final audit of the annual accounts, the annual report and the consolidated financial statements, and the administration of the Board and the President take place in January–February, after which the auditors submit an auditor's report. The auditors provide a limited assurance report on the Sustainability Report. Fees to the auditors, including the fee for advisory services, are reported in Note 8.

Remuneration

Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2023, it was decided that remuneration for the period up to the next Annual General Meeting totalling SEK 2,430,000 would be divided among the members with the exception of the President, Anders Nygren, who does not receive any remuneration for his Board-related duties. Remuneration is divided between the Chairman, who receives SEK 540,000, and the other seven non-executive members, who each receive SEK 270,000.

Senior Executives

Guidelines on salaries, bonuses and other remuneration to the company's senior executives are decided at the Annual General Meeting. The Board of Directors present a proposal for new guidelines regarding remuneration when the need arises to materially change the guidelines, however at a minimum every four years. It was confirmed at the 2023 Annual General Meeting that remuneration from the company shall comprise salaries that are 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 the share price. These guidelines have been followed in 2023. The guidelines will continue to apply in 2024 since the Board will not propose any changes to the 2024 Annual General Meeting.

The Board has prepared a remuneration report for the 2023 financial year for approval by the 2024 Annual General Meeting. The auditor's statement on whether guidelines adopted at the Annual General Meeting in 2023 governing remuneration to senior executives have been followed, will be available on hufvudstaden.se no later than three weeks prior to the Annual General Meeting, and will be attached to the documents distributed at the Annual General Meeting.

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 senior executives, as adopted at the 2023 Annual General Meeting, see Note 7.

Bonus

All permanent employees in the Group, including Senior Executives, were included in a bonus scheme during the year, apart from employees of Hufvudstaden's subsidiary, NK Retail AB and NK Service AB, who were not included in the bonus scheme. According to the guidelines, the bonus criteria for Senior Executives should be weighted as follows: 70 per cent based on financial goals linked to operating results,

15 per cent based on operating targets related to customer satisfaction, and 15 per cent based on individual targets.

Under the bonus scheme for both Senior Executives and other employees, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the company shows a positive operating result before any unrealised changes in value. The cost of bonuses for all employees in 2023 amounted to SEK 4.2 million (9.5) or an average of SEK 148,000 per person for Senior Executives including the President and an average of SEK 21,000 for other employees.

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 that it covers any material risk of error in the financial reporting. Hufvudstaden's internal control systems cover the control environment, risk assessment, control measures, information, communication, and monitoring.

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. Senior Executives and the Board of Directors continuously document and evaluate policies and guidelines, such as the company's valuation principles, information policy, and accounting manual. 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 controller function within the business area and Group level.

Risk assessment

Based on continuous discussions and meetings in the organisation, Hufvudstaden's Senior Executives identifies, analyses and decides on the company's material risk areas, whereupon the Board of Directors confirms these areas. Senior Executives is responsible for handling the risk of error in the financial statements. The Board of Directors analyses 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, Senior Executives and controller function.

Information and communication

In-house information and external communication are governed on a general level by, for example, the information policy. Internal communication to and from the Board and the senior executives takes place in different ways, including regular information meetings held by management, 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.

Monitoring

Hufvudstaden's Senior Executives regularly evaluates internal control of financial reporting, and whether reporting to the Board is functioning efficiently. This takes place primarily through its own analysis, questioning, and familiarisation with the work of the controller function. To monitor 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 Senior Executives comments on operations, the Board receives management's comments on how internal control is working and whether identified risks ought to be changed. The company's auditor attends Board meetings on two occasions each year, and reports it's observations regarding the company's internal routines and control systems. Subsequently, the Board of Directors 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 control system.

Internal audit statement

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

BOARD OF DIRECTORS AND AUDITORS

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder L E Lundberg-företagen AB. The President is also a member of the Board. Other senior executives in the company take part in Board meetings to present specific points. The Board of Directors held seven meetings during 2023, 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 Board and the President and the allocation of duties between the Board and the President.



Fredrik Lundberg
Born 1951. MSc, MBA, Economics and Engineering, Dr. h.c. mult.
Chairman, Board member since 1998.
President and CEO of L E Lundbergföretagen AB.
Chairman of Holmen AB and AB Industrivärden. Deputy Chairman of Svenska Handelsbanken AB. Board member of L E Lundbergföretagen AB, Fastighets AB L E Lundberg and Skanska AB.
Independent in relation to the company and the Executive Management, but not in relation to major shareholders (L E Lundbergföretagen AB).
Holding in Hufvudstaden: 2,350,412 shares (directly and through related parties)¹⁾



Claes Boustedt
Born 1962. MBA.
Board member since 1998.
Vice President of L E Lundbergföretagen AB.
President of L E Lundberg Kapital-förvaltning AB.
Board member of Alleima AB, Förvaltnings AB Lunden and Sandvik AB.
Independent in relation to the company and the Executive Management, but not in relation to major shareholders (L E Lundbergföretagen AB).
Holding in Hufvudstaden: 1,000 shares.



Katarina Ljungqvist
Born 1965. Corporate and administrative lawyer.
Board member since 2022.
President and CEO of Kommuninvest.
Board member of Swedish Export Credit Cooperation and the Swedish Exhibition & Congress Centre Foundation and its Supervisory Council.
Previous experience includes as regional head of Handelsbanken Western Sweden and head of Handelsbanken Digital.
Independent in relation to both the company and the Executive Management as well as major shareholders.
Holding in Hufvudstaden: 1,000 shares.



Anders Nygren
Born 1970. MSc.
President and Board member since 2022.
No material assignments outside the Group.
Independent in relation to major shareholders but not in relation to the company and Executive Management.
Holding in Hufvudstaden: 4,000 shares.

¹⁾ L E Lundbergföretagen AB also holds 95,489,015 shares in Hufvudstaden. Fredrik Lundberg and related parties control approximately 71 per cent of the votes in L E Lundbergföretagen AB, and Louise Lindh and related parties control approximately 11 per cent of the votes.

BOARD OF DIRECTORS AND AUDITORS



Peter Egardt
Born 1949. BA.
Board member since 2003.
Member of the Riksdag Remuneration Board.
Chairman of Stockholm University of the Arts (SKH) and the Foundation Sweden-Lithuania Cooperation fund.
Previous positions include Governor of the County of Uppsala, President of the Stockholm Chamber of Commerce and the Association of Swedish Chambers of Commerce.
Independent in relation to both the company and the Executive Management as well as major shareholders.
Holding in Hufvudstaden: 22,000 shares.



Liv Forhaug
Born 1970. MBA.
Board member since 2016.
President and CEO of Martin & Servera AB.
Chairman of the Board for subsidiaries of Martin & Servera.
Board member of Loomis AB, the Swedish Trade Federation and the Confederation of Swedish Enterprise.
Previous positions include Chief Strategy Officer at ICA Gruppen AB and as partner at McKinsey & Company.
Independent in relation to both the company and the Executive Management as well as major shareholders.
Holding in Hufvudstaden: 1,800 shares.



Louise Lindh
Born 1979. MBA.
Board member since 2007.
Chairman of Fastighets AB L E Lundberg and J2L Holding AB.
Board member of Holmen AB and L E Lundbergföretagen AB.
Independent in relation to the company and the Executive Management, but not in relation to major shareholders (L E Lundbergföretagen AB).
Holding in Hufvudstaden: 509,166 shares (directly and through related parties)¹⁾



Fredrik Persson
Born 1968. MBA.
Board member since 2016.
Chairman of BusinessEurope.
Chairman of Ellevio AB and JM AB.
Board member of AB Electrolux, A. Ahlström Oy, Holmen AB, ICA Gruppen AB and Interogo Holding AG.
Previous positions include President and CEO of Axel Johnson AB.
Independent in relation to both the company and the Executive Management as well as major shareholders.
Holding in Hufvudstaden: 5,000 shares.



Sten Peterson
Born 1956. MSc.
Board member since 2006.
Board member of Fastighets AB L E Lundberg, Förvaltnings AB Lunden, J2L Holding AB and L E Lundbergföretagen AB.
Previous positions include President of Förvaltnings AB Lunden.
Independent in relation to the company and the Executive Management, but not in relation to major shareholders (L E Lundbergföretagen AB).
Holding in Hufvudstaden: 2,000 shares.

AUDITORS
PricewaterhouseCoopers AB
Lead auditor
Magnus Svensson Henryson
Born 1969. Authorised Public Accountant.

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

Senior Executives



- Anders Nygren**
Born 1970. MSc. President,
employed 2006.
Holding in Hufvudstaden: 4,000 shares.
- Ulrika Frisk**
Born 1970. MA. Head of Human Resources,
employed 2022.
Holding in Hufvudstaden: –.
- John Lethenström**
Born 1972. MSc. Head of Property Development,
employed 2017.
Holding in Hufvudstaden: –.
- Fredrik Ottosson**
Born 1972. MSc. Head of the Gothenburg Business
Area, employed 2016.
Holding in Hufvudstaden: 1,000 shares.
- Karl Palm**
Born 1984. BSc. Engineering. Head of Business
Development,
employed 2014.
Holding in Hufvudstaden: 2,000 shares.
- Åsa Roslund**
Born 1966. MBA. Vice President and
CFO,
employed 2005.
Holding in Hufvudstaden: 3,000 shares.
- Frida Wijkström**
Born 1976. MSc. Head of the Stockholm Business
Area,
employed 2018, formerly employed 2008–2015.
Holding in Hufvudstaden: –.
- Bo Wikare**
Born 1963. MSc. Vice President, Head of the
NK Business Area,
employed 1994.
Holding in Hufvudstaden: 3,062 shares.

