

# HUFVUDSTADEN 2015





**BIBLIOTEKSTAN**

*Biblioteksgatan, Stockholm*

# Contents

Hufvudstaden 100 years .....	4
Year in brief .....	6
Hufvudstaden in summary .....	7
Business concept, objectives and strategies .....	9
Statement by the President .....	10
Property market .....	14
Shares and ownership .....	24
<i>Sustainability:</i>	
Sustainable enterprise .....	27
Customer relations .....	28
Environment .....	29
Employees .....	33
Property development .....	36
Stockholm City East Business Area .....	38
Stockholm City West Business Area .....	42
Gothenburg Business Area .....	46
<i>Formal financial statements:</i>	
Administration Report, including Corporate Governance Report .....	50
Income Statements with comments – Group .....	60
Balance Sheets with comments – Group .....	62
Changes in equity – Group .....	64
Cash flow statements with comments – Group .....	66
Parent Company with comments .....	68
Notes .....	70
Proposed distribution of unappropriated earnings .....	86
Auditors' Report .....	87
Board of Directors and Auditors .....	88
Senior Executives .....	90
Multi-year review – Group .....	93
Business areas in figures .....	94
Properties .....	96
Definitions and glossary .....	99
Annual Meeting and calendar .....	101
Addresses .....	102

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

*2015 was very much a year of celebration at Hufvudstaden. It was 100 years since Ivar Kreuger and his colleagues founded the Company, which after just two years became the largest privately owned property company in Sweden.*

*During the 100 years that have passed since then, Hufvudstaden has succeeded in surviving two world wars, depressions, a stock market crash, stringent political controls and, not least, the crisis that followed the Kreuger Crash of 1932.*

*The core of the Company's holdings has gradually shifted to office and retail properties in central locations in Stockholm and Gothenburg.*

*“A hundred years  
is a good start. „*

# Hufvudstaden 100 years



*During the Centenary Year, Hufvudstaden continued to work on consolidating the Company's brand. Activities included customer meetings and breakfast meetings as well as city walks between the Company's properties. Not to mention the festivities held to mark such an auspicious anniversary.*



*At the 2015 Annual Meeting, particular attention was drawn to the Company's Centenary Year. In addition to the regular annual meeting business, the shareholders and others in attendance had the opportunity to hear an exciting account by author Johan Erséus of Hufvudstaden's first one hundred years, along with a highly interesting slide presentation.*



*The Anniversary Book not only presents the Company's exciting history and development but also takes a look at the current situation at Hufvudstaden along with a glimpse into the future.*



*Hufvudstaden's centenary was highlighted at a number of locations. On a vibrant Times Square in New York, Hufvudstaden was congratulated by Nasdaq.*

# Year in brief

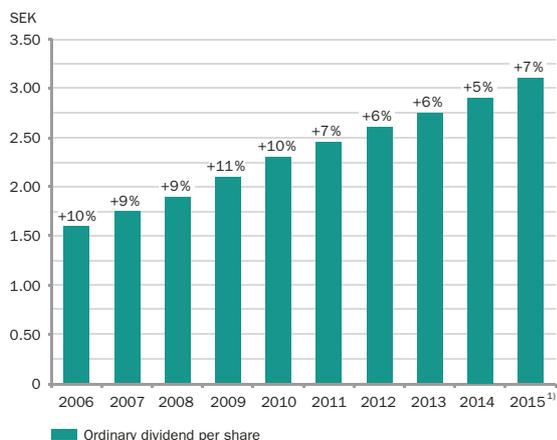
- Profit for the year before tax increased by SEK 1,928 million and totalled SEK 4,449 million (2,521). The increase can be attributed to higher unrealized changes in the value of the property holdings.
- Gross profit from property management amounted to SEK 1,144 million (1,145). The decrease can be attributed mainly to higher gross rents counteracted by the increased cost of vacant space, maintenance and additional staff.
- The profit for the year after tax totalled SEK 3,470 million (2,001), equivalent to SEK 16.82 per share (9.70).
- The Board proposes an increase in the dividend to SEK 3.10 per share (2.90).
- The fair value of the property holdings at the year-end was SEK 31.7 billion (27.8), resulting in a current net asset value of SEK 118 per share (100).
- The rental vacancy level at the year-end was 4.5 per cent (5.6). Excluding current development projects, the rental vacancy level was 3.2 per cent (5.2).



## Financial summary (SEK m)

	2015	2014
Net revenue, property management	1,611	1,596
Gross profit, property management	1,144	1,145
Changes in value	3,438	1,523
Operating profit	4,572	2,650
Profit for the year	3,470	2,001
Net profit from current operations	788	778
Fair value, properties, SEK bn	31.7	27.8
Rental vacancy level, %	4.5	5.6
Net loan-to-value ratio, properties, %	16.7	18.6
Interest coverage ratio, multiple	9.1	8.5

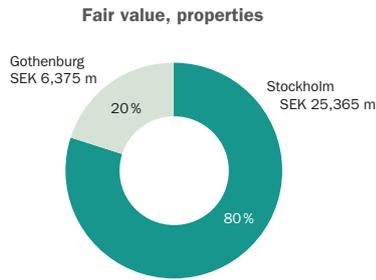
## Dividend growth



## Gross profit and net revenue



# Hufvudstaden in summary



Hufvudstaden has been operating as a property company in Stockholm for 100 years and in Gothenburg for 60 years. The current holdings comprise 28 properties, all of which are located in the most central parts of the two cities. At the end of 2015, the fair value of the properties totalled SEK 31.7 billion.

Management of the Company's commercial holdings is split between three business areas. The office tenants are to be found in sectors such as banking, finance, law, IT, media and recruitment. Store tenants include the whole range, from well-known international brands to Swedish retail chains. The Group also includes the wholly owned subsidiary AB Nordiska Kompaniet, which owns the NK brand and has department stores in Stockholm and Gothenburg.

## Vision and aim

Hufvudstaden's vision is to be consistently perceived as, and prove to be, the

most interesting and vibrant property company in Sweden and its aim is to have the most satisfied customers in the industry. In order to measure this, we take part in the annual *Fastighetsbarometern* survey, in which we have been ranked first six times in the past ten years. We focus on providing our customers

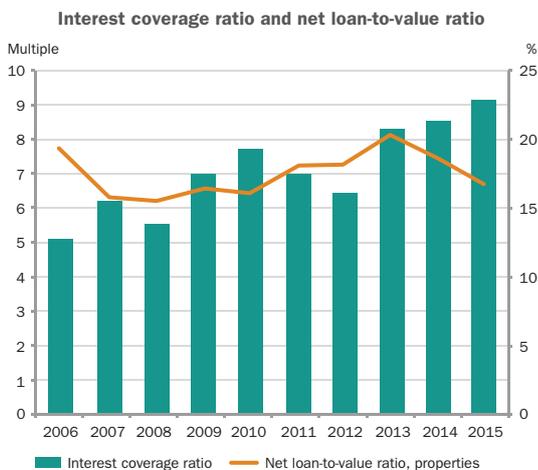
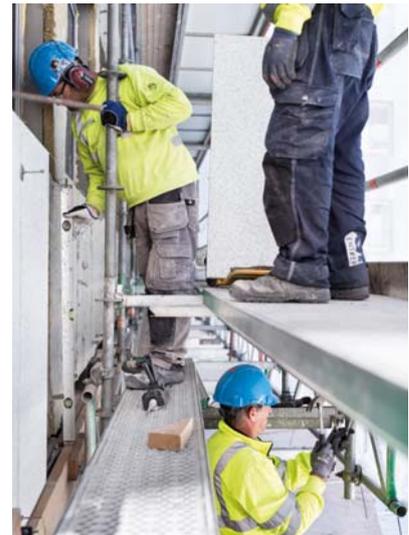
earning capacity. The intensified focus on development projects will take place without losing sight of long-term thinking and quality in the management process. We will continue to achieve our financial objectives and in doing so generate a good return over time with limited risk for the shareholders.

*“The intensified focus on development projects will take place without losing sight of long-term thinking and quality in the management process.”*

with a high level of service that necessitates close collaboration with our tenants. All the properties are within walking distance of our offices and we have our own staff who look after and maintain the properties.

## Sustainable development

Sustainability work at Hufvudstaden involves assuming long-term responsibility, regardless of whether the focus is on financial development or on environmental and social issues. We are well positioned for the future with holdings concentrated in two of the foremost growth regions in Sweden. Hufvudstaden has a solid financial position, with a low loan-to-value ratio and good





# REGERINGSGATAN

*Stockholm*

# Business concept, objectives and strategies

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

## Vision

Hufvudstaden will be consistently perceived as, and prove to be, the most interesting and vibrant property company in Sweden.

## Business concept

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

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

- gradually increase profit from current operations.

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

## Strategies to achieve the objectives

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

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

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

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

## Fulfilment of objectives

### Financial objectives

- According to a proposal by the Board, the share dividend will be SEK 639.4 million, equivalent to 81 per cent of the net profit from current operations.

- The equity ratio at the end of 2015 was 61 per cent.

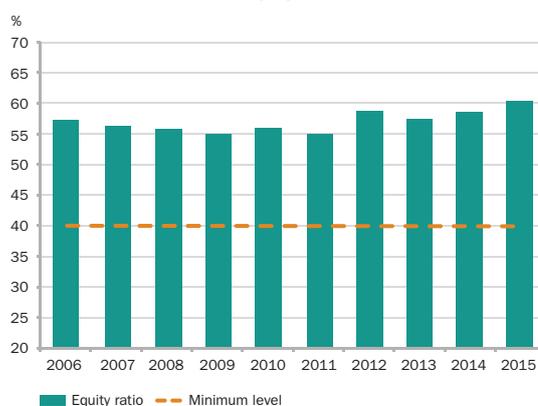
### Operating objectives

- Net profit earned from current operations increased by just over 1 per cent during the year.
- Hufvudstaden takes part in the annual *Fastighetsbarometern* survey to determine the level of customer satisfaction among office tenants. In this year's survey, we once again came out top.
- During the year, Hufvudstaden developed its existing property holdings. Extensive upgrading is in progress in the Femman Shopping Precinct, which is due to be completed in 2017. On the Härbärgat block, detailed planning work has taken place to reinforce retail operations and create new offices. In addition, around 38,000 square metres of floor space have been adapted for new and existing tenants.
- The Company is included in the Attractive Employer Index produced by the Institute of Human Resource Indicators. We scored highly, particularly in the *Low absenteeism due to illness* category and in the *Number of managers per working area* category.

Net profit and dividend share



Equity ratio



# Statement by the President

## **Centenary Year 2015**

Hufvudstaden's 100th anniversary has given us reason to look back with great pride on what previous generations at Hufvudstaden have achieved. Hufvudstaden has grown into an extremely vibrant company, characterized by innovative thinking and a spirit of optimism and ambition. We are striving to incorporate quality and long-term thinking into every aspect of our operations and our strong financial position will allow us to invest in the future with all the resources at our disposal.

Our first 100 years have provided us with an excellent foundation for future growth and development at Hufvudstaden, creating an even more successful company that will make a vital contribution to urban development in both Stockholm and Gothenburg.

## **A world that is difficult to judge**

The situation in the world at present is extremely difficult to judge. Global geopolitical and economic uncertainty has been compounded by instability in the Middle East, the war in Syria and an escalation of terrorist activity worldwide. In the wake of this turmoil and instability, Europe and Sweden have been faced with a massive influx of migrants. This is exerting considerable pressure on cooperation within the EU and on the leaders and the economies of the various European countries. Question marks hanging over growth in China have also fuelled uncertainty regarding global economic trends. At the same time, the US and UK economies have strengthened and economic recovery in the eurozone has continued.

The Swedish economy is fundamentally solid. Growth in 2015 was around 4 per cent and is forecast to remain on the same level in 2016. Employment has also increased, matched by strong consumption. Inflation has continued to be low, resulting in the Swedish Central Bank cutting the key rate on a few

occasions. The key rate is currently at an unprecedented low level of -0.35 per cent.