From left: Ulrika Frisk, Åsa Roslund, Frida Wijkström, Anders Nygren, Karl Palm, John Lethenström, Bo Wikare and Fredrik Ottosson.

SHARES AND SHAREHOLDERS

Long-term approach and low risk

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million and 6,000 shares with a quotient value of SEK 100. At year-end 2023, share capital amounted to SEK 1,056.4 million with a quotient value of SEK 5 per share.

Share structure

Hufvudstaden has two share Classes, A and C. Class A shares carry one vote per share and Class C shares carry 100 votes per share. There are no limitations on how many votes each shareholder may cast at a General Meeting. The Class A shares were listed on what was then the Stockholm Stock Exchange in 1938 and are now listed on the Large Cap list of Nasdaq Stockholm. Class C shares were listed in 1998 and delisted in late January 2020 upon request by Nasdaq Stockholm.

The Articles of Association include a conversion clause, by which owners of Class C shares have the right to request conversion of their shares to Class A shares. Since the delisting, 4,338 Class C shares have been converted to Class A shares, of which 1,097 shares this year.

At year-end, the total number of shares outstanding was 202,306,933 of which 194,036,207 were Class A shares and 8,270,726 were Class C shares. In addition, Hufvudstaden held 8,965,000 Class A shares.

Ownership structure

The number of shareholders at year-end was 33,113. The largest shareholder was L E Lundbergföretagen AB with 47.2 per cent of the total number of shares outstanding and 88.6 per cent of the votes. AMF was the second largest shareholder with 9.6 per cent of shares outstanding and 1.9 per cent of the votes.

Institutions and companies with holdings of 100,000 shares or more owned a combined total of 177,372,772 shares as of December 31, 2023, equivalent to 87.7 per cent of total shares outstanding and 96.7 per cent of the votes. Of these, 56 were Swedish institutions and companies, who had a combined holding of 139,361,865 shares equivalent to 68.9 per cent of shares outstanding and 92.9 per cent of the votes. There were 36 foreign

institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 38,010,907 shares equivalent to 18.8 per cent of shares outstanding and 3.7 per cent of the votes. In addition, there were eight Swedish private individuals who each owned 100,000 shares or more. The number of shareholders decreased during the year by 2,418. The proportion of foreign ownership decreased during the year from 21 to 20 per cent of shares outstanding.

Buy-back of shares

The Annual General Meeting held in 2003 authorised the Board to buy back Class A shares amounting to a maximum of 10 per cent of all shares in the company. The authorisation was renewed at the 2023 Annual General Meeting. At the end of the year, Hufvudstaden held 8,965,000 Class A shares, equivalent to 4.2 per cent of all issued shares. No shares were bought back in 2023.

Market capitalization and trading

On December 31, 2023, the price of Class A shares was SEK 142.10 and total fair value of all shares, based on the price of Class A shares, amounted to SEK 30,022 million. In total, 44 million shares were traded on Nasdaq Stockholm during the year, equivalent to 22 per cent (45) of total shares outstanding. The turnover rate calculated in relation to shares available for trading on Nasdaq Stockholm (free float) was 41 per cent (85). On average, 180,000 (360,000) shares in Hufvudstaden were traded on each trading day.

Dividend

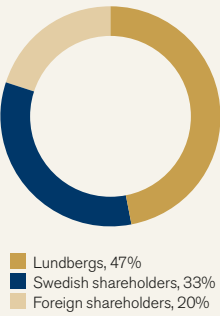
One of the company's financial goals is that the Hufvudstaden share shall have good dividend growth over time, and the dividend shall comprise more than half of the net profit from current operations unless investments or the company's financial position in general justify a deviation The Board of Directors proposes an unchanged dividend of SEK 2.70 per share (2.70), corresponding to 61 per cent of net profit from current operations. The yield was 1.9 per cent based on the Board's proposal and the share price for the Class A share as of December 31, 2023.

Ownership structure as of December 31, 2023

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of issued shares	Proportion of shares, %
1–999	29,322	88.6	4,328,512	2.1
1,000–9,999	3,313	10.0	7,381,891	3.5
10,000–99,999	378	1.1	10,207,055	4.8
100,000–	100	0.3	180,389,475	85.4
Shares outstanding	33,113	100.0	202,306,933	95.8
Hufvudstaden			8,965,000	4.2
All issued shares			211,271,933	100.0

Source: Euroclear Sweden

Ownership structure



SHARES AND SHAREHOLDERS

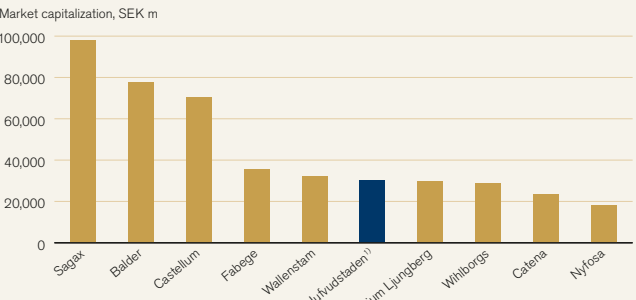
Largest shareholders as of December 31, 2023

	Number of Class A shares	Number of Class C shares	Total number of shares	Shares outstanding, %		Issued shares, %	
				Capital	Votes	Capital	Votes
L E Lundbergföretagen	87,311,335	8,177,680	95,489,015	47.2	88.6	45.2	87.9
AMF	19,500,000	0	19,500,000	9.6	1.9	9.2	1.9
State Street Bank and Trust	8,946,697	0	8,946,697	4.4	0.9	4.2	0.9
BNY Mellon	4,570,761	0	4,570,761	2.3	0.5	2.2	0.4
JP Morgan Chase Bank	4,506,431	0	4,506,431	2.2	0.4	2.1	0.4
Lundberg family, including companies	3,522,419	66,325	3,588,744	1.8	1.0	1.7	1.0
BNP Paribas, Luxembourg	2,759,313	0	2,759,313	1.4	0.3	1.3	0.3
Spiltan Fonder	2,492,712	0	2,492,712	1.2	0.2	1.2	0.2
Norges Bank	2,428,790	0	2,428,790	1.2	0.2	1.2	0.2
Handelsbanken Fonder	2,179,371	0	2,179,371	1.1	0.2	1.0	0.2
Skogstornet	2,050,000	0	2,050,000	1.0	0.2	1.0	0.2
Other shareholders	53,768,378	26,721	53,795,099	26.6	5.6	25.5	5.5
Shares outstanding	194,036,207	8,270,726	202,306,933	100.0	100.0	95.8	99.1
Hufvudstaden	8,965,000		8,965,000			4.2	0.9
All issued shares	203,001,207	8,270,726	211,271,933			100.0	100.0
Votes (excluding treasury shares)	194,036,207	827,072,600	1,021,108,807				
Votes (including treasury shares)	203,001,207	827,072,600	1,030,073,807				

Source: Euroclear Sweden

Largest listed property companies

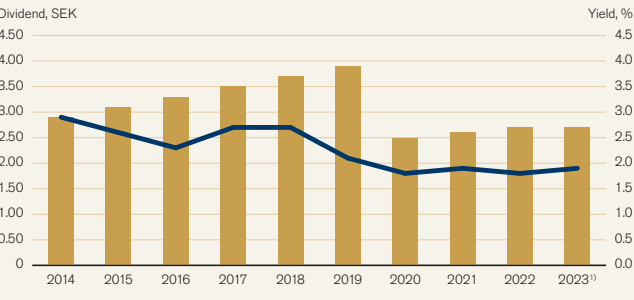
As of December 31, 2023



¹⁾ All shares, based on the price per Class A share.

Source: Nasdaq Stockholm.

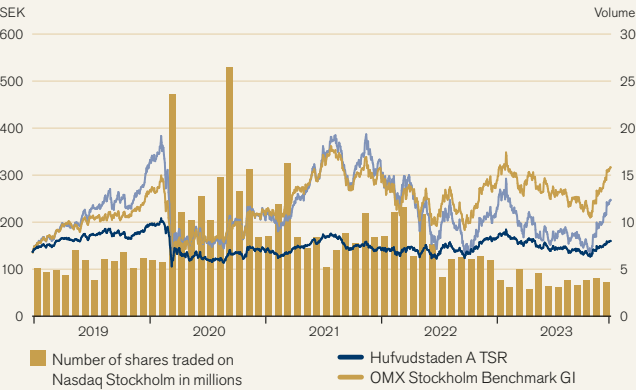
Dividend and yield



¹⁾ Proposal by the Board.

Share price performance and trading 2019–2023

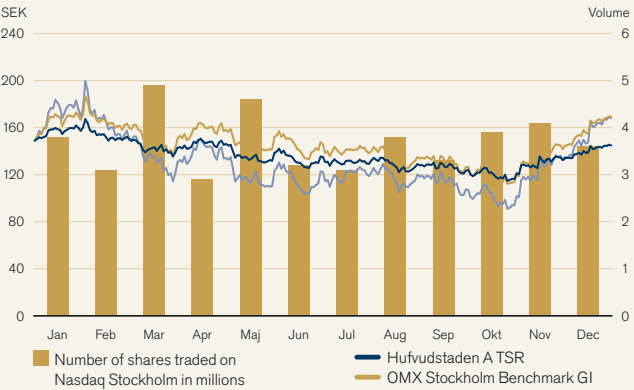
Including dividend in relation to index



Source: Nasdaq Stockholm.