Despite uncertainty in the world, Hufvudstaden's position is strong with good development potential in Stockholm and Gothenburg in the years to come.

## **Positive situation in Stockholm and Gothenburg**

Our properties are located in two of the most rapidly growing regions in Europe. Planned infrastructure investments in Stockholm and Gothenburg will con-



tinue to facilitate expansion in the future. Tourism – both domestic and international – is expanding in the two regions and will have a positive impact on consumer spending.

There is considerable demand in both cities for high-quality premises in prime locations. The office market in the Stockholm CBD is firm with vacancy levels below 4 per cent and rising rent levels, which are approaching SEK 6,000 per square metre. In the Gothenburg CBD, the situation is very similar. The vacancy levels are at a record low of around 4 per cent and office rents have risen to around SEK 3,000 per square metre. The shortage of modern, flexible office space in the city centre is benefiting

Hufvudstaden's properties, which offer excellent scope for development.

## **Historically strong property market**

Interest in the Swedish property market has remained solid among Swedish and international investors. The total transaction volume was almost SEK 150 billion, one of the highest annual figures ever recorded. A positive rental market, extremely low interest rates, good access to capital and a lack of alternative investment opportunities have led to falling yield requirements with rising property values as a result.

Despite very few prime location properties coming onto the market in Stockholm and Gothenburg, interest in acquiring properties continued to be very strong, forcing yield requirements down to historically low levels. In the Stockholm CBD, the yield requirement fell below 4 per cent and in Gothenburg the level was only marginally higher. Such low levels have never been seen in Gothenburg previously.

Hufvudstaden's property holdings were valued at the year-end at SEK 31.7 billion (27.8), up 14 per cent on the previous year. The increase can be attributed mainly to falling yield requirements and rising rent levels. The net asset value

at the year-end was SEK 118 per share and the share price was SEK 119.90.

## **Bibliotekstan and NK continue to attract**

Consumption in Sweden rose during the year by almost 6 per cent. The rise can be explained by wage rises in real terms, low interest rates, good employment growth and an increase in tourism.

Our long-term investment in Bibliotekstan is continuing to attract high-end Swedish and international brands. Both Prada and Michael Kors expanded their floor space during the year and in 2016 Chanel will open a store on Birger Jarlgatan. Sales revenue in Bibliotekstan is increasing and several prominent brands

are looking to establish operations in the area. We have also noted growing interest in our marketplace in Gothenburg among international brands.

NK Stockholm and NK Gothenburg have reported positive growth for a number of years with a record turnover for the past three years. 2015 was yet another record-breaking year, closing at SEK 3.3 billion – up 9 per cent on 2014.

#### **Intensified project investment**

The basis of our operations is property management, good service, proximity to the customer and a high level of quality in everything we do. This is something we intend to maintain. We will also develop property holdings via projects and over time this will increase the Company's profitability and generate significant value.

This work has been intensified and we have identified projects in both Stockholm and Gothenburg totalling approximately SEK 3 billion. In the current market the yield estimate is higher for projects than for acquisitions, making projects even more important in the quest for profitability. The organization has been strengthened with the establishment of a business development unit, which is charged with the task of initiating and managing commercial projects. Several major projects have been in progress in Gothenburg during the year – in Nordstan, at NK and on the Hårbärg block.

Our assessment is that over the next 5–10 years we can invest SEK 4–6 billion, including acquisitions, and yet still retain a strong balance sheet and a low level of risk for the Company.

#### **Responsible enterprise**

The long-term thinking that characterizes Hufvudstaden is unique and our sustainability programme is an integral part of our operations, regardless of whether the focus is on financial development or on environmental and social issues.

During the year we produced a code of conduct intended for internal and external use. It describes how we, our suppliers and our partners should act as representatives of Hufvudstaden in order to ensure that confidence in us remains high.

*“Our first 100 years have provided us with an excellent foundation for future growth and development at Hufvudstaden.”*

During the 2000s, our energy use decreased by approximately 20 per cent despite the fact that more people are spending more time in our properties. Carbon emissions from our operations over the past five years have fallen significantly, primarily as a result of the transition to green electricity and lower energy use. One property was certified during the year according to the *Miljöbyggnad* system and several green lease agreements were signed.

For the second year in succession, Hufvudstaden came out top in the *Fastighetsbarometern* Satisfied Customer Survey – tangible evidence of the fruitful, long-term relationships that have been developed with our tenants.

Hufvudstaden shares have been approved for investment in the Swedbank Robur Sustainability Funds. We have also emerged as the foremost Nordic property company in the international climate survey conducted by CDP (Carbon Disclosure Project). To maintain transparency in sustainability issues we have for several years opted to prepare a sustainability report according to Global Reporting Initiative guidelines.

#### **Results for the year**

Hufvudstaden can report stable growth in current operations. The gross profit was SEK 1,172 million (1,164).

There has been a positive outcome from rent negotiations with an increase of approximately 6 per cent. Rental vacancy levels have fallen gradually and at the year-end amounted to 4.5 per cent (excluding vacant space related to projects of 3.2 per cent). We have signed several major lease agreements with good rent levels and long lease terms and the full impact of these new leases will be felt in 2016. The pre-tax profit was SEK 4,449 million (2,521), which can be attributed to a positive change in value of the property holdings amounting to SEK 3,427 million (1,709).

#### **2016 and the future**

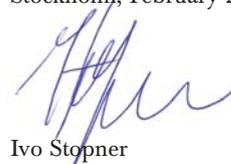
Our business concept has been tried and tested, our long-term thinking is well certified and the considerable commitment among our employees is genuine. We will be alert to external influences and at the same time continue along the path we have set with an unrelenting level of ambition and a consistent desire to be even better at what we do.

In 2016 we will focus on improving profits from current operations and increase the rate at which our projects materialize. Property acquisitions in Stockholm or Gothenburg are being sought that complement existing holdings and further acquisitions cannot be ruled out should the opportunity arise.

We have experience from 100 years of property management in Stockholm and more than 60 years in Gothenburg. External uncertainty is not something that we have any control over but we know our markets and our properties are located in two of the most dynamic regions in Europe. This is something that we will capitalize on as it would be difficult to find better conditions in which to work and develop. I am very positive about the short-term and long-term development of Hufvudstaden.

Finally, I would like to extend my sincere thanks to all the highly capable and committed employees at Hufvudstaden for their valuable work during 2015.

Stockholm, February 2016



Ivo Stopner  
*President*



# HAMNGATAN

*Stockholm*

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# Property market

In line with continued geopolitical instability, a slowdown in the Chinese economy and falling commodity prices, the global economic trend in 2015 was somewhat faltering. The uncertainty surrounding the Chinese economy came in the wake of the latest statistics, which not only revealed a slowdown but also underlying uncertainty regarding the published figures. The ensuing financial unrest led to a downturn in the financial markets during the late summer. On the other hand, domestic demand generally remained strong, which had a positive impact on both the service sector and the retail sector.

Despite gathering storm clouds, the eurozone economy recovered during the year. This can be attributed in part to low oil prices and the low value of the euro. Germany, the largest economy in the eurozone, continued to report stable growth despite a fall in external demand and the backlash from the Volkswagen emissions scandal. Former crisis-hit countries such as France and Italy reported moderate growth. Expansion in the US and UK economies has continued to be strong with a growth rate of around 2.5 per cent.

The aggressive monetary policy applied by the central banks failed to help countries meet their inflation targets. This can be explained by the downward

pressure on prices stemming from the rise in globalisation and digitalisation, coupled with falling oil and commodity prices.

During 2015, the Swedish economy strengthened and GDP growth was approximately 4 per cent. This can be compared with an annual growth rate of around 2 per cent during the 2000s. Growth was driven primarily by private consumption, service production and housing investments, mainly in the city regions. The number of people in work rose and the unemployment rate fell marginally. As in many countries in Europe, the rate of inflation remained around zero.

During the year Europe felt the effects of a large-scale influx of migrants at levels not seen since the Second World War. The number of new arrivals in Sweden increased to such an extent during the autumn that the government was forced to take special measures to deal with the situation. Although taking care of migrants has a positive impact on economic growth as, among other things, it leads to higher public consumption, it also increases the budget deficit in the public sector and presents challenges on the housing and labour markets.

In summary, the financial trend in 2015 had a positive effect on the Swedish property market. Interest rates and levels

of vacant space continued to be low whilst market rents increased. Together with falling yield requirements this resulted in rising property prices.

## Hufvudstaden's sub-markets

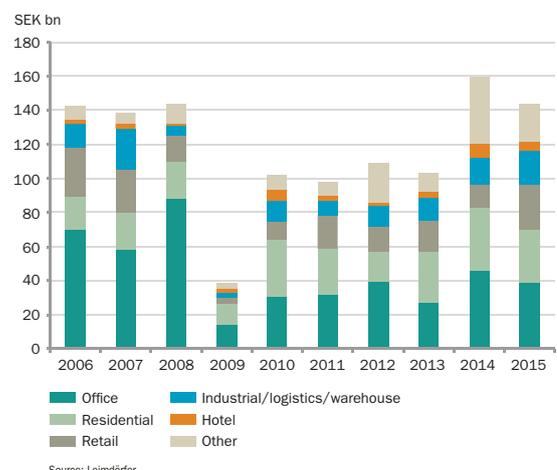
Hufvudstaden owns and manages 24 properties in Stockholm and four properties in Gothenburg. In both cities the properties are located in the most attractive and most central areas. The property holdings are commercial and house modern, high-quality, office and retail space in which successful companies can carry on their business operations.

There is a high level of economic activity in both Stockholm and Gothenburg. According to the Statistics Sweden gross regional product (GRP) figures, growth in Greater Stockholm during the period 2001–2013 was 2.9 per cent per annum and in Västra Götaland, which is slightly larger in area than Greater Gothenburg, the figure was 2.2 per cent. This can be compared to the GDP growth figure for the country as a whole of 1.9 per cent during the same period. The high rate of growth in Greater Stockholm can be attributed in the main to a very prominent service sector, including property, finance, IT, communications and corporate services. According to Statistics Sweden, the service

Transaction volume in Sweden per investor category



Transaction volume in Sweden according to type of property





**KUNGSGATAN**  
*Stockholm*



# KUNGSGATAN/SVEAVÄGEN

*Stockholm*

sector employs around 29 per cent of the working population. Gothenburg is undergoing a transformation from what was in the past a distinctly industrial city towards a more diversified industrial and commercial base. The service sector currently employs around 21 per cent of the working population, which is higher than the national average, which currently stands at 19 per cent.

**Largest property owners in the Stockholm CBD**

	Rentable floor space sq m
Vasakronan	363,000
Hufvudstaden	267,000
AMF Fastigheter	264,000
Diligentia	128,000
SEB Trygg Liv	102,000
Pembroke Real Estate	91,000
Ramsbury	88,000

Source: Leimdörfer

The population of Greater Stockholm is 2.2 million and during the past 10 years it has increased by approximately 18 per cent compared to the national figure of around 9 per cent. The population of Greater Gothenburg has increased by approximately 12 per cent during the past decade and currently stands at around 1 million. The forecast shows that the rapid population growth in both cities will continue.

It is interesting to note how the GRP per inhabitant has developed. GRP is a key indicator of economic growth and the most recent figures from Statistics Sweden show that Greater Stockholm has the highest GRP per inhabitant of all the regions in Sweden with a figure of around SEK 570,000. In Västra Götaland the figure is around SEK 400,000, which is roughly on a par with the national average. The increase since the turn of the century is approximately 50 per cent in both regions, similar to the figure for Sweden as a whole.

Tourism is becoming increasingly important to the Swedish economy and in particular in the city regions. The most recent statistics published by the Swedish Agency for Economic and Regional Growth/Statistics Sweden show that tourism in Sweden generated revenue of almost SEK 270 billion in 2014, an increase of around 5 per cent compared to 2013. Accumulated since 2000, revenue from tourism has risen by around 80 per cent. Although the statistics cannot be broken down to the regional level, figures for the number of hotel nights in Greater Stockholm and Greater Gothenburg show an increase of around 25 per cent during the period 2008–2014. This is twice the figure for the country as a whole and preliminary

statistics for 2015 show that this positive trend is set to continue. Greater Stockholm and Greater Gothenburg increased by 10 per cent and 9 per cent respectively compared to 2014, which is slightly higher than the national average.

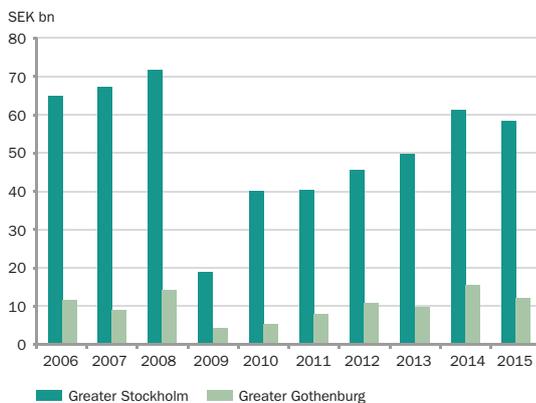
Investment in the infrastructure is required to cope with a rising population. The Swedish Transport Administration has produced a national plan for the transport system for 2014–2025, which was adopted in spring 2014. The plan reveals investments in excess of SEK 520 billion, of which more than SEK 280 billion will be spent on developing the transport system. The spread of investment throughout the country has yet to be decided although it is stated specifically that the city regions, and in particular Stockholm and Gothenburg, will be prioritized.

**Largest property owners in the Gothenburg CBD**

	Rentable floor space, sq m
Vasakronan	271,000
Wallenstam	135,000
Hufvudstaden	104,000
Platzer	72,000
Balder	68,000
Bygg-Göta Göteborg	67,000
Castellum	52,000

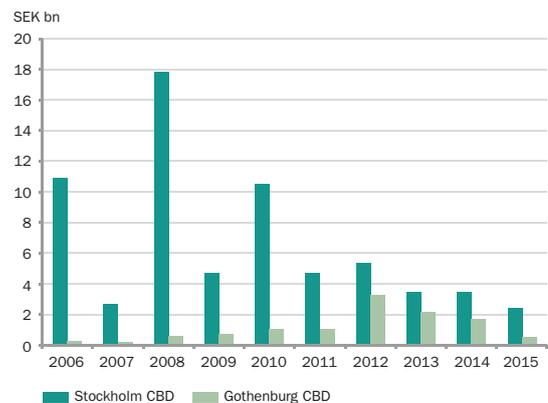
Source: Leimdörfer

**Transaction volume in Greater Stockholm and Greater Gothenburg**



Source: Leimdörfer

**Transaction volume in the Stockholm CBD and Gothenburg CBD**



Source: Leimdörfer



The national infrastructure projects in Stockholm include the highly debated road project *Förbifart Stockholm*; 21 kilometres in length, of which 18 kilometres are in the form of a tunnel. The road will link the southern and northern parts of Stockholm and will ease the pressure on Essingeleden and the inner city. The estimated cost of the investment is around SEK 30 billion. Another major national project is the planned expansion of the underground system in Stockholm with new lines to Nacka, Barkarbystaden and Arenastaden.

In Gothenburg the largest investment is the West Sweden Agreement, which comprises the Marieholm Tunnel and the West Link rail tunnel under central Gothenburg, which also includes three stations. The estimated cost of these two projects is almost SEK 25 billion.

The office market in the inner-city areas of Stockholm has more than 5 million square metres of floor space, of which around 1.8 million square metres are within the CBD. The CBD in Stockholm is made up of the area around the Central Station, Norra Bantorget, Hötorget, Stureplan, Norrmalmstorg, Kungs-

trädgården and Sergels Torg. Hufvudstaden is the second-largest property owner in the Stockholm CBD with rentable floor space for all types of premises totalling 267,000 square metres.

In the Gothenburg area there are approximately 3.3 million square metres of office space, of which around 0.9 million square metres are located in the Gothenburg CBD. Hufvudstaden is the third-largest commercial property owner in the Gothenburg CBD with rentable floor space for all types of premises totalling 104,000 square metres.

A comparison with other major listed property companies reveals that Hufvudstaden's holdings are among the most concentrated, both in terms of type and geographical location.

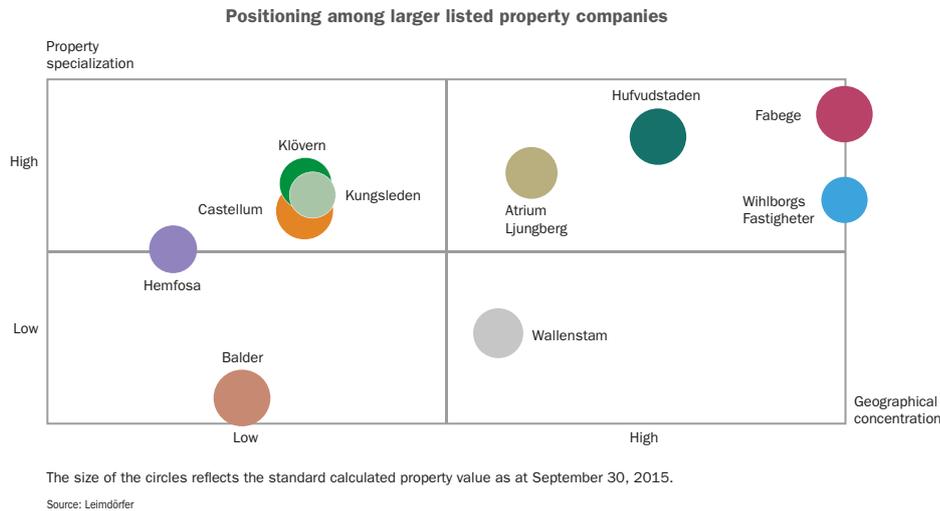
#### Investor market

Considerable interest has been shown by Swedish and international investors in acquiring properties. This can be explained by good financing potential on a highly efficient capital market, low interest rates and an attractive yield in relation to other investment options. Consequently, the property market remained strong in 2015. The transaction

volume during the year was high and totalled almost SEK 150 billion, which is on a par with the record volumes noted in the past. Low-risk properties, such as offices in prime locations as well as residential property, continued to account for a large proportion of the total transaction volume. The low number of available properties in prime locations has induced investors to turn their attention to potential acquisitions in more secondary areas where transaction activity increased during the year.

It was mainly Swedish investors, including institutions, listed property companies and private property investors and property funds, that were behind the majority of the property acquisitions. International operators have become more active and accounted for around 30 per cent of the transaction volume in 2015 compared to around 20 per cent the previous year.

The highest level of activity was noted on the Stockholm and Gothenburg markets, where revenue totalled SEK 58 billion and SEK 12 billion respectively. The corresponding figures for the previous year on these two sub-markets were SEK 61 billion and SEK 16



billion. There was considerable interest in acquiring properties in the Stockholm CBD but availability was low. One of the few completed transactions in the CBD was the purchase of Stockholm Waterfront by KLP Fastigheter. The property houses a hotel with 414 rooms and a convention centre with 14,000 square metres of floor space. The seller was DNB Liv and the purchase sum was SEK 1.75 billion. The biggest trans-

action of the year in the Stockholm inner-city area took place in Södermalm when AMF Fastigheter acquired the Fatbursjön 10 office property from Aareal Bank AG. The property has been adapted for new tenants and comprises approximately 46,000 square metres. The transaction was completed at an underlying property value of approximately SEK 3.1 billion, equivalent to around SEK 67,000 per square metre. Even in the Gothenburg CBD there were few completed transactions due to limited availability. Just outside the CBD, Balder acquired the PARK49/Heden 47:3 office property. The property is under construction and is due to be completed in 2016 with total floor space of around 7,500 square metres. The purchase sum was SEK 418 million, equivalent to SEK 55,000 per square metre.

The high demand for prime location office and retail properties in the Stockholm CBD and Gothenburg CBD continued during 2015. This has resulted in a fall in yield requirements, which

for modern office and retail properties in the Stockholm CBD was between 3.75 and 4.25 per cent at the end of 2015 and in the Gothenburg CBD between 4.00 and 4.50 per cent.

### Rental market in Stockholm

#### Offices

There was strong growth on the Stockholm office market in 2015. Vacant space continued to be low and falls were noted in a number of the submarkets. As a result of increased employment and the limited availability of modern, space-efficient offices, which are in greatest demand on the market, market rents in the CBD rose during the year. In Bibliotekstan and the other most attractive parts of the CBD market rents were noted of between SEK 4,400 and SEK 5,800 per square metre per year, excluding the property tax supplement.

In recent years a small number of large bank and insurance company tenants decided to relocate outside central Stockholm and one or two more will follow suit within the next couple of years. As a result of these changes, the property owners concerned will make extensive investments in these properties.

#### Market rents, December 2015 (excluding the property tax supplement)

Stockholm	Offices, SEK/ sq m per year	Stores, SEK/ sq m per year
Bibliotekstan/NK	4,800 – 5,800	14,000 – 23,000
Rest of CBD	4,400 – 5,800	4,000 – 13,000
Östermalm	2,800 – 4,700	3,000 – 10,000
Gamla Stan	2,800 – 3,500	2,500 – 5,000
Södermalm	2,400 – 3,600	2,500 – 6,000
Kungsholmen	2,400 – 4,000	2,000 – 8,000
Liljeholmen	2,000 – 2,600	2,000 – 6,000
Globen	1,800 – 2,700	3,500 – 6,000
Arenastaden	2,200 – 2,700	3,000 – 10,000
Kista	1,900 – 2,500	4,000 – 10,000
<b>Gothenburg</b>	<b>Offices, SEK/ sq m per year</b>	<b>Stores, SEK/ sq m per year</b>
Inom Vallgraven	2,200 – 3,000	6,000 – 14,000



This will lead to an upgrading of the office holdings in the CBD, making them even more modern and space-efficient. Within the projects, major office lease agreements were signed during the year and a certain proportion of the vacated office space will be converted for hotel and residential use. The letting level is high in the projects, which are scheduled for completion during the period 2016–2019.

Both current and future investments aimed at refurbishing older office premises to create modern, space-efficient offices are considered to be positive for the rental market in the CBD. These

investments, together with a low level of new construction, are tending to push up demand for offices in both new and traditional sectors. The upgraded property holdings in the CBD will allow the market rent per square metre to be raised while at the same time the rental cost per employee can be reduced.

The limited availability of large, cohesive office premises in the Stockholm CBD is having a positive impact on Hufvudstaden, as the Company's property holdings in the area are concentrated. Hufvudstaden's long-term strategy is to own and develop a group of high-quality properties containing modern

office premises, preferably made up of complete blocks that allow tenants to expand within the existing holdings.

The level of vacant space during the year was 3–4 per cent (4–5) in the CBD, 2–3 per cent (1–2) in Gamla Stan and 3–5 per cent (3–5) in the inner city areas, i.e. Södermalm, Kungsholmen, Vasastan/Norrmalm and Östermalm/Gärdet.

#### Stores

The retail trade reported positive growth in 2015. According to the retail trade index DHI, sales at current prices increased by 5.7 per cent compared to 2014. The sale of durable goods rose by

7.1 per cent and the same percentage rise was noted in clothing sales. This positive trend has meant that demand during the year for well-located retail premises in the most central sub-markets in Stockholm continued to be high. Vacant space in prime locations was virtually non-existent and in other areas space arose primarily as a result of temporary or permanent relocations. This space was filled relatively quickly by new tenants. The overall result is maintained or slightly higher rent levels.