Share price performance and trading 2023

Including dividend in relation to index



Source: Nasdaq Stockholm.

Annual General Meeting

Hufvudstaden's Annual General Meeting will be held on Thursday, March 21, 2024 at 3:30 p.m. at Grand Hôtel, Vinterträdgården, Stockholm, entrance on the corner of Stalgatan/Blasieholmsgatan. Notice of the Annual General Meeting will be published on the website of Post- och Inrikes Tidningar at bolagsverket.se/poit and on hufvudstaden.se. Notice that the Annual General Meeting has been convened is published in Dagens Nyheter.

Notification

Shareholders who wish to participate in the Annual General Meeting must:

- be recorded as a shareholder in the share register kept by Euro-clear Sweden AB regarding circumstances as of Wednesday, March 13, 2024, whereupon shareholders whose shares are registered in the name of a nominee must reregister the shares in their own name so that the shareholder is registered in the presentation of the shareholders' register as at Wednesday, March 13, 2024 to be eligible to participate in the Annual General Meeting. Such registration may be temporary (voting rights registration) and is requested of the nominee in accordance with the nominee's routines in such time in advance as determined by the nominee. Voting rights registrations effected by the nominee by March 15, 2024 will be taken into account in the preparation of the share register,
- register with Hufvudstaden no later than Friday, March 15, 2024, preferably before 4:00 p.m. Participants are to register on the company's website hufvudstaden.se, e-mail: anm@hufvudstaden.se, Telephone: +46 8 762 90 00, or In writing to: Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm, Sweden.

When registering, participants are to provide their name, personal identity number or company registration number, daytime telephone number, number of shares and any assistants. Shareholders represented by a proxy are to issue the proxy with a power of attorney. The original of the power of attorney, registration certificate and other authorisation documents must be presented at the Annual General Meeting. To facilitate admission to the Meeting, the company must have received the power of attorney and authorisation documents at the above-mentioned address at the time of notification. Power of attorney forms are provided on request and available on hufvudstaden.se.

Dividend

The Board of Directors proposes a dividend of SEK 2.70 per share, corresponding to a total dividend of SEK 546.2 million, for 2023. The record date is set as March 25, 2024 and the estimated payment date will be March 28, 2024.

Calendar

Interim Report, Jan–Mar 2024	May 8, 2024
Half-year Report, Jan–June 2024	August 22, 2024
Interim Report Jan–Sept 2024	November 7, 2024
Year-End Report 2024	February 13, 2025
Annual Report 2024	February 2025

Contact persons

Anders Nygren, President
Telephone: +46 8 762 90 00, anders.nygren@hufvudstaden.se

Åsa Roslund, Vice President, CFO
Telephone: +46 8 762 90 00, asa.roslund@hufvudstaden.se

This information is also published on hufvudstaden.se. The Annual and Sustainability Report will be distributed to shareholders on request.



Locations near to services, exercise, restaurants and bustling city life are a way of attracting employees and are even more important when choosing office space.

SUSTAINABILITY NOTES

Sustainability notes

S1 EMPLOYEES



Employees, at year-end

	2023			2022		
	Group	Property operations	NK Retail	Group	Property operations	NK Retail
Employees, head count ¹⁾	2023	2023	2023	2022	2022	2022
Total number of employees	652	198	454	583	153	430
Women						
Number of permanent employees	435	104	331	387	77	310
– of whom, full-time	159	88	71	141	74	67
– of whom, part-time	276	16	260	246	3	243
Number of temporary employees	72	8	64	61	3	58
Men						
Number of permanent employees	132	81	51	128	72	56
– of whom, full-time	97	80	17	89	72	17
– of whom, part-time	35	1	34	39	0	39
Number of temporary employees	13	5	8	7	1	6

¹⁾ Total number of employees.

From January 1, 2023, includes employees from operations taken over in NK Service AB, a service organisation that performs services in the NK department stores. In total, NK Service has 36 employees included within Property operations above.
The share of new employees in the Group during the year was 20 per cent (15) for women and 4 per cent (4) for men. Personnel turnover amounted to approximately 10 per cent (10) within Property operations or approximately 7 per cent excluding NK Service and approximately 22 per cent (16) within NK Retail.

	2023			2022		
	Group	Property operations	NK Retail	Group	Property operations	NK Retail
Employees, FTE ²⁾	2023	2023	2023	2022	2022	2022
Total number of employees	477	182	295	441	149	292
– of whom, women	349	97	252	326	77	249
– of whom, men	128	85	43	115	72	43

²⁾ Restated as full-time equivalents on an annual basis.

Diversity and equal opportunity

	2023		2023		2023		2022		2022		2022	
	Group		Property operations		NK Retail		Group		Property operations		NK Retail	
Diversity and equal opportunity, %	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Board of Directors												
Aged <30	0	0	0	0			0	0	0	0		
Aged 30–49	11	0	11	0			11	0	11	0		
Aged ≥50	22	67	22	67			22	67	22	67		
Senior Executives												
Aged <30	0	0	0	0			0	0	0	0		
Aged 30–49	13	13	13	13			13	13	13	13		
Aged ≥50	25	49	25	49			25	49	25	49		
Other employees												
Aged <30	22	5	13	6	26	4	18	5	7	5	22	5
Aged 30–49	35	11	28	23	38	7	39	12	32	25	41	8
Aged ≥50	21	6	16	14	23	2	20	6	14	17	22	2

The Group's equality goal is to have a gender structure with at least 40/60-per cent distribution between women and men in all working groups. Certain working groups have achieved an even gender distribution while other parts of operations have a gender imbalance. Gender equality is a topic we work on continuously. Hufvudstaden does not track diversity indicators such as religious affiliation or ethnicity among employees.

SUSTAINABILITY NOTES

Non-discrimination

No cases of discrimination were reported during the year.

Occupational health and safety

Hufvudstaden has a policy, committee and representative within health and safety in accordance with the Work Environment Act. Responsibility and duties are delegated according to established delegation rules. Should any hazardous working situations arise, employees are instructed to contact their line managers first. Systematic health and safety management is also designed to continuously review risks, recommend actions and promote further development within the physical and psychosocial working environment. The health and safety committee review and continuously monitor systematic health and safety activities. The health and safety committee also ensure that work environment checks are conducted regularly, and that incidents and potential dangers are addressed and investigated. The health and safety representative is the employees' representative with regard to health and safety issues and works to ensure that reliable safeguards are in place to protect employees. Health and safety representatives and managers receive training in systematic health and safety management, which includes employee training in CPR and first aid.

Hufvudstaden offers individualised skills development, a health and fitness allowance, health checks, occupational health care, health insurance, massage and ergonomics consultations. NK Retail has a separate structure for employee health, under which all employees are offered individual skills development, fitness allowances and occupational healthcare services.

For further information about our approach to health and safety among employees and in business relationships, see pages 28, 35, 43 and 102–103 and the information below regarding work-related injuries.

Total absenteeism due to illness in 2023 amounted to 4.6 per cent, a marginal decrease compared with the preceding year's 4.7 per cent. Total absenteeism due to illness by women and men during the year was 5.2 per cent and 3.2 per cent, respectively.

Work-related injuries

	2023		2022	
Reported accidents	Employees	Suppliers	Employees	Suppliers
Number of fatalities	0	0	0	0
Number of workplace accidents with absence of >8 hours	0	0	0	6
– of which high-consequence ¹⁾	0	0	0	0
Number of work-related injuries ²⁾	0	–	0	–

¹⁾ Refers to accidents with absence of more than six months.

²⁾ This performance measure is not measured for suppliers.

Work-related injuries and illnesses and accidents, including serious ones, are managed according to established procedures and must always be reported to the Swedish Work Environment Authority. An external occupational health care provider may be contacted in connection with work-related injuries to provide support. The number of near-misses and incidents is not reported due to the lack of quality-assured data.

Performance and career development review

Hufvudstaden's target is for all employees to have performance and career development reviews annually. All employees in the Group have had performance and career development reviews during the year. During performance and career development reviews, managers and employees engage in dialogue concerning working environment, satisfaction, performance and draft an action plan for goals and skills development going forward. The number of training hours is not reported due to the lack of quality-assured data.

S2 MATERIALITY ASSESSMENT

Hufvudstaden regularly assesses the relevancy of its sustainability activities by systematically analysing and mapping the company's positive and negative impact on its environment.

Materiality assessment

As part of preparing the 2023 Sustainability Report, a materiality assessment of the operations was carried out based on a holistic approach, and assessed our impact on a number of different sustainability areas. The aim was to identify the areas in which the company's sustainability impact was most significant. The assessment resulted in Hufvudstaden highlighting sustainability areas with high to very high significance for the company and Hufvudstaden's stakeholders, and the company's ability to contribute to sustainable development. The sustainability areas of low significance were discarded, and subsequent analyses were based on the high priority areas. To determine which sustainability areas are material in the sustainability context in which we operate, we first performed an assessment of the areas in which we have an actual and a potential impact based on an environmental, economic and social perspective, including human rights. The impact can be negative or positive, short, medium or long-term. In consultation with the Hufvudstaden Sustainability Council, all identified sustainability areas were subsequently assessed and prioritised based on their relevancy for working or reporting on. The assessment meets the requirements of the 2021 Global Reporting Initiative (GRI) Standards. Our scope is all of Hufvudstaden's operations, meaning all subsidiaries, business areas, products and services. The assessment was based on input from stakeholder dialogues, extensive business intelligence and discussions with internal and external experts. Hufvudstaden's responsibilities were also analysed based on legislation, economic, environmental and social challenges, including human rights, at local, regional and global levels. Furthermore, our business relationships and stakeholders were analysed. The analysis was carried out to understand the context of our sustainability activities. The results of the 2023 materiality assessment, meaning the matrix presented on page 100, shows the sustainability areas that are a high priority for working and reporting on, were approved by Hufvudstaden's Senior Executives.

In 2023, we began preparing for the upcoming CSRD reporting through a parallel assessment in order to draft a double materiality assessment. The aim of these activities is to identify the company's material impacts, risks and opportunities sorted by impact and financial materiality to support the design of future sustainability reporting. This assessment was not used as a basis for the content of this report.

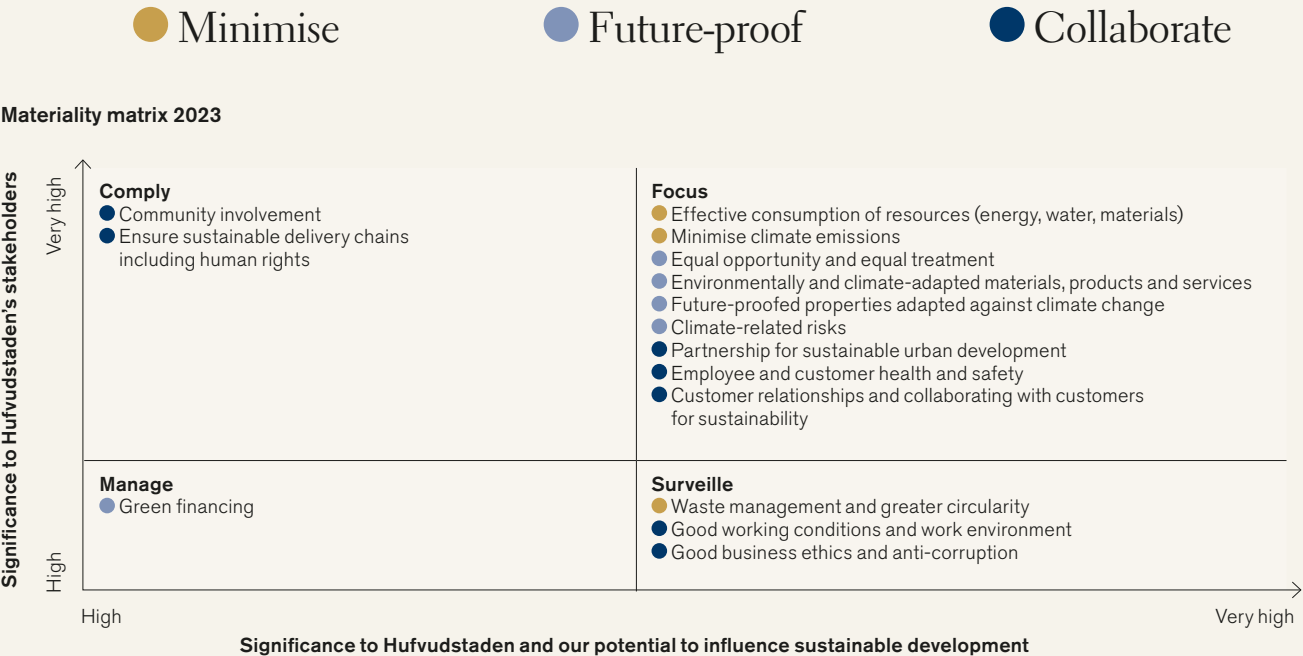
Changes in material sustainability areas

No major changes have taken place compared with the preceding year.

SUSTAINABILITY NOTES

Material sustainability topics

The 2023 materiality assessment resulted in Hufvudstaden identifying 15 material sustainability topics that have been divided into three focus areas: *Minimise, Future-proof* and *Collaborate* – which also constitute Hufvudstaden's sustainability plan that is presented in its entirety on pages 31–35.



SUSTAINABILITY NOTES

Scope Conversion factor

Scope 1	Cars in service: 135 g/km.
Scope 1	Refrigerants: IPCC AR5.
Scope 2	Origin-labelled renewable electricity: 0 tonnes CO ₂ e/MWh.
Scope 2	Documentation for district heating and cooling produced by Stockholm Exergi and Göteborg Energi.
Scope 3	Adaptations: Large projects 80 kg CO ₂ e/sq m. Medium projects 40 kg CO ₂ e/sq m. Small projects 22 kg CO ₂ e/sq m.
Scope 3	Major development projects: The Johanna block according to calculations performed by an external provider, A1–A3.
Scope 3	Waste from tenants and construction projects: Based on statistics from suppliers. Emissions factors from DEFRA.
Scope 3	Energy and fuel: Well-to-tank (WTT) emissions from cars according to the Swedish Transport Administration. Upstream emissions for district heating and district cooling: Stockholm Exergi and Göteborg Energi. Upstream emissions for electricity: EPD Vattenfall.
Scope 3	Business travel: Includes only bookings through SJ and BRA. Rail according to SJ's emission calculations. Air according to BRA's emission calculations.
Scope 3	Tenant electricity: 90.4 g CO ₂ e/kWh.
Scope 3	NK Retail: Documentation for district heating from Södertörns Fjärrvärme. Emissions factors for transport obtained from NTM. Waste based on statistics from suppliers and emission factors from DEFRA.

Water

Water consumption	EPRA code	2023	2022
Municipal water, m³	Water-Abs, Water-Lfl	192,494	185,657
Water intensity, m³/sq m	Water-Int	0.44	0.43

Hufvudstaden reports water data based on EPRA guidelines. We are party to most water supply agreements used by tenants. Reporting of water consumption thus includes water used in property operation and water used by tenants in their operations. Most water consumption is by our tenants and we have limited opportunities to influence use. Consumption differs depending on activities, for example restaurants are major water consumers. We install low-flow equipment in all of our projects.

Waste

Type of waste, tonnes	EPRA code	2023	2022
Non-hazardous waste			
Combustible waste		1,324	1,165
Cardboard		335	333
Organic waste		82	33
Plastic		25	28
Glass		108	98
Recycling of other materials		123	43
Hazardous waste			
Electronics		12	11
Other hazardous waste		7	6
Total waste	Waste-Abs, Waste-Lfl	2,016	1,717
Sorting rate, %		34%	32%

Hufvudstaden reports waste data based on EPRA guidelines. We report data for tenant waste volumes managed by Hufvudstaden for which the company has waste disposal contracts. As sorted waste is managed mainly by tenants, we do not have complete statistics on waste management from the properties. Complete statistics regarding combustible waste are not available from our suppliers for several properties. Estimated figures are used for these properties.

For the projects with reliable statistics over construction and demolition waste, the sorting rate is approximately 92 per cent (84).

S4 FUTURE-PROOFING



Green building certified properties

System	EPRA code	Number	sq m, a-temp	Certified area, %
BREEAM In-Use		11	267,317	59
Sweden Green Building Council		3	69,021	15
GreenBuilding		1	17,998	4
Total	Cert-Tot	15	354,336	78

The certification process provides us an independent audit to determine whether the building meets energy, indoor environment and materials standards. The aim is to certify all properties by 2025 at the latest.

S5 COLLABORATE



Customer health and safety

Hufvudstaden endeavours to safeguard the health and safety of its customers and to ensure that no one is harmed in its operations. Hufvudstaden evaluates all properties according to occupational health and safety regulations. This applies to areas including systematic fire protection, inspections of sprinkler, lifts and electric gates, mandatory ventilation inspections, electrical safety inspections and energy declarations. It is vital that the properties meet these requirements since it is a central component of the tenants' work environment.

In addition to regulatory requirements, NK Retail sets quality and safety demands on all product suppliers, which is one way to ensure safe products. Some product categories have particularly strict demands.

Reported deviations are followed up by following internal guidelines in each area. In 2023, no deviations were reported regarding legislation, rules or procedures relating to customers' health and safety.

Supplier requirements

Hufvudstaden's main suppliers are primarily in the construction and property maintenance sectors. The Code of Conduct defines our expectations and suppliers must comply with our criteria. Requirements based on our Code of Conduct are placed in connection with procurement and purchases of goods and services, augmented by requirements in the areas of health and safety, working conditions and the environment, which includes the precautionary principle. Health and safety is a particular priority because building and maintenance work can be risky. Everyone who works on behalf of Hufvudstaden must, regardless of who is the employer, have terms and conditions of employment and a work environment that as a minimum comply with current legislation. For redevelopments, new production, adaptations and maintenance, we follow an Environmental Programme that describes environmental targets and requirements for the projects. Environmental work is a partnership between the project management, planners and contractors, and environmental topics are a standing item on the agenda at planning and construction meetings. The suppliers are responsible for meeting the criteria stipulated in the Environmental Programme. Hufvudstaden's project managers and property managers procure, govern and check suppliers to ensure that they comply with set requirements.