Several property owners in central Stockholm, where Hufvudstaden is a major operator, are working actively to develop and reinforce city centre retail trade by establishing new, exciting brands. Hackett, Stone Island and Elvine opened new stores in Bibliotekstan in 2015. Together with the new Michael Kors flagship store these will further reinforce Bibliotekstan as the foremost fashion destination in Stockholm. One of the world's largest fashion houses, Chanel, has also signed a lease to begin operating in the area. The store is due to open in spring 2016. In Gallerian, located on Hamngatan, diagonally opposite the NK department store, changes are being made in conjunction with the redevelopment of large sections of the block. On Hötorget, the PUB department store has been closed down, paving the way for conversion into a hotel with new stores and restaurants on the ground floor.

The most sought-after retail areas are in Bibliotekstan and on Hamngatan, Kungsgatan and Drottninggatan. Biblio-

tekstan and the NK department store together have the distinction of being the most exclusive store locations. Rents for prime retail space in these areas are between SEK 14,000 and SEK 23,000 per square metre per year, excluding the property tax supplement.

### Rental market in Gothenburg

#### Offices

The office rental market in Gothenburg developed positively during 2015. Modern, efficient prime-location office space has been in greatest demand although floor space of this nature is relatively limited in Gothenburg. This has resulted in rising market rents, which for these types of premises are between SEK 2,200 and SEK 3,000 per square metre per year, excluding the property tax supplement.

Hufvudstaden is working unremittingly to develop the properties and the biggest projects include the Härbärgat block, located on Fredsgatan and occupying a prime city location. Extensive plans are in place for the whole block, eventually resulting in ultramodern office premises where efficient use can be made of the floor space.

The prime office locations in central Gothenburg are considered to be the Inom Vallgraven areas, particularly areas near Östra Hamngatan, Västra Hamngatan, Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungportsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Vacant space in the Gothenburg CBD was around 4 per cent (3–4) at the end

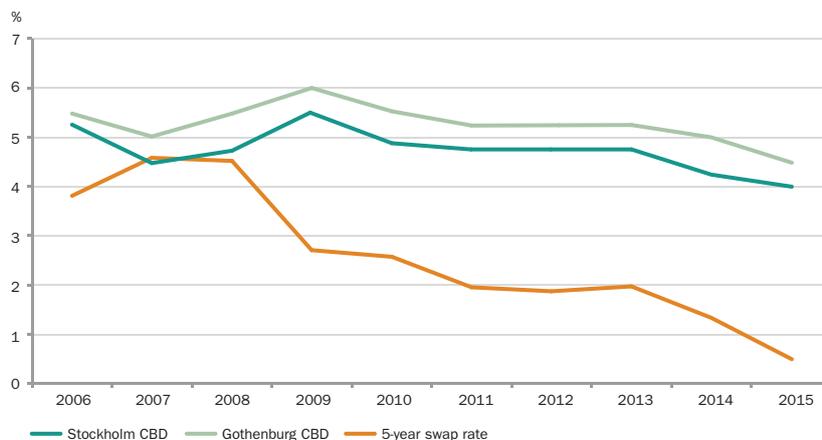
of the year. As in Stockholm, Hufvudstaden owns properties in Gothenburg that are centrally located in the very heart of the city.

#### Stores

The continued positive development of the retail trade has resulted in maintained or slightly increased market rents for stores in Gothenburg. Hufvudstaden has a strong presence in central Gothenburg, including the Femman Shopping Precinct, which is currently undergoing a total upgrade of its store environment. The project will be completed in stages through to 2017. The first new stores were opened during the year and include Odd Molly, Rituals and Five Five Nails. In one of the properties on the Härbärgat block, located on Fredsgatan, Hufvudstaden is running a store project that is due to be finalized in 2016. A lease agreement has also been signed with Michael Kors – its first store in Gothenburg. Other parts of the Härbärgat block will be developed over the coming years, allowing Hufvudstaden to benefit further from the strong inner-city retail sector in Gothenburg.

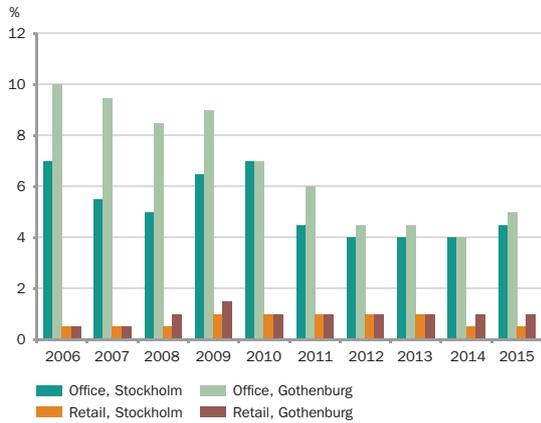
The prime locations for stores in central Gothenburg are considered to be Östra Nordstan, Fredsgatan and Kungsgatan between Östra Hamngatan and Västra Hamngatan. Rents for prime retail space in these locations were between SEK 6,000 and SEK 14,000 per square metre per year, excluding the property tax supplement.

Yield requirement, Stockholm CBD and Gothenburg CBD



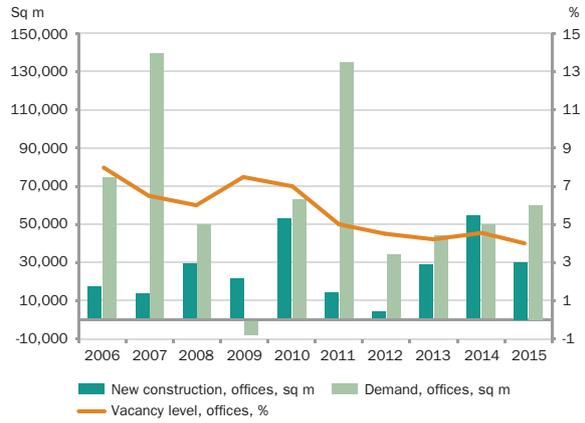
Source: Leimdörfer

**Vacant office and retail space in prime locations**



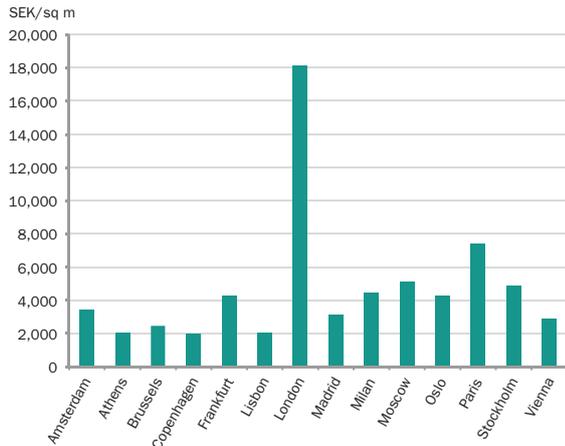
Source: Newsec

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



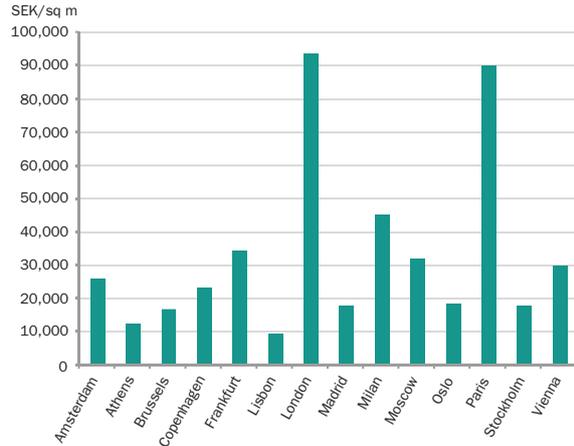
Source: Newsec

**Office rents in European cities, December 2015  
Premises in prime locations**



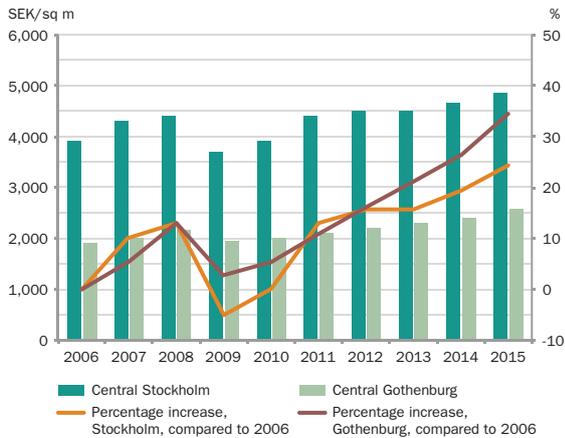
Source: Newsec

**Store rents in European cities, December 2015  
Premises in prime locations**



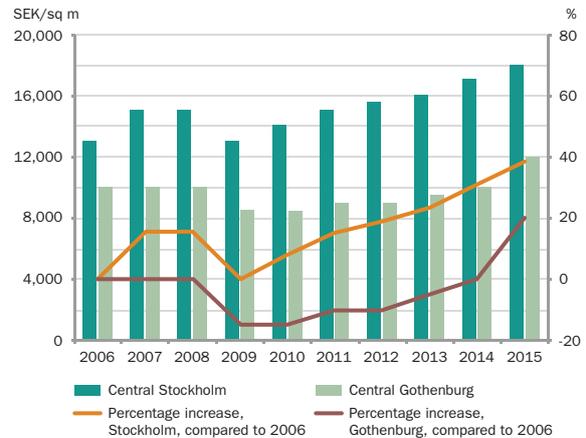
Source: Newsec

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



Source: Newsec

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



Source: Newsec

MEMBER  
Nothing wrong with being a square  
Nothing wrong with thinking  
THE BOX A square  
in your inner THOUGHTS &  
rest words  
Keep your CLOSEST FRIENDS near  
Home The art of bookbinding can  
YOUR LIFE  
MEMORABLE

NICOLE

**DROTTNINGGATAN**  
*Stockholm*

# Shares and shareholders

## Share capital

Hufvudstaden AB was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a nominal value of SEK 100. At the end of 2015, the share capital amounted to SEK 1,056.4 million with a par value of SEK 5 per share.

## Share structure

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

The Articles of Association include what is termed a conversion provision.

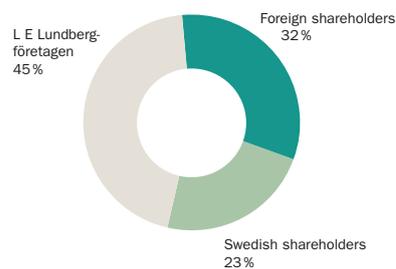
This means that the holders of series C shares are entitled, if they wish, to request conversion of their series C shares into series A shares. No such conversion took place during the year.

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

## Shareholder structure

The number of shareholders at the year-end was 20,622. The largest shareholder was L E Lundbergföretagen AB with 45.3 per cent of the outstanding shares and 88.1 per cent of the votes. The second largest was State Street Bank and Trust with 6.2 per cent of the outstanding shares and 1.3 per cent of the votes.