Existing suppliers are subject to regular quality, budget, contractual and sustainability audits. To examine and ensure that suppliers and contractors comply with the requirements, we also carry out internal and third-party audits. We perform regular environmental, health and safety audits for major development projects. Monitoring is an important element to ensure a high standard of sustainability in projects and among suppliers. Current main suppliers undergo systematic sustainability audits every year. These audits are based on self-assessments. The responses in these self-assessments form the basis of the risk assessments of the suppliers. Using such risk

SUSTAINABILITY NOTES

assessments, we can identify suppliers with a high risk of deviating from set sustainability requirements. Based on the risk assessment, we can subsequently proceed with an expanded audit if necessary. The target is that all main suppliers will undergo an annual sustainability assessment. During the year, 88 per cent (69) of Hufvudstaden's main suppliers were assessed from a sustainability perspective. Hufvudstaden can terminate an agreement if a supplier violates the Code of Conduct or set environmental, health and safety requirements. Ensuring a high level of sustainability in the supply chain is a constant process. Over the past year, we worked on updating existing framework agreements in the areas of health and safety, working conditions, compliance and monitoring, and also worked on developing supplier monitoring and audits.

NK Retail's main suppliers are primarily in the areas of fashion, beauty and jewellery. NK Retail has no production of its own, but operates as a retailer. Accordingly, NK Retail has a low level of control over the production of the individual brands. To ensure and promote a more sustainable supply chain, NK Retail sets sustainability requirements on its suppliers. All suppliers must sign NK Retail's sustainability appendix, which is an appendix to the main agreement. The foundation of the sustainability appendix is NK's range standard and comprises, for example, requirements relating to human rights, work conditions in production, animal rights, chemicals and some product-specific requirements. Wherever NK Retail requires specific certification or other third-party assurance, these are checked in the purchasing process. At year-end 2023, 71 per cent (66) of all of NK Retail's suppliers had signed the sustainability appendix. 92 per cent (88) of NK Retail's main suppliers signed the sustainability appendix.

Anti-corruption

Hufvudstaden is committed to ensuring honest and fair business transactions and has zero tolerance of corruption. Being an honest and reliable business partner promotes good relationships with stakeholders. The construction and property sectors share challenges in the form of achieving safe and secure workplaces free from, for example, corruption and inequality. Large purchasing and procurement processes in construction projects entail the risk of corruption. In addition to setting requirements and auditing suppliers, we use a control system to mitigate the risks of corruption, bribery and other violations. Allocation of responsibility and structured processes in the control system ensure that business is conducted properly. It is important that irregularities that concern the company and which could cause serious harm to the business or our employees are detected and investigated as soon as possible. As part of efforts to prevent corruption, NK has decided that the department stores should be cash-free.

S6 SUSTAINABILITY GOVERNANCE

Sustainability is one of Hufvudstaden's overarching strategies for attaining financial and operational objectives. Sustainability is integrated in the processes for governance and monitoring of business activities.

The Board's work on sustainability

Hufvudstaden's Board monitors sustainability work and is continuously updated on its progress. The Board has delegated the responsibility for day-to-day sustainability activities to the President. Sustainability risks, including climate-related risks and opportunities, are reviewed annually and reported to the Board of Directors. The Sustainability Report is integrated into the financial reporting of the Annual and Sustainability Report that is reviewed, monitored and approved by the Board.

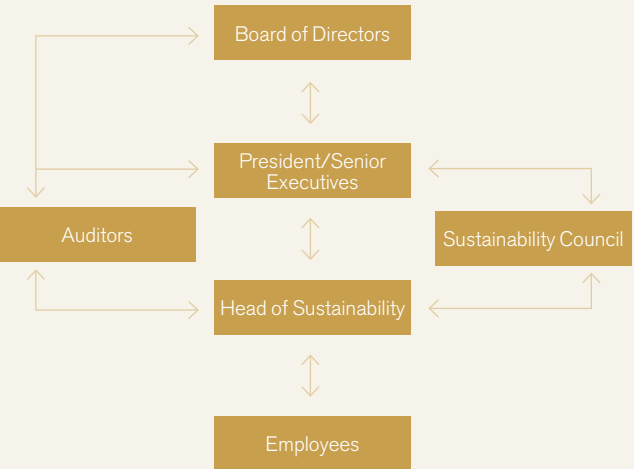
Sustainability was a separate item on the agenda at one Board meeting in 2023. The sustainability plan was presented at this meeting together with an account of the most important sustainability factors and sustainability risks in operations. Major deviations or measures related to Hufvudstaden's sustainability work and Code of Conduct are reported to the Board as necessary. No deviations were reported to the Board during the year.

Governance of sustainability activities

Hufvudstaden's Senior Executives decides on sustainability strategies, policies and goals. The President is ultimately responsible for the results of this sustainability work and for reporting to the Board. Hufvudstaden's Head of Sustainability prepares the sustainability targets and governs the work towards the targets set in cooperation with the Sustainability Council. The Sustainability Council meets at least once a quarter. The task of the Council is to develop, coordinate and monitor the sustainability work, which includes climate risks and opportunities. Its work is led by the Head of Sustainability and the Council is currently made up of five members, three of whom are Senior Executives. The Head of Sustainability reports continuously to the Head of Property Development, who is a member of Senior Executives. Furthermore, the Head of Sustainability informs the entire Senior Executives about the sustainability work several times a year.

Hufvudstaden's sustainability plan and the overall sustainability targets have been presented to employees to ensure that sustainability is incorporated throughout the organisation. Each department has then prepared its own individual sustainability targets together. These departmental sustainability targets are followed up in a forum that meets once per quarter comprising representatives from each Hufvudstaden unit. A review of Hufvudstaden's sustainability work is also part of the onboarding process for new employees. The current operations track targets and follow procedures and drive sustainability activities forward.

SUSTAINABILITY GOVERNANCE AND REPORTING STRUCTURE



SUSTAINABILITY NOTES

S7 STRATEGY AND POLICIES

Hufvudstaden is to contribute to sustainable development and act responsibly. Our values and internal guidelines is a foundation in the sustainability work. The Code of Conduct and policies guide our actions and our work in society. Hufvudstaden's values are described on page 6.

Sustainability frameworks

Hufvudstaden's sustainability work is based on the ten principles of the UN Global Compact and the UN Sustainable Development Goals. The principles and the goals imbue our values and our guiding documents, such as the sustainability plan, Code of Conduct and policies. Hufvudstaden's sustainability report complies with GRI Standards 2021 and is inspired by TCFD. Hufvudstaden also complies with the European Public Real Estate Association (EPRA) guidelines and supports Fossil-Free Sweden – Roadmap to Fossil-Free Heating 2045.

Code of Conduct

Hufvudstaden's Code of Conduct clarifies our responsibility and our actions in our dealings with internal and external stakeholders. The Code of Conduct is based on our values and the UN Global Compact and human rights established in other internationally recognised norms. The Code applies to all employees and sets out how we, our suppliers and our business partners should act as representatives of Hufvudstaden. Through the Code of Conduct, we take a stance on issues related to human rights, working conditions, the environment, business ethics and communication. Employees, suppliers and business partners must comply with applicable laws and regulations as well as our Code of Conduct which is appended to all major agreements.

All employees undergo training related to our Code of Conduct. The introductory programme for new employees includes training on sustainability, the Code of Conduct and other policies, and how to report deviations. It is prioritised that dilemmas and problems are regularly discussed regarding the Code of Conduct on introduction days, at employee conferences and at departmental meetings. Deviations from the Code of Conduct are to be reported to the immediate manager or, if this is not possible, to another representative of the Group.

NK Retail has its own introductory programme for employees which includes selected policies.

The Code of Conduct and applicable policies have been approved by Senior Executives. The Code of Conduct, Environmental Policy and Whistleblower Policy are public and available on hufvudstaden.se. Other policies are made available and known for the relevant personnel.

Human rights

Hufvudstaden does not accept any violations of human rights. We ensure that controls are in place to prevent violations of human rights, for example, by evaluating suppliers in the form of risk assessments and analyses as well as our Code of Conduct. Hufvudstaden is a signatory of the UN Global Compact and has undertaken to follow its ten principles. We also comply with the human rights stipulated in such international standards as the Universal Declaration of Human Rights, the OECD Guidelines for Multi-national Enterprises and the eight ILO Fundamental Conventions.

Whistleblowing

Hufvudstaden has a whistle-blower service that can be accessed from the website and the intranet. NK Retail has its own whistle-blower service, which employees can access internally. Both services make it possible for people to anonymously report suspicions of corruption, bribery and other breaches via an external party. All reports are handled confidentially following established procedures. One case was reported to the whistle-blower service during the year. The case was classified as not eligible under the whistle-blower framework. The matter was investigated in accordance with internal guidelines.

A selection of initiatives in which Hufvudstaden participates

- Swedish Property Federation
- Byggarubedömningen
- Sweden Green Building Council
- Swedish Energy Agency Construction Clients Forum for Commercial Premises (BELOK)
- The Real Estate Industry's Initiative for a Sustainable Supply Chain (FIHL)
- Real Estate Digitalization Initiative (REDI)

Socioeconomic and environmental compliance

Hufvudstaden was not sentenced or ordered to pay any fines during the year due to any breach of social or economic laws. No significant fines or non-monetary sanctions were imposed on Hufvudstaden for breaches of environmental laws in 2023. However, two small fees of SEK 1,000 each were paid due to the late submission of refrigerants reports.

S8 STAKEHOLDERS

A prerequisite for Hufvudstaden's work on mapping and analysing material sustainability areas is the input we receive from dialogues with our stakeholders. From a sustainability standpoint, tenants, employees, owners and other investors, business partners and society are the most important groups to conduct dialogue with since they are affected by our operations or have an opinion on the sustainability topics that we should focus on to meet their expectations of us. We continuously receive input from them from various channels, such as meetings, surveys and other forums for dialogue, and thereby ensure that we have approaches to stakeholder engagement that suit everyone. Questions from stakeholders are regularly addressed, for example at Board meetings, management meetings, in the Sustainability Council, shareholder meetings and in the daily contact between employees, customers, suppliers, partners and stakeholders in society. We also meet with a variety of experts in different sustainability areas every year. For instance, we meet consultants or companies in energy and climate, construction and property, banking and finance, and those who impose requirements on suppliers. We provide information about Hufvudstaden's sustainability activities and results through stakeholder dialogue.