## Ownership structure



Source: Euroclear Sweden

As at December 31, 2015, institutions and companies with holdings of 100,000 shares or more held 179,916,834 shares, equivalent to 87.2 per cent of the total number of outstanding shares and 96.5 per cent of the votes. Of these, 58 were Swedish institutions and companies, which together held 119,299,631 shares, equivalent to 57.8 per cent of the outstanding shares and 90.6 per cent of the votes. There were 112 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 60,617,203 shares, equivalent to 29.4 per cent of the outstanding shares and 5.9 per cent of the votes. In addition, five Swedish private individuals each held more than 100,000 shares. The number of shareholders increased during

## Ownership structure as at December 31, 2015

	Number of shareholders	Number of issued shares	Proportion of shareholders, %	Proportion of shares, %
1 - 999	16,757	3,345,947	81.3	1.6
1,000 - 9,999	3,254	7,383,845	15.8	3.5
10,000 - 99,999	436	13,142,200	2.1	6.2
100,000 -	175	182,393,941	0.8	86.3
	20,622	206,265,933	100.0	97.6
Hufvudstaden		5,006,000		2.4
<b>Total</b>		<b>211,271,933</b>		<b>100.0</b>

Source: Euroclear Sweden

## Largest shareholder groups as at December 31, 2015

	Serie A shares	Serie C shares	Total number of shares	Outstanding shares, %		Issued shares, %	
				Capital	Votes	Capital	Votes
L E Lundbergföretagen	85,200,000	8,177,680	93,377,680	45.3	88.1	44.2	87.6
State Street Bank and Trust	12,871,319	0	12,871,319	6.2	1.3	6.1	1.2
JP Morgan Funds	9,517,447	0	9,517,447	4.6	0.9	4.5	0.9
Citibank	6,750,620	0	6,750,620	3.3	0.7	3.2	0.7
NTC Wealth	6,031,518	0	6,031,518	2.9	0.6	2.9	0.6
SEB Funds	4,349,942	0	4,349,942	2.1	0.4	2.1	0.4
BNP Paribas	4,024,836	0	4,024,836	2.0	0.4	1.9	0.4
Länsförsäkringar	3,618,536	0	3,618,536	1.7	0.3	1.7	0.4
APG	3,242,658	0	3,242,658	1.6	0.3	1.5	0.3
Other shareholders	62,383,993	97,384	62,481,377	30.3	7.0	29.5	7.0
Outstanding shares	197,990,869	8,275,064	206,265,933	100.0	100.0	97.6	99.5
Hufvudstaden	5,006,000		5,006,000			2.4	0.5
<b>Total number of issued shares</b>	<b>202,996,869</b>	<b>8,275,064</b>	<b>211,271,933</b>			<b>100.0</b>	<b>100.0</b>
Votes (excl. own holdings)	197,990,869	827,506,400	1,025,497,269				
Votes (incl. own holdings)	202,996,869	827,506,400	1,030,503,269				

Source: Euroclear Sweden

the year by 1,064. The proportion of foreign ownership remained unchanged during the year at 32.1 per cent of the outstanding shares.

**Buy-back of shares**

Since the Annual Meeting in 2003, the Board has had the mandate of the Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the Company. The mandate was renewed at the 2015 Annual Meeting. At the end of the year, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the issued shares. No shares were bought back during 2015.

**Market capitalization and trading**

At the end of 2015, Hufvudstaden's total market capitalization was SEK 26,036

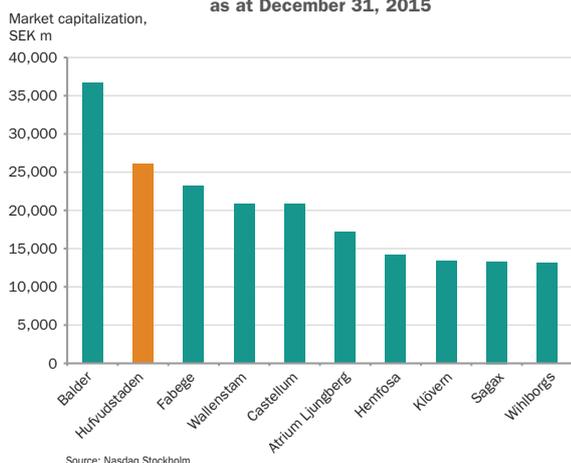
million. The yield was 2.6 per cent based on the stock market price as at December 31, 2015. During the year, 170 million shares were bought and sold, equivalent to 83 per cent (68) of the outstanding shares. The rate of turnover in relation to the shares available for trading, what is termed free float, was 151 per cent (124). On average, 687,000 Hufvudstaden shares were traded on each trading day (562,000). Since the introduction of the EU's MiFID, trading in Swedish shares is taking place to an increasing extent on marketplaces other than Nasdaq Stockholm. During 2015, 59 per cent (58) of Hufvudstaden's shares were traded outside the Stockholm Stock Exchange, e.g. Bats 32 per cent, Boat 6 per cent, LSE 12 per cent, and Turquoise 6 per cent. The graph below

shows the price trend and trading in Hufvudstaden's series A shares during the year.

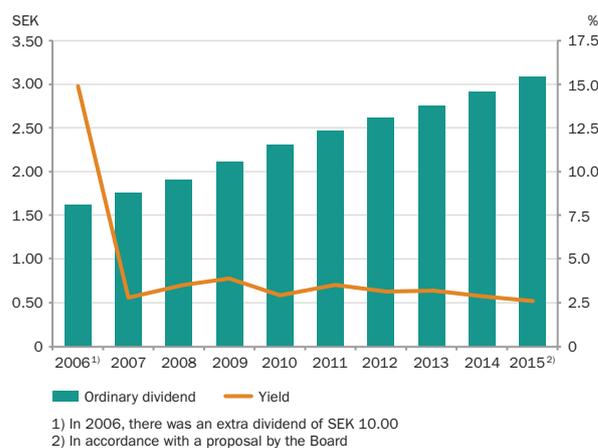
**Dividend**

Hufvudstaden shares will have good dividend growth over time and the dividend will be more than half the net profit from current operations unless investments or the Company's financial position in general justify a deviation. A dividend of SEK 3.10 per share is proposed for 2015, equivalent to 81 per cent of the net profit from current operations. (See Definitions, page 99, Dividend).

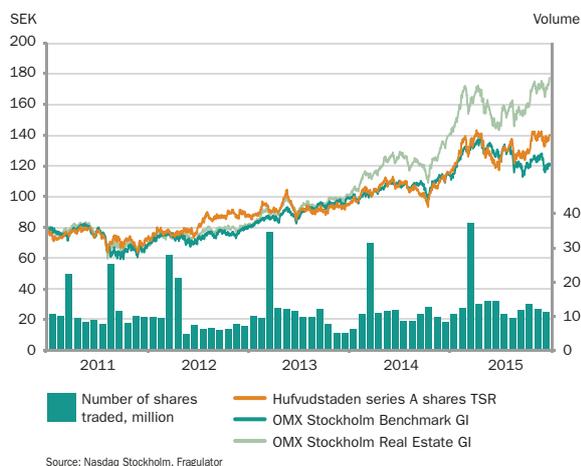
Ten largest listed property companies as at December 31, 2015



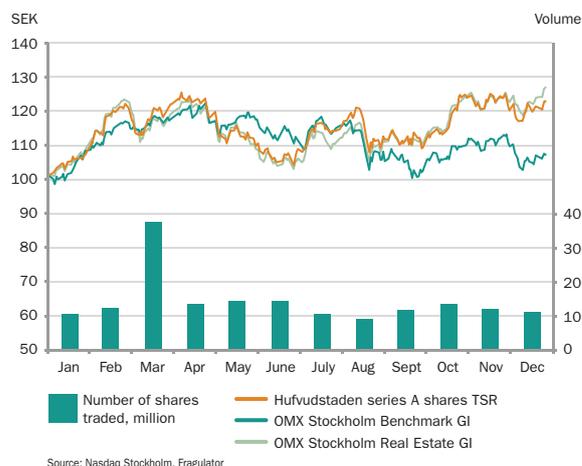
Dividend and yield



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



Share price trend, including dividend, and trading during 2015 in relation to Stockholm Benchmark GI and Stockholm Real Estate GI





# REGERINGSGATAN

*Stockholm*

# Sustainable enterprise

The Hufvudstaden sustainability programme entails assuming long-term responsibility with regard to financial, environmental and social development. By working on our values and strategies, a good basis can be created for achieving our sustainability objectives, which include reducing energy use and mitigating climate impact.

The task of launching and implementing a Code of Conduct has been one of the major sustainability projects during the year. The Code of Conduct is a means of clarifying that operations should be carried on in an ethically, socially and environmentally responsible manner. Our sustainability programme is run in compliance with the principles laid down in the United Nations Global Compact.

In response to requests from the tenants, we built new waste sorting rooms in five of our properties during the year. The new rooms will make it easier for our tenants to sort waste and increase the level of sorting. Energy use has been reduced by 7 per cent, which can be attributed in part to the milder weather conditions but also to our strategic endeavour to reduce energy use in our properties.

Hufvudstaden participates in a number of sustainability surveys, including CDP (Carbon Disclosure Project) where this year we have emerged as one of the foremost publically listed property companies in the Nordic region. Our environmental work has also been analyzed and this has resulted in Hufvudstaden shares being approved for investment by the Swedbank Robur Sustainability Funds.

As one of the largest property owners in Stockholm and Gothenburg we have been involved in a number of projects to develop the cities. Together with the City of Stockholm and other property owners around Norrmalmstorg, we have run and co-funded the renewal of the square, including improvements to the pedestrianized areas.

## STAKEHOLDERS

### Stakeholder dialogue

Hufvudstaden has identified five main stakeholder categories – tenants, employees, shareholders, suppliers and society – with whom we conduct a continuous dialogue. During last year's stakeholder dialogue, the core sustainability aspects outlined below were defined. The table

presents the stakeholders' key issues and the activities that we conducted during the year within these specific areas.

### Core sustainability aspects

The materiality analysis forms the basis for the information in the Company's Sustainability Report. The purpose of the analysis is to identify prioritized sustainability aspects based on the actual impact generated by the Company, the Company's objectives and the stakeholders' expectations of the Company. The result is a weighing together of conclusions from the stakeholder dialogue and from our in-house process. The following are the reporting areas that are considered most essential:

- Business ethics
- Customer relations
- Suppliers
- Energy use
- Climate impact
- Waste management
- Attractive employer

## BUSINESS ETHICS

Our success is largely dependent on the responsibility assumed by the Company and the employees, which is fundamental

Stakeholder	Key issues	Form of dialogue	Stakeholder's expectations	Activities during the year
Tenants	<ul style="list-style-type: none"> <li>• High level of service</li> <li>• Energy use</li> <li>• Climate impact</li> <li>• Waste management</li> <li>• Social responsibility in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Satisfaction Survey</li> <li>• Regular meetings with tenants</li> <li>• Newsletter</li> <li>• Green leases</li> </ul>	<ul style="list-style-type: none"> <li>• Run sustainability projects and activities</li> <li>• Act as a long-term property owner and offer a high level of service</li> </ul>	<ul style="list-style-type: none"> <li>• New waste sorting rooms</li> <li>• More bicycle storage rooms</li> <li>• Reduced energy use</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Competence development</li> <li>• Leadership</li> <li>• Working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Appraisal discussions</li> <li>• Employee satisfaction surveys</li> <li>• Conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Stable, long-term employer with good terms and conditions of employment</li> <li>• Good working environment with opportunities for personal development</li> <li>• Promote sustainability issues in the industry</li> </ul>	<ul style="list-style-type: none"> <li>• A new Code of Conduct implemented and staff trained</li> <li>• Work commenced on the redevelopment of our own offices</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>• Develop communication around sustainability issues</li> <li>• Assume increased social and ethical responsibility within the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Meeting</li> <li>• Analyst meetings</li> <li>• Annual Report</li> <li>• Quarterly reports</li> <li>• Investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Develop sustainability communication</li> <li>• Greater focus on suppliers regarding social and ethical issues</li> </ul>	<ul style="list-style-type: none"> <li>• A new Code of Conduct has been implemented</li> <li>• Sustainability demands on suppliers have been developed</li> <li>• Participated in surveys, including CDP</li> <li>• Shares have been approved for investment by the Swedbank Robur Sustainability Funds</li> </ul>
Suppliers/ partners	<ul style="list-style-type: none"> <li>• Clear, consistent requirements regarding business ethics and the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Agreements</li> <li>• Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Clearer and more consistent demands on suppliers</li> <li>• Seminars and training related to sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Examination of suppliers in accordance with set demands</li> <li>• Implemented a new Code of Conduct</li> </ul>

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

- Hufvudstaden plays an active role in Building Products Assessment (BVB) and has been a member of the board for a number of years.
- Hufvudstaden is a member of Sweden Green Building Council and is also a member of the committee for the Swedish certification system *Miljöbyggnad*.
- Hufvudstaden is a member of the Non-Residential Premises Orderer Group (BELOK) which involves collaboration between the Swedish Energy Agency and 19 of the largest commercial property owners in Sweden.
- Hufvudstaden is one of the members of the working group *City of Stockholm Forum for Sustainable Properties*. The aim is to exchange experience in order to speed up the introduction of energy-efficient, eco-friendly solutions in the property industry.

to the confidence in us shown by external parties. In order to clarify our responsibility and the way we act towards tenants, employees, investors and suppliers, a Code of Conduct has been implemented. The Code of Conduct is based on our values and sets out how we take into account ethical, social and environmental considerations in our operations. It also describes how we, our suppliers and our partners ought to act as representatives of Hufvudstaden.

The Code of Conduct stipulates the manner in which stakeholders can expect Hufvudstaden employees to behave but also what we expect of our suppliers and partners. When the Code of Conduct was introduced, an analysis was made of our supplier procurement process and our sustainability stipulations. When the Code of Conduct was launched, all employees at the Company attended a training programme dealing with the Code as well as Hufvudstaden's values and the importance of good business ethics. All new employees undergo an induction programme where the Code of Conduct and sustainability work are central elements.

### CUSTOMER RELATIONS

The Company's vision is to be consistently perceived as, and prove to be, the most interesting and vibrant property company in Sweden with the aim of having the most satisfied customers in the industry. Service and the way we treat

customers are the cornerstones for realizing the Company's business concept. Hufvudstaden has focused for many years on providing a high level of service for its customers with the aim of helping them to be even more successful in the work they carry on in our properties.

During the year we launched the 'turnkey office concept'. The concept centres on offices that are ready to move into and with furniture, infrastructure and services already in place. We will continue to develop this product as we feel it offers considerable short-term and long-term potential.

Quality and long-term customer relations are also among the most important Hufvudstaden cornerstones. We will do everything in our power to

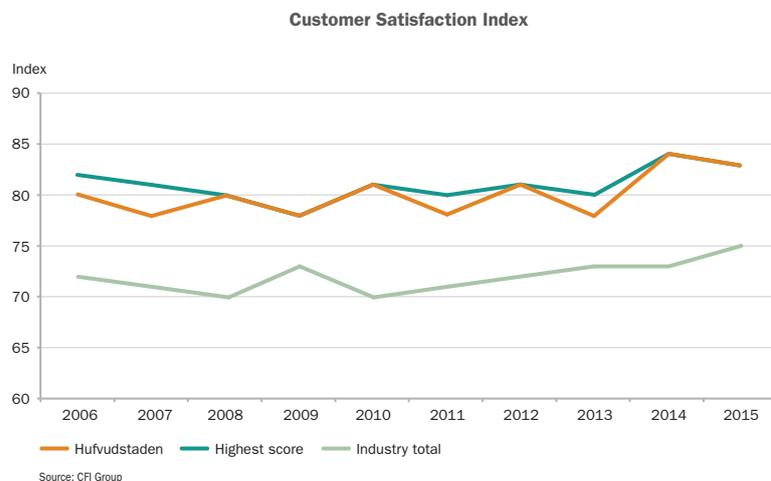
ensure that customers feel secure and satisfied with their premises and that as a property owner we meet current and future needs.

### Customer Satisfaction Index

As in previous years, Hufvudstaden has come out top in *Fastighetsbarometern*, the property industry's satisfied customer survey. The Company has now topped the list four times during the past six years and we have been consistently in the top three ever since the survey began in 1997. The survey reveals how office tenants perceive the premises, the degree of tenant satisfaction and loyalty and the level of service provided by the property owner. The results are tangible evidence that the Company's strategies support our highly ambitious aims. The areas that the tenants consider to be Hufvudstaden's greatest strengths are the central location of our properties, the capacity to deal with matters rapidly, the level of service and the fact that we are reliable, secure and stable.

### SUPPLIERS

Hufvudstaden is dependent on suppliers and contractors, primarily for the operation of our properties and for building projects. We have noted that the main sustainability risks are to be found in property development projects and in the purchasing process in our operating organization. The risks are related mainly to the environment, working environment, terms and conditions of employment and corruption, and to address





these risks we have implemented stricter demands in conjunction with procurement and follow-up within these areas.

In day-to-day operations, Hufvudstaden uses its own staff and project operations are run by its own project managers. They procure and control the contracts to ensure that our strict demands regarding quality, business acumen, long-term thinking and the environment are adhered to alongside compliance with current legislation. In our projects we demand that the consultants' and contractors' choice of building products has been environmentally examined, that waste from building projects is sorted at source and that em-

ployment conditions satisfy regulatory stipulations. To improve the expertise of our contractors with regard to the natural environment, the working environment and social conditions, we brought in a number of external consultants during the year. The consultants audited selected projects to ensure that both in-house and official requirements were satisfied. The audits revealed good results but also potential for improvement in areas such as waste management, choice of materials and control of subcontractors.

The working environment is a particular priority as building and maintenance sites could be laden with risks. Working environment issues permeate our construction projects and they are addressed all the way from initial planning through to completion of the building work. Our own project managers are regularly on site to ensure that our internal rules and the rules laid down by the authorities are followed. Everyone who works on behalf of Hufvudstaden, regardless of the employer, must have working conditions and a working environment that as a minimum comply with current legislation.

## ENVIRONMENT

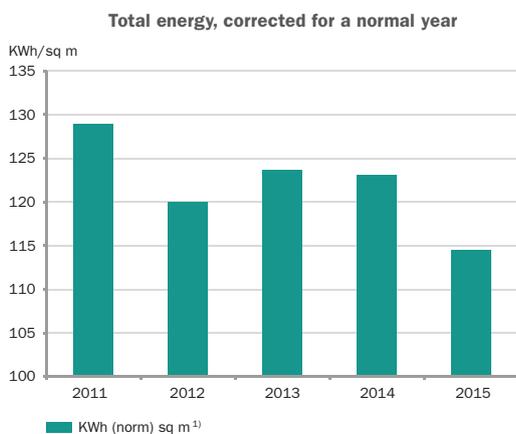
### Energy use

The property sector accounts for around 40 per cent of energy use in society. As a property company, reducing the use of energy and increasing the use of renewable energy are among the most highly prioritized environmental issues. Since 2001 we have reduced our energy

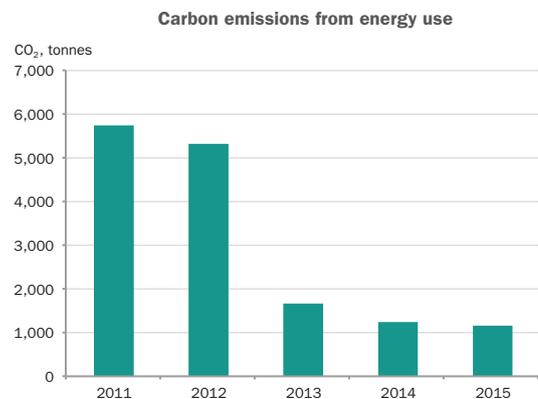
use by more than 20 per cent, equivalent to the energy used by 1,400 modern detached houses during the course of a year. This reduction could be achieved despite longer opening hours in the stores and the fact that a growing number of tenants have office landscapes with more persons per square metre. In 2015, energy use fell by around 7 per cent, which is well above our target of 3 per cent. This can be explained in part by a relatively cold summer but also the fact that our long-term energy efficiency work is beginning to produce results. We have worked over a long period to improve energy efficiency in our properties, with responsibility resting with each operating manager. If Hufvudstaden's energy used for heating is compared with the Statistics Sweden figures for non-residential premises, it can be noted that our use is approximately 65 per cent lower than the average.

A large project in the Orgelpipan 7 property was completed during the year and involved replacement of a cooling system and a fan unit. The new facility is expected to cut energy use by around 30 per cent. A large number of minor projects were also carried out with the aim of reducing energy use in our properties and included heating, ventilation, cooling and lighting.

There has been a rise in the number of electric vehicles out on the roads with a corresponding rise in the demand for charging points. To meet the demand we installed a number of charging points for electric vehicles in the Parkaden multi-storey car park during the year.



1) Comparable holdings, excluding electricity used for business operations



### Climate impact

Reducing energy use and thus our climate impact is a priority for us. In 2015 our climate impact fell by 7 per cent. The climate impact from our operations over the past five years has fallen by more than 80 per cent. This can be attributed largely to the fact that we have switched to origin-labelled waterpower, what is termed green electricity, and the fact that the production of district heating now takes place with a lower proportion of fossil fuels compared to previous years. The reduction can also be explained by the fact that our energy use has been reduced. Continued climate impact mitigation will take place mainly through further improvements in energy efficiency and as a result of district heating generation gradually switching to a higher proportion of renewable energy sources.

### Choice of materials

It is frequently the case that each tenant wants to make their mark and bring their own style to the premises, which means tenant adaptation is commonplace. In order to adapt to the various wishes and demands and create sustainable premises, it is important as a property owner to build solutions that are flexible and sustainable over time. This can be achieved by choosing a design

and level of functionality and quality where there is less risk of replacement with a change of tenant. To reduce overall energy use, we promote innovative thinking and energy-efficient technology when choosing products. When we make an environmental assessment of construction products we use the BVB system, which is the property industry's own environmental assessment database.

### Waste management

Sorting waste at source is a sustainability issue that has been prioritized by us and our tenants. During the year we continued to expand the sorting facilities for our tenants with new waste sorting rooms in five properties where sorting can take place into 12 fractions. Communal sorting rooms open up the opportunity to improve the efficiency of the sorting process and the introduction of more fractions, but also to coordinate in such a way that the amount of transport to and from the properties is reduced.

An analysis of two of our blocks that have had a waste sorting system in place for both stores and offices reveals that the proportion of sorted waste is approximately 50 per cent. Hufvudstaden's target is to reduce the total volume of waste and ensure that as much waste as possible is recycled or reused.

### Green leases

Green leases reinforce collaboration with the tenants and create conditions that allow us to continue to develop our environmental work.

A green lease is an annex to the normal lease. The signing of the lease means that the tenant and Hufvudstaden establish an action plan with measures that will contribute to a better environment. During 2015, 10 or so green leases were signed. A green lease provides an opportunity to conduct an ongoing dialogue on environmental issues and create a sustainable strategy for reducing energy use and other key measures.

### Environmental certification

During the year the Håsthuvudet 13 property was certified according to the Swedish *Miljöbyggnad* classification system. With *Miljöbyggnad*, an independent survey is carried out to ensure that the building satisfies energy, indoor environment and material requirements. Certification is based on Swedish building regulations, official regulations and Swedish building practice.

Oxhuvudet 18 and Orgelpipan 7 have already been certified according to *Miljöbyggnad* and Packarhuset 4 and the Femman building have been certified according to the EU GreenBuilding labelling system.

### Sustainability objectives

Objectives 2015 and 2016	Outcome 2015	Comments
Improve energy efficiency by 3 per cent per year.	7 per cent	This can be explained in part by a relatively cold summer, with the result that cooling requirements were limited, but also the fact that our long-term work on improving energy efficiency is having an effect.
Reduce Hufvudstaden's carbon emissions by 5 per cent per year.	7 per cent	The reduction can be attributed largely to the fact that use of district heating was lower during the year.
A top place in the <i>Fastighetsbarometern</i> annual customer satisfaction survey.	First place	During the past six years, we have come out top on four occasions and we have consistently been among the top three companies ever since the survey began in 1997.
Continued development of quality and environmental work.	Yes	During the year we implemented a new Code of Conduct.
Further environmental certification of the properties.	Yes	The Håsthuvudet 13 property was certified according to <i>Miljöbyggnad</i> .
Reduce the proportion of unsorted waste.	Yes	We built new waste sorting rooms during the year at five of our properties.
Provide Hufvudstaden's tenants with guidance on how to sort their waste.	Yes	The tenants were informed about waste sorting during the year.
Develop communication with our tenants regarding energy and environmental issues.	Yes	Several tenants have signed green leases. A green lease gives us the opportunity to maintain an ongoing dialogue on environmental issues and create a sustainable strategy for reducing energy use and other key measures.