Hufvudstaden's priority stakeholders

The following stakeholders were prioritised in the materiality assessment since they were identified as the most central considering Hufvudstaden's operations.

Priority stakeholders	Key topics	Approach to stakeholder engagement
Tenants	• High level of service • Energy consumption • Climate emissions • Waste management • Social responsibility within the supply chain • Urban development	• Customer satisfaction surveys • Tenant meetings • Newsletters • Green leases
Employees	• Diversity and equal treatment • Social engagement • Skills development • Health and Safety • Leadership	• Performance and career development review • Employee satisfaction surveys • Employee meetings • Conferences
Owners and other investors	• Long-term business strategy • Transparent and material sustainability work and communication • Social responsibility within the supply chain • Business ethics	• Annual General Meeting and analyst meetings • Annual report and interim reports • Investor meetings
Business partners	• Sustainability requirements in established partnerships • Communication related to sustainability topics	• Procurement and agreements • Code of Conduct • Supplier assessments
Society	• Accountability for impact of the operations • Communication related to sustainability topics • Social responsibility within the supply chain	• Annual report • Website • Media

SUSTAINABILITY NOTES

S9 REPORTING POLICIES

About the Sustainability Report

The Sustainability Report is incorporated in Hufvudstaden's Annual Report. Hufvudstaden's 2023 Sustainability Report comprises pages 6–7, 28–35, 43–44 and 98–108 and also constitutes Hufvudstaden's statutory sustainability report. The sustainability notes on pages 98–108 contain supplementary information and data on disclosures that are provided elsewhere in this Annual Report. The sustainability notes also present our materiality assessment on which the Sustainability Report is based. The Sustainability Report has been prepared in accordance with the GRI Standards 2021. Hufvudstaden has been reporting its sustainability information according to the GRI guidelines since 2011. Hufvudstaden also reports sustainability performance measures in accordance with the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations, third version (SBPR). In addition, an index is published with references to our reporting in relation to the Task Force on Climate-related Financial Disclosures (TCFD) and EPRA's BPR, third version, published as a separate appendix on hufvudstaden.se.

The Sustainability Report follows Hufvudstaden's financial year and is published annually in February. The 2023 Sustainability Report is limited assured by a third party. The disclosures included in the auditor's review are described in the section "Auditor's Limited Assurance Report" on page 109.

Scope and limitation

The Sustainability Report comprises all companies in the Group. Sustainability information is primarily presented from the operations that have a significant and direct impact from a sustainability perspective, meaning Hufvudstaden's own operations, unless otherwise stated. Information about NK Retail is presented when it is significant for an overall view of Hufvudstaden's sustainability work, for example, when it relates to: emissions, suppliers audits or employees. Data collected from various subsidiaries is consolidated in a standardised manner following internal guidelines.

Operations that are outside Hufvudstaden's direct control, such as suppliers or customers, are not included in the Report. Information about the management and requirements placed on Hufvudstaden's suppliers is included in the Report where relevant.

S10 EU TAXONOMY

The Taxonomy Regulation (EU 2020/852) is a classification system that is to offer guidance to financial actors to identify economic activities that make a substantial contribution in helping the EU achieve its climate targets and green growth strategy. In 2023, the European Commission adopted a new set of taxonomy criteria (in addition to the existing environmental objectives 1 and 2 that pertain to climate) for economic activities that make a substantial contribution to one or more of the environmental objectives that are not climate-related (environmental objectives 3 to 6). For Hufvudstaden, environmental objective 4 (transition to a circular economy) is deemed as applicable when constructing new buildings and renovating existing buildings.

Economic activities with a significant impact on the climate and actions for climate change adaptation (environmental objectives 1 to 2) are already included.

Under the Regulation, companies are to report the proportion of their turnover (sales), investments (CapEX) and operating expenditure (OpEX) that are taxonomy-eligible and taxonomy-aligned. These key performance indicators were calculated in accordance with the definitions stated in 1.1.1, 1.1.2 and 1.1.3 in Annex I to the Climate Delegated Act on disclosure obligations in accordance with Article 8 of the Taxonomy Regulation.

Taxonomy-eligible economic activities are considered to be aligned with the Regulation – qualify as environmentally sustainable – if they meet the requirements for making a substantial contribution to at least one of the environmental objectives, do no significant harm to any of remaining environmental objectives, and if the social minimum safeguards are met.

Minimum safeguards

According to the Taxonomy Regulation, minimum safeguards must be met for responsible business in order for economic activities to be classified as aligned. These include the areas of human rights, bribery and corruption, tax and fair competition. Compliance with minimum safeguards is assessed based from a two-dimensional perspective. Prevention through preventive measures with controls of implemented processes for managing each area. The effectiveness of these measures is subsequently verified by reviewing outcomes. Hufvudstaden complies with the requirements of minimum safeguards. Read more about how we work with the various areas on pages 35, 43 and 102–104.

Applicable economic activities

Hufvudstaden has assessed the taxonomy-aligned activity for turnover and OpEx to be activity 7.7 Acquisition and ownership of buildings. A large volume of CapEx is attributable to activity 7.7, although investments are also made in properties that are not taxonomy-aligned. Where applicable, these are allocated to the activity that is not taxonomy-aligned, which means that activities 7.1–7.6 are also eligible, refer to definition in page 106. Taxonomy-eligible environmentally sustainable activities that are not considered aligned for 2023 is due to the fact that some DNSH criteria fail to meet, mainly due to a lack of data from suppliers.

Acquisition and ownership of buildings

Substantial contribution to climate change mitigation

Buildings constructed before December 31, 2020 with energy class A or are included among the top 15 per cent of the national portfolio in terms of energy efficiency meet the requirements for making a substantial contribution. The top 15 per cent is assessed on the basis of thresholds developed by the Swedish Property Federation for energy performance.

Do no significant harm (DNSH)

Climate risk and vulnerability assessments were carried out on all investment properties (in accordance with the Taxonomy Regulation's Appendix A). Based on the results, an assessment was made of whether the individual property risks doing any significant harm to the environmental objectives. Mainly flooding resulting from heavy rainfall or rising water levels present the largest potential climate risks. Properties with no or a low risk profile are considered to meet the DNSH requirement for a climate-adapted property. Properties with a material risk profile meet the DNSH requirement if the property at risk has an action plan for climate change adaptation activities that is followed up every year.

Turnover

Total turnover is stated in Note 3. Taxonomy-eligible turnover includes rent revenue and service revenue from investment properties and revenue from Cecil Coworking and Parkaden that is recognised in Other operations segments. The eligible turnover's alignment is assessed with regard to activity 7.7, environmental objective 1 and is deemed to be aligned if the criteria stated in the preceding paragraph are met. Aligned turnover amounted to 11 per cent (10) of total turnover and 95 per cent of this is made up of rental revenue from investment properties. Compared with the preceding year, aligned turnover has increased as turnover for properties that are aligned rose more than for other properties.

CapEx

Total CapEx refers to value-enhancing improvements and acquisitions in investment properties (Note 16) and intangible fixed assets and investments in equipment (refer to Note 15 and 17). If a property is taxonomy-aligned, the CapEx in the property is taxonomy-eligible and taxonomy-aligned and is recognised under activity 7.7. CapEx in a property that is not taxonomy-aligned is assessed at project level by analysing it against technical screening criteria for substantial contributions and to do no significant harm to the economic activity that is taxonomy-eligible for the individual investment. This CapEx is reported under each activity 7.1–7.6. All CapEx reported for activities 7.1–7.7 is attributable to investment properties. The precautionary principle is applied to the assessment of taxonomy-alignment, which means that the CapEx is considered not to be taxonomy-aligned if there is no data to assess compliance. Compatible capital expenditure has decreased to 1 per cent (6). In the previous year, some major remodeling projects were carried out in compatible properties.

¹⁾ "Constructed" means that date for when the building permission application was submitted was no later than December 31, 2020. As of December 31, 2023, Hufvudstaden had no properties constructed after December 31, 2020, which would have been subject to other criteria for making a substantial contribution apply.

SUSTAINABILITY NOTES

OpEx

Total operating expenses, as defined by the taxonomy, which is aligned consist of repairs and maintenance. Taxonomy-eligible OpEx in investment properties refers to renovation, property maintenance, governance, daily and planned maintenance and repairs. If a property is taxonomy-aligned, the taxonomy-eligible OpEx in that property is taxonomy-aligned during operations 7.7. OpEx is not assessed at project level. Aligned OpEx decreased to 8 per cent (11) depending on lower operating costs in compatible properties.

KPIs for turnover, CapEx and OpEx are calculated as follows:

Proportion of taxonomy-eligible KPI = $\frac{\text{Eligible KPI}}{\text{Total KPI}}$

Proportion of taxonomy-aligned KPI = $\frac{\text{Aligned KPI}}{\text{Total KPI}}$

Applicable economic activities

- 7.1/3.1 Construction of new buildings (7.1 refers to CCM and CCA, 3.1 refers to CE)
- 7.2/3.2 Renovation of existing buildings (7.2 refers to CCM and CCA, 3.2 refers to CE)
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 7.7 Acquisition and ownership of buildings

Table legend

Column 2

Environmental objectives and index of economic activities

A.1 column 5–10

Y: Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N: No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL: Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2 column 5–10

EL: Taxonomy eligible activity for the relevant objective
N/EL: Taxonomy non-eligible activity for the relevant objective

Column 19–20

E: Enabling activity
T: Transitional activity

General

Line "-": Not applicable

Environmental objectives

CCM = Climate change mitigation
CCA = Climate change adaptation
WTR = Water and marine resources
CE = Circular economy
PPC = Pollution Prevention and Control
BIO = Biodiversity and ecosystems

Turnover, 2023

				Substantial Contribution Criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Economic activities (1)	Code(s) (2)	Turnover (3)	Proportion of turnover, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
Unit		SEK m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Acquisition and ownership of buildings	CCM 7.7	325	11	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	-	-	Y	10	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		325	11	11	-	-	-	-	-	-	-	-	-	-	-	-	10		
Of which Enabling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	E	
Of which Transitional		-	-	-						-	-	-	-	-	-	-	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Acquisition and ownership of buildings	CCM 7.7	1,838	62	EL	N/EL	N/EL	N/EL	N/EL	N/EL								62		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,838	62	62	-	-	-	-	-								62		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		2,164	73	73	-	-	-	-	-								72		
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		798	27																
TOTAL (A+B)		2,962	100																

SUSTAINABILITY NOTES

CapEx 2023

				Substantial Contribution Criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CapEx, year 2022 (18)	Category enabling activity (19)	Category/Transitional activity (20)
Economic activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx, year 2023	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
Unit		SEK m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Charging stations for electric vehicles in buildings	CCM 7.4	1	0	Y	N	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	-	-	Y	0	E	-
Devices for energy performance of buildings	CCM 7.5	3	0	Y	N	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	-	-	Y	0	E	-
Renewable energy technologies	CCM 7.6	5	0	Y	N	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	-	-	Y	1	E	-
Acquisition and ownership of buildings	CCM 7.7	11	1	Y	N	N/EL	N/EL	N/EL	N/EL	-	Y	-	-	-	-	Y	4	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		20	1	1	-	-	-	-	-	-	-	-	-	-	-	-	6		
Of which Enabling		9	1	1	-	-	-	-	-	-	-	-	-	-	-	-	0	E	
Of which Transitional		-	-	-						-	-	-	-	-	-	-	-		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Construction of new buildings	CCM & CCA 7.1/CE 3.1	174	13	EL	EL	N/EL	N/EL	EL	N/EL								24		
Renovation of existing buildings	CCM & CCA 7.2/CE 3.2	362	28	EL	EL	N/EL	N/EL	EL	N/EL								32		
Energy efficiency equipment	CCM & CCA 7.3	77	6	EL	EL	N/EL	N/EL	N/EL	N/EL								3		
Acquisition and ownership of buildings	CCM & CCA 7.7	605	47	EL	EL	N/EL	N/EL	N/EL	N/EL								30		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,218	94	94	-	-	-	-	-								89		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		1,238	95	95	-	-	-	-	-								95		
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		63	5																
TOTAL (A+B)		1,301	100																

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1%	95%
CCA	0%	95%
WTR		
CE		41%
PPC		
BIO		

SUSTAINABILITY NOTES

OpEx, 2023

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
	Code(s) (2)	OpEx (3)	Proportion of OpEx, year 2023	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
Economic activities (1)																			
Unit		SEK m	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Acquisition and ownership of buildings	CCM 7/7	7	8	Y	N	N/EL	N/EL	N/EL	N/EL	–	Y	–	–	–	–	Y	11	–	–
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		7	8	8	–	–	–	–	–	–	–	–	–	–	–	–	11		
Of which Enabling		–	–	–		–	–	–	–	–	–	–	–	–	–	–	–	E	
Of which Transitional		–	–	–						–	–	–	–	–	–	–	–		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Acquisition and ownership of buildings	CCM & CCA 7/7	56	62	EL	EL	N/EL	N/EL	N/EL	N/EL							67			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		56	62	62	–	–	–	–	–							67			
A. OpEx of Taxonomy eligible activities (A.1+A.2)		63	70	70	–	–	–	–	–							78			
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		27	30																
TOTAL (A+B)		90	100																

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	8%	70%
CCA	0%	70%
WTR		
CE		
PPC		
BIO		

Nuclear and fossil gas related activities		
Row	Nuclear energy related activities	Yes/No
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

ASSURANCE REPORT SUSTAINABILITY

Auditor’s Limited Assurance Report
on Hufvudstaden AB (publ)’s Sustainability Report and statement
on the Statutory Sustainability Report

Unofficial translation

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

Introduction

We have been engaged by the Board of Hufvudstaden AB (publ) to undertake a limited assurance of Hufvudstaden AB (publ)'s Sustainability Report for the year 2023. The company has defined the scope of its sustainability report on pages 6–7, 28–35, 43–44 and 98–108 in this document. The statutory sustainability report is defined on pages 6–7, 28–35, 43–44 and 98 – 108.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 104 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Hufvudstaden AB (publ) has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommen-

dation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Hufvudstaden AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.


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

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, February 16, 2024
PricewaterhouseCoopers AB


Magnus Svensson Henryryson
Authorised Public Accountant

PROPERTY HOLDINGS

Rentable floor space, sq m														
Property designation	Address	Site area, sq m	Year of purchase	Year of construction redevelopment	Tax value 2023, SEK m	Office	Retail	Restaurants	Cinemas	Storage	Parking	Residential	Other	Total
STOCKHOLM BUSINESS AREA														
Kungsgatan Management Area														
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	548.0	4,960	1,808			174				6,942
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	637.0	6,403	1,341			1,464				9,208
Kåkenhusen 40	Brunnsgatan 1–9, Norrlandsgatan 29–33, Kungsgatan 4–10	4,934	1921/2011	1926/28/30/32/84/85/89/91	1,593.0	17,204	2,897	1,668		845				22,614
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 27–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,956.0	20,786	5,069			2,024	1,612		5	29,496
Total		11,830			4,734.0	49,353	11,115	1,668	–	4,507	1,612	–	5	68,260
Norrmalmstorg Management Area														
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	336.0	2,876	372	453		281	725			4,707
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	553.0	2,816	1,324	2,839		99				7,078
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	338.0	2,461	493	144		342				3,440
Norrmalm 2:63 ²⁾	Norrmalmstorg		1992	1993	20.4			194						194
Packarhuset 4 ^{1),3)}	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,414.0	11,204	3,654			499				15,357
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	1,287.8	7,811	3,889	499		75		192	1	12,467
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	286.0	1,895	750			28				2,673
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	277.0	1,618	809	474		2				2,903
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	713.0	4,874	1,441	375		272				6,962
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39/2007	1902/42/64/90/2002	1,032.0	7,938	2,047			500	812			11,297
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001/2020	1,617.0	10,966	1,682			384	737			13,769
Vildmannen 7 ^{1),4)}	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/2023	173.0	2,879	1,173			87		609		4,748
Total		17,663			8,047.2	57,338	17,634	4,978	–	2,569	2,274	801	1	85,595
West Management Area														
Achilles 1 ⁵⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th century/1974	205.0	3,774	460	240		484				4,958
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkog. 12	1,662	1923	1911/91	373.0	7,612	379	263		877				9,131
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	200.0	2,756				8				2,764
Medusa 1 ^{1),6)}	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	103.2	1,286	242	271		104		303		2,206
Orgelpipan 7 ⁷⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsg. 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	1,289.0	10,033	3,421	1,969		1,661	13,450		1	30,535
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	324.0	3,718	175		1,893	562	1,107			7,455
Total		12,075			2,494.2	29,179	4,677	2,743	1,893	3,696	14,557	303	1	57,049
Total, Stockholm Business Area		41,568			15,275.4	135,870	33,426	9,389	1,893	10,772	18,443	1,104	7	210,904

PROPERTY HOLDINGS

Rentable floor space, sq m														
Property designation	Address	Site area, sq m	Year of purchase	Year of construction redevelopment	Tax value 2023, SEK m	Office	Retail	Restaurants	Cinemas	Storage	Parking	Residential	Other	Total
NK BUSINESS AREA														
NK Management Area, Stockholm														
Hästen 19 ^{1),9)} and 20 ^{8),9)} , Spektern 14 ^{8),9)}	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	3,309.0	11,119	21,752	2,381		3,900			16	39,168
NK Management Area, Gothenburg														
Inom Vallgraven 10:9 ⁹⁾	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	695.0	4,861	9,998	591		983				16,433
Parkaden Management Area														
Hästskon 10 ^{1), 10)}	Regeringsgatan 47–55, Mäster Samuelsg. 29–33	4,921	1977	1964/95	473.6	884	1,043	715		11,523	21,514		1	35,680
Total, NK Business Area		18,316			4,477.6	16,864	32,793	3,687	–	16,406	21,514	–	17	91,281
GOTHENBURG BUSINESS AREA														
Gothenburg Management Area														
Inom Vallgraven 3:2 ¹¹⁾	Stora Nygatan 17, Lilla Drottninggatan 3	784	2016	1856/2022	65.0							1,239		1,239
Inom Vallgraven 12:10 ¹²⁾	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	255.2	10,393	3,278	589		914	1,275			16,449
Inom Vallgraven 12:11 ¹²⁾	Drottninggatan 50–52, Södra Hamngatan 45–47, Fredsgatan 2–4	2,138	1967/2010/11	1875/1929/30	148.2	1,823	1,709			393		779		4,704
Nordstaden 8:24	Postgatan 26–32 and 39–43, Nordstadstorget 2–8, Spannmålsgatan 19, Nils Ericsonsgatan 17, Götgatan 9–11, Köpmansgatan 28–34, Östra Hamngatan 26–28	12,678	1979/2013	1972/2005/11	3,030.0	36,979	24,046	1,615		3,569			56	66,265
Nordstaden GA:5 ¹³⁾	Nordstadstorget, etc.				334.8									–
Total, Gothenburg Business Area		19,757			3,833.2	49,195	29,033	2,204	–	4,876	1,275	2,018	56	88,657
TOTAL		79,641			23,586.2	201,929	95,252	15,280	1,893	32,054	41,232	3,122	80	390,842

¹⁾ The property is classified as being of cultural and historical importance.