# NORDSTAN

*Fyran, Gothenburg*



# HUFVUDSTADEN



**Stéphane Kylenfelt Zoltak**  
*CRM and Digital Development Manager at NK.*

**Karin Svensson**  
*Head of Communications and Profiling at NK.*



**Caroline Stjernberg**  
*Assistant Property Manager, NK Stockholm.*

## EMPLOYEES

### Organization

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

A large number of development projects are in progress in Stockholm and Gothenburg and to meet requirements the organization was reinforced during the year with new staff within business development and property development and management. One of our success factors is the capacity to handle the majority of our operations in-house.

Employees per working area



### Value-driven corporate culture

Our core values are quality, honesty, attentiveness and commitment. These values are the most important means at our disposal in the task of managing and controlling our operations to achieve the Company's vision and objectives and to ensure due observance of our corporate social responsibility. They are also the basis of Hufvudstaden's corporate culture. They involve delivering quality in everything we do, listening actively both internally and externally, being honest with ourselves and in our dealings with others and being committed to our work. Our aim is for each employee to bear in mind the importance of quality, service and long-term thinking in all

matters, both large and small. The same line of thinking can be found in our Code of Conduct, in which ethics and morals are further core elements.

### Attractive employer

Our ambition is that Hufvudstaden should be an attractive employer and that our employees should feel proud of the Company. To measure how we are perceived as an employer, we make use of the Attractive Employer Index produced by the Institute of Human Resource Indicators. A number of key indicators are compared to those at other companies, both within and outside the industry. Hufvudstaden has achieved high scores in the surveys in recent years. Particularly high scores were recorded in the *Low absenteeism due to illness* category and in the *Number of managers per working area* category.

As mobility on the labour market is increasing, we are focusing firmly on ensuring that we continue to be, and are perceived to be, an attractive employer. Hufvudstaden offers stimulating duties, good potential for development and a variable remuneration system in the form of a bonus. During interviews with our employees a number of factors emerged at Hufvudstaden that were regarded by employees as being particularly important. These included the opportunity to work together with expert colleagues and that Hufvudstaden is an employer that lives up to its values and adopts a long-term approach in its work. The opportunity to work with attractive, centrally located properties was a further aspect that employees appreciated.

### Working environment

Hufvudstaden is a workplace characterized by a strong sense of commitment among employees. The whole of 2015 has been permeated by this, particularly

during our centenary celebrations in which our employees were very much involved.

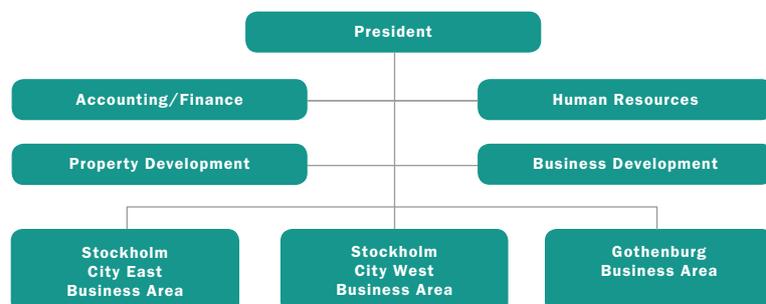
All employees in the Group meet at the annual staff conference in order to share experiences and increase the feeling of affinity and belonging. The theme for this year's staff conference, and also for the management conference, was workplace development. As part of this process we embarked on a project during the year to redevelop our own offices in Stockholm and Gothenburg.

We are careful to ensure a good working environment, both physically and psychosocially. All employees are covered by collective agreements. We work in compliance with the diversity policy, which states how we strive to promote diversity and equality and counteract discrimination within the organization. All employees are offered an equal opportunity to develop and unfounded salary differences are counteracted. In-house communication takes place via an active intranet and at regular staff meetings. Our staff manual was updated during the year and has been developed into an employee and management handbook, ensuring that our employees and managers have easy access to information.

The working environment is being developed continuously through a specially appointed working environment group made up of representatives from various parts of the organization. The group is divided into three working areas: working environment, health and job satisfaction. All three groups are charged with the task of reviewing and presenting proposals for measures and promoting development within each specific area.

### Healthy employees

Hufvudstaden adopts a preventative approach to health through regular health



checks and massage at the workplace. All employees are covered by health insurance, which ensures rapid, qualified care in the event of illness. We offer an annual health and fitness allowance, which a large number of our employees take advantage of. To ensure a low level of absenteeism due to illness, we encourage physical activity, both at work and outside work. Examples of activities run during the year include the Bellman Relay, Spin of Hope and the Hufvudstaden ski trip. Absenteeism due to illness in 2015 was 2 per cent.

### Career and development

Our ambition is to retain and develop talented employees. Taking on new challenges gives employees the opportunity to grow within the Company and at the same time acquire broader knowledge of the Company's different working areas. Our aim is to as far as possible fill vacant positions on all levels by recruiting from within the Company.

### Employee development

Over the past 10 years the average period of employment at Hufvudstaden has been nine years and the figure for 2015 was seven years. We regard the fact that our employees choose to stay with us for many years to be a result of focusing on the correct issues in different areas, including employee development. All new employees are offered a comprehensive induction programme, which includes both a general part and a part specific to

Key figures 2015	Total	Men	Women
Employees, number <sup>1)</sup>	111	66	45
Managers, number <sup>1)</sup>	28	19	9
Average age, year <sup>1)</sup>	41	42	41
Staff turnover, %	10	13	7

1) As at December 31.

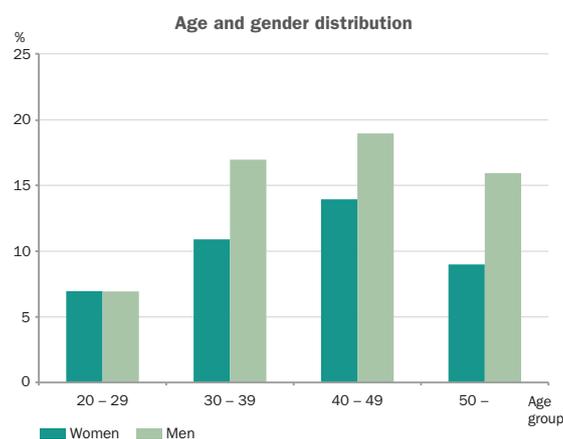
the person's position. We also have a day allocated specifically for all new employees where a number of our managers take part and speak on various issues, including the Company's values, business concept, objectives and strategies. Our annual appraisal discussions cover goals and achievement of goals as well as skills development and similar matters. An individual activity plan is then drawn up for the coming year.

### Leadership development

We are a company with a large number of managers, the majority of whom are responsible for relatively small groups. This is a model that we believe in and statistically it is strongly linked to a high degree of job satisfaction and a low level of absenteeism due to illness. Being able to continuously identify and develop employees with leadership qualities is a prioritized area within the Company. Hufvudstaden focuses consciously on giving younger employees the opportunity at an early stage to grow into the role of leader. We have four leadership criteria at Hufvudstaden: courage, inspirational conduct, forward-thinking and acting as a role model. These criteria function as our watchwords in the day-to-day life of the managers. It is also these criteria that form the starting point when we look at the development of our managers and the results they achieve. Each year we arrange an annual management conference where the participants have the opportunity to share experiences and discuss leadership. We also run a management training programme for new managers.

### Employees of the future

To facilitate future recruitment needs, Hufvudstaden builds up relations with students. Each year we offer them the opportunity to take up a placement, both during the time they are studying and after they graduate. We also arrange a special day for students at the Royal Institute of Technology. There is considerable interest in these activities and the evaluation reveals that the majority of students could envisage working for Hufvudstaden in the future. This can also be seen in the Recruitment Barometer run by the property journal *Fastighetsnytt*, where each year we have moved higher and higher up the list. This year we are in fifth place. Collaboration of this nature is one of strategies we employ to find the most professional employees in the industry in



combination with reinforcing our brand. The 'student days' have over the years resulted in a number of permanent recruitments and placements. Similarly, we set up collaboration during the year with the training and development company Lernia in order to establish contact with future property technicians.

The majority of our recruitment takes place using our own experts with a recruitment system as support. This is an important basis for the strategic work of ensuring access to competent personnel in the future.

## SUSTAINABILITY REPORT

Our Sustainability Report has been prepared according to Global Reporting Initiative guidelines (GRI G4) on the Core level. We have also taken account of the property industry's sector-specific addenda when preparing the report. Our Sustainability Report is presented each year, most recently in February 2015. A GRI index can be found on the Hufvudstaden website.

### Sustainability control

In order to develop our sustainability work we have formulated structured processes for the control and follow-up of business operations. Detailed process descriptions are available for everything from how construction should take place to how lease agreements should be signed.

Sustainability work is an integral part of day-to-day operations. The starting point can be found in our core values – quality, honesty, attentiveness and commitment – which are complemented with environment and HR policies.

# HUFVUDSTADEN

Anne-Li Åldstedt  
*Business Development Manager*

Karl Palm  
*Project Manager*



Johan Landgren  
*Project Manager*



# Property development

There has been a strong rate of growth in both Stockholm and Gothenburg and demand on the market is for prime location office and commercial premises that offer a high degree of flexibility and efficient use of floor space. To satisfy this demand, adaptation of premises took place at a number of sites during the year. Hufvudstaden is working actively to develop its properties, both with regard to renovation and refurbishment of existing premises and the creation of new development rights. Together with other property owners and the city authorities we are also developing the environments outside our properties to raise the general attractiveness of the areas in which we operate. The aim is to create good growth in value and to work closely with customers to adapt offices and stores to their specific conditions and needs.

## **Business development**

A Business Development unit was established during the year with the aim of initiating and running commercial projects. The unit has identified projects within the holdings that will in time increase the Company's profitability. A survey covering some 20 projects varying in size has commenced.

Several of the projects are at the enquiry stage although implementation decisions have been taken regarding a number of projects in Gothenburg and Stockholm.

The needs of office customers are changing with a growing demand for a higher level of service and greater flexibility. This has led to a rise in the number of serviced office facilities in the city centre. In response, Hufvudstaden has broadened its offering in certain premises by creating turnkey offices with more flexible leases. We have also noted an increase in demand for flexibility in the retail sector. Certain customers are interested in testing the marketplace for a limited period and with this in mind Hufvudstaden is able to offer premises for use as 'pop-up stores', allowing retail tenants to take on premises on a short lease.

## **Property development**

The Property Development department runs refurbishment and development projects in our properties. The projects can be divided principally into maintenance projects and adaptation of existing properties as well as large development projects involving existing or new development rights. The outcome is buildings with improved environmental performance, a higher technical standard and more efficient and flexible planning of available floor space. Customers have a better product and Hufvudstaden has a higher yield and net operating income in the long term.

Project development takes place in close collaboration with the business development and property management organization. During the development process, we endeavour to achieve sustainable, high-quality architecture. The properties should be perceived as attractive, not only today but also well into the future. There is considerable emphasis on creating a product that is easy to maintain from a long-term management point of view. Our environmental impact will decrease over time, inbuilt materials will be examined, waste will be sorted at source and technical solutions will be selected to ensure low energy use. Projects are procured and controlled by Hufvudstaden's own project managers. They are involved at all stages in the project and work on a daily basis with project control, co-ordination with the tenant and working environment issues. This is necessary if Hufvudstaden is to meet strict demands for quality, flexibility and long-term thinking.

During the past five years, Hufvudstaden has on average invested almost SEK 300 million per year in its projects. Approximately half of this amount can be attributed to adaptation of premises. Maintenance projects and major development projects each account for one-quarter of the total investment. In 2015, the level of investment amounted to around SEK 500 million.