²⁾ The property is a held on a lease.

³⁾ Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.

⁴⁾ The property was ravaged by a fire in 2017 and the reconstruction was completed in 2023.

⁵⁾ The property is a listed building.

⁶⁾ Owned by the subsidiary Fastighetsaktiebolaget Medusa.

⁷⁾ Orgelpipan 7 is a leasehold property. The annual ground rent is SEK 12.8 million, fixed until October 31, 2024. The tax value of the land is included to the amount of SEK 555.0 million.

⁸⁾ Hästen 20 and Spektern 14 are leasehold properties. The annual ground rent for Hästen 20 is SEK 3.6 million, fixed until April 30, 2032. The annual ground rent for Spektern 14 is SEK 1.4 million, fixed until September 30, 2025. The tax value of the land is included to the amount of SEK 70.0 million.

⁹⁾ Owned by the subsidiary AB Nordiska Kompaniet.

¹⁰⁾ Owned by the subsidiary AB Hamnsgatagaraget. Hästskon 10 is a leasehold property. The annual ground rent is SEK 4.4 million, fixed until August 31, 2024. The tax value of the land is included to the amount of SEK 137.3 million. Part of the rentable floor space is now included in the NK department store in Stockholm.

¹¹⁾ Owned by the subsidiary Gbg Inom Vallgraven 3-2 AB. After completion of the redevelopment, the property's rentable floor space is reported as residential.

¹²⁾ The property is part of the comprehensive Johanna block development project.

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 systems and emergency power supplies. The tax value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.

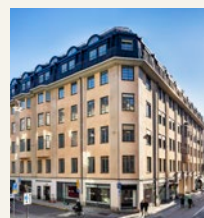
For maps and photographs, see pages 112–114.

PROPERTY HOLDINGS

Property holdings in Stockholm



Property/Construction year/Rentable space



1

BREEAM

Grönlandet Södra 11
Construction year: 1911
Rentable space:
9,131 sq m



4

MILJÖ BYGGNAD

Hästhuvudet 13
Construction year: 1919
Rentable space:
6,942 sq m

Property/Construction year/Rentable space



2

BREEAM

Svärdfisker 2
Construction year: 1851
Rentable space:
7,455 sq m

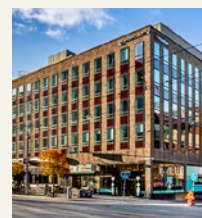


5

MILJÖ BYGGNAD

Oxhuvudet 18
Construction year: 1931
Rentable space:
29,496 sq m

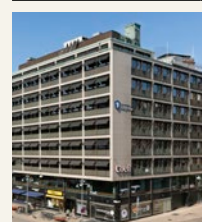
Property/Construction year/Rentable space



3

MILJÖ BYGGNAD

Orgelpipan 7
Construction year: 1964
Rentable space:
30,535 sq m



6

Järnplåten 28
Construction year: 1958
Rentable space:
9,208 sq m

PROPERTY HOLDINGS

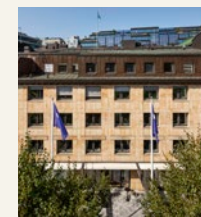
Property/Construction year/Rentable space



7

BREEAM

Kåkenhusen 40
Construction year: 1926
Rentable space:
22,614 sq m



10

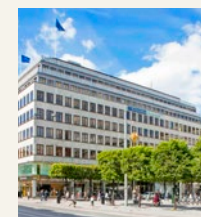
Kungliga Trädgården 5
Construction year: 1984
Rentable space:
2,764 sq m



12

BREEAM

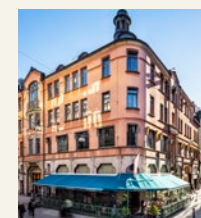
Kvasten 6
Construction year: 1917
Rentable space:
7,078 sq m



14

GreenBuilding

Packarhuset 4
Construction year: 1932
Rentable space:
15,357 sq m



16

Rännilen 11
Construction year: 1902
Rentable space:
2,903 sq m



17

Norrmalm 2:63
Construction year: 1993
Rentable space:
194 sq m

Property/Construction year/Rentable space



8

Hästskon 10
Construction year: 1964
Rentable space:
35,680 sq m



11

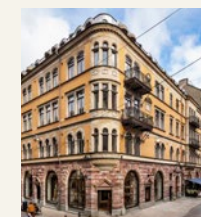
Vildmannen 7
Construction year: 1897/2023
Rentable space:
4,748 sq m



12

BREEAM

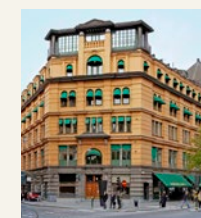
Kvasten 9
Construction year: 1978
Rentable space:
3,440 sq m



15

BREEAM

Pumpstocken 10
Construction year: 1865
Rentable space:
12,467 sq m



16

Rännilen 18
Construction year: 1888
Rentable space:
6,962 sq m



18

Medusa 1
Construction year: 1878
Rentable space:
2,206 sq m

Property/Construction year/Rentable space



9

BREEAM

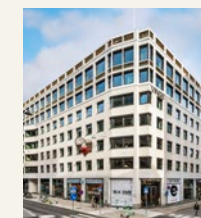
Hästen 19, 20 (NK)
Construction year: 1915
Rentable space:
39,168 sq m



12

BREEAM

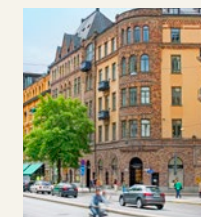
Kvasten 2
Construction year: 1987
Rentable space:
4,707 sq m



13

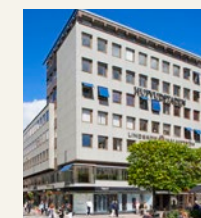
BREEAM

Skären 9
Construction year: 1984/2020
Rentable space:
13,769 sq m



16

Rännilen 8
Construction year: 1900
Rentable space:
2,673 sq m



16

Rännilen 19
Construction year: 1902
Rentable space:
11,297 sq m



19

Achilles 1
Construction year: 17th century
Rentable space:
4,958 sq m

PROPERTY HOLDINGS

Property holdings in Gothenburg



Property/Construction year/Rentable space



1

BREEAM
Nordstan 8:24
(Femman)
Construction year:
1972/2011
Rentable space:
45,056 sq m



3

Inom Vallgraven 12:11
Construction year:
1875/1929/30
Rentable space:
4,704 sq m

Property/Construction year/Rentable space



2

BREEAM
Nordstan 8:24
(Fyrn)
Construction year: 1972
Rentable space:
21,209 sq m



4

BREEAM
Inom Vallgraven 10:9
(NK)
Construction year: 1964
Rentable space:
16,433 sq m

Property/Construction year/Rentable space



3

Inom Vallgraven 12:10
Construction year: 1975
Rentable space:
16,449 sq m



5

Inom Vallgraven 3:2
Construction year:
1856/2022
Rentable space:
1,239 sq m

ADDRESSES

Hufvudstaden AB (publ)

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Registered office: Stockholm

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Group brands



Kv. JOHANNA



BIBLIOTEKSTAN

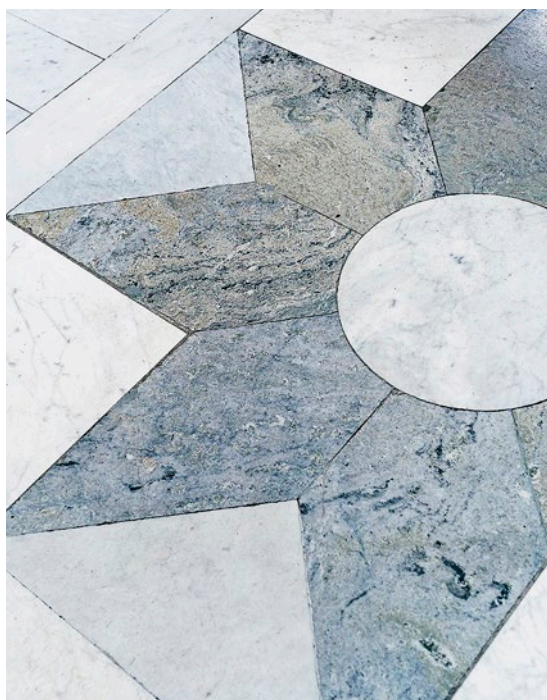
FREDSTAN
GOTHENBURG



THE QUARTER
FEMMAN
GOTHENBURG

nordstan

Production: Hallvarsson & Halvarsson in cooperation with Hufvudstaden. Photography: Maria Cruseman, Pao Duell, Erik G Svensson, OTW Anna Hållams/Sofia Sabel, Dan Sjunesson, Rebecka Bjurmel, Johannes Maxwelller, Anna Kuylenstierna.



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