## **Current project development**

### *Härbärgat block*

During the year, Hufvudstaden continued to work on the development of the Härbärgat block in Gothenburg. The properties are located in a part of the city that is sensitive from a cultural and historical point of view and this presents specific design and scale requirements. A series of meetings and workshops took place during the autumn, the aim being to work with the City of Gothenburg and other stakeholders to formulate a common proposal for how the block can be developed. Preparatory reinforcement of the foundations has commenced on the block to allow construction to commence quickly once the new detailed plans have been adopted. In parts of the block, load distribution work has been carried out on bearing walls to create more open and larger interconnected areas. This will result in improved retail space that will offer greater potential to attract new, strong brands. Alongside the detailed planning work for the Härbärgat block, the City of Gothenburg has carried out programme work for the south-eastern part of the city to establish an overall framework for the development of the area.

### *Femman Shopping Precinct*

Redevelopment of the Femman Shopping Precinct commenced during the year. Femman is one of the most well-known shopping destinations in Gothenburg. The property was constructed at the beginning of the 1970s and over the years only minor maintenance work has been carried out. There is therefore a need for an upgrade of the entire precinct. The retail areas are on three floors and following an intensive period of planning and investigation, redevelopment is now under way. Work during the past year was mainly on the upper floors, where new communication routes were created to improve the sight lines and orientability in the precinct. Work on the facade and escalators has also commenced. The project is scheduled for completion in 2017.

*Fyran*

The Fyran property in Nordstan in Gothenburg was acquired in 2013 and is almost fully let. A project is in progress in the property involving the removal of the entire facade and replacing it with a light Nordic granite facade that will give the building a completely new profile in the urban landscape. Enclosure work on the arcades commenced later in the autumn. This will result in expansion of the retail space and reinforcement of the precinct, which is part of the Nordstan Shopping Centre. A commercial project has also been initiated to examine the store mix in the property.

*Bibliotekstan*

A new detailed plan was received for the Skären 9 property, which is located in the Bibliotekstan area of Stockholm. The plan will result in a further 2–3 floors with additional rentable floor space of around 2,500 square metres. Planning commenced during the autumn and during this phase the general frameworks will be established for the choice of interior and exterior materials and the technical installations. The overall aim is to ensure a high level of quality and flexibility.

**Adaptation of premises**

Most of the redevelopment that takes place in the Hufvudstaden property holdings takes the form of adaptation for

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

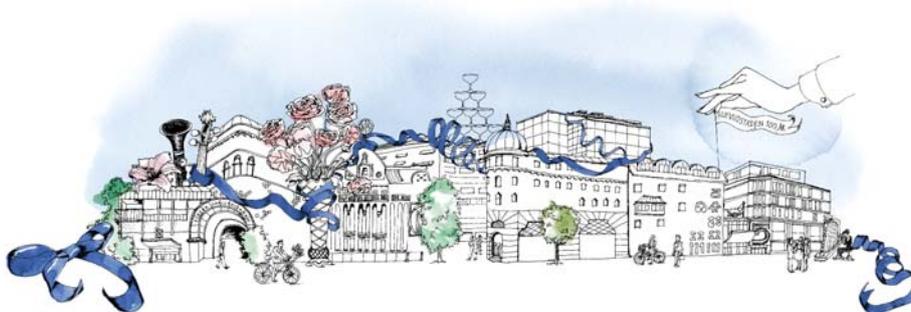
During 2015, renovation and adaptation of approximately 38,000 square metres of floor space was completed. The adaptations took place both for new tenants as well as existing tenants in conjunction with an extension of the lease or an expansion of the floor space.

There has been a great deal of construction work at the offices in the NK building in Stockholm, where we have adapted the tenants' floor space to new conditions and changing requirements. The technical systems have been modernized and scaled up to meet current

stipulations in order to create hyper-modern, flexible offices. Many tenants remain for a long time, which is confirmation of the attractiveness of the offices, which are located close to public transport, the NK department store, parking facilities, health and fitness facilities and a wide range of restaurants. Two offices were completed during the year. In one of the offices the tenant is Andersson Gustafsson Advokatbyrå, which has leased 2,500 square metres. In the other, the game development company Starbreeze Studios has leased 1,900 square metres.

We also signed a lease agreement with another game development company, King, during the year. King chose to rent an office on the Oxhuvudet block and it has invested extensively in establishing a spectacular creative environment in order to attract the most competent employees.

In Gothenburg we adapted premises for the Confederation of Swedish Enterprise totalling approximately 2,500 square metres. The project is being run together with the tenant and the premises were adapted to new needs, which included the creation of an external zone and renovation of all the room surfaces. Work has taken place in stages in close collaboration with the customer.



# Stockholm City East Business Area

## Property holdings

Historically, the Stockholm City East Business Area has been the core of Hufvudstaden's property holdings since the Company was founded in 1915. It comprises 16 (16) properties. It is made up of two management areas, Norrmalmstorg and Kungsgatan. The Norrmalmstorg Management Area comprises properties in Bibliotekstan. The Kungsgatan Management Area comprises properties on the eastern part of Kungsgatan and at the junction of Kungsgatan/Sveavägen. The properties are entirely commercial and consist of office and retail premises.

## Development of holdings

The task of developing Bibliotekstan into the foremost fashion area in Scandinavia has continued. There has been considerable interest from high-end international brands. Stores that opened in 2015 include Hackett, Stone Island and the Icelandic brand Elvine. A lease was also signed with the luxury brand Chanel, which will open a store on Birger Jarlsgatan in 2016. The fashion week in August and the Christmas activities are examples of events that took place

during the year. The development of Bibliotekstan as a retail area has led to an increase in store turnover, which has in turn resulted in an increase in rental revenue for Hufvudstaden.

At the junction of Kungsgatan/Sveavägen, one of the largest LED systems

### Largest tenants

Office	Sq m
Danske Bank	10,600
Advokatfirman Vinge	7,900
Swedish Financial Supervisory Authority	6,800
Swedish Export Credit Agency	3,600
Brummer & Partners	3,500

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

in Europe has been brought into use on one of the facades with the aim of reinforcing the identity of the location. The facade displays both advertisements as well as non-commercial information.

A number of large, new office tenants began operating in our premises

during the year, including King and Öhman. This has led to a fall in the level of vacant space to approximately 4 per cent at the year end. A lease was also signed with Erik Penser Bank, which will involve them moving their premises within the Business Area holdings from Biblioteksgatan to the junction of Apelbergsgatan/Malmskillnadsgatan.

## Rental market

Market rents for offices in the Business Area developed positively during the year. The greatest interest is in modern premises where efficient use can be made of the floor space. Market rents for office space in prime locations were between SEK 4,400 and SEK 5,800 per square metre per year, excluding the property tax supplement.

Rents for retail premises have also shown good growth and market rents for prime locations ranged from SEK 14,000 to SEK 23,000 per square metre per year, excluding the property tax supplement.

## Customers

The office tenant structure within the Business Area consists mainly of companies that value centrally located,

### Property holdings

	2015	2014
Number of properties	16	16
Rentable floor space, sq m	150,978	150,843
– of which offices	102,286	102,414
– of which stores and restaurants	36,643	36,317
Annual rent, SEK m	759	740
Rental vacancy level, %	4.2	7.0
Floor space vacancy level, %	6.2	8.9

### New leases and renegotiations

	2015	2014
New leases, sq m	13,700	9,200
New leases, SEK m	78	42
Renegotiations, sq m	20,500	19,100
Renegotiations, SEK m	93	93

### Profit, property management

SEK m	2015	2014
Net revenue	703.8	695.6
Maintenance	-19.9	-16.8
Operation and administration	-79.8	-74.8
Other costs	-76.8	-76.8
Total costs	-176.5	-168.4
Gross profit	527.3	527.2

high-quality premises. The predominant sectors are banks, finance institutions and law firms as well as recruitment, IT, management and media consultants. Office customers that have been tenants for a long time include Brummer & Partners, Danske Bank, Erik Penser Bank, the Swedish Export Credit Agency, JKL and the law firms Alritz, Vinge and White & Case. In total, there are 300 customers in the Business Area. The ten largest customers lease 48,000 square metres (47,000), representing annual rent revenue of SEK 249 million (237).

Store tenants in Bibliotekstan are largely younger Scandinavian brands such as Byredo, Hope, Rodebjer, WeSC and Whyred, alongside larger international brands and retail chains such as Burberry, By Marlene Birger, Filippa K, Gant, Georg Jensen, Michael Kors, Prada, Ralph Lauren and Zara.

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

The Business Area has a number of Stockholm's more high-end restaurants and cafes, including Burger & Lobster, Prinsen, Vau De Ville, Wienercaféet and Zink Grill. These units have an important part to play in maintaining the attractiveness of the area.

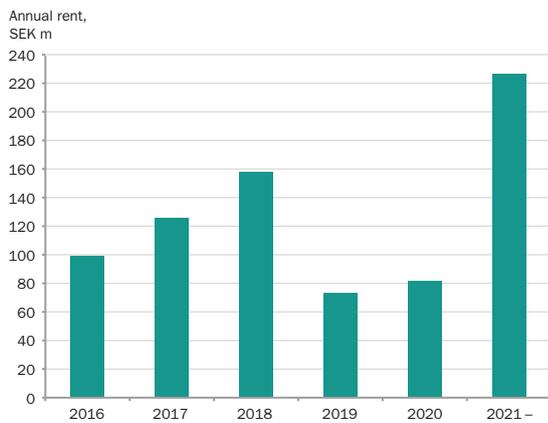
**Brands within the Business Area**

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

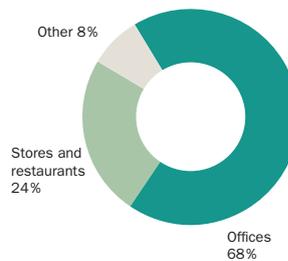
*Birger Jarlspassagen.* The passage, located between Birger Jarlsgatan and Smålandsgatan, is of considerable cultural, historical and architectural value.

*Norrmalmstorg 1.* The building is a unique icon property and a commercial hub in central Stockholm.

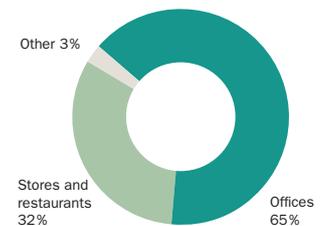
**Lease term structure**



**Rentable floor space per type of premises**



**Annual rent per type of premises**





# BIBLIOTEKSTAN

*Biblioteksgatan, Stockholm*

# KUNGSGATAN

*Stockholm*



# Stockholm City West Business Area

## Property holdings

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

## Development of holdings

In the NK property in Stockholm, two major leases were signed with Andersson Gustafsson Advokatbyrå and the game development company Starbreeze Studios. Major adaptation of premises took place at the Orgelpipan 7 property for the current tenant, Knowit, which as a result expanded its floor space. There have also been a number of minor renovations and adaptation of premises for new and existing customers. Together with the City of Stockholm, the sealing layer on the street outside the Orgelpipan 7 property is being replaced. This project will continue until 2016.

Work is continuing in the NK department stores to develop the concept for reinforcing the brand and increasing

revenue. As part of this process, new departments were opened at NK Stockholm, including Maje and Sandro. The restaurant on the fourth floor in Stockholm was redeveloped and acquired a new owner, Björn Frantzén. Bobergs Matsal was opened at the end of March

### Largest tenants

Office	Sq m
Knowit	3,500
EnterCard	2,500
Andersson Gustafsson Advokatbyrå	2,500
Investment AB Janus	2,100
Starbreeze Studios	1,900

Retail	Sq m
Departments & Stores	11,100
Rizzo	1,600
Harjak & Månsson	1,600
Northern Classic	1,600
ICA	1,500

after careful renovation of these listed premises, which have been at NK since 1915. With his pioneering approach to food and the overall experience, Björn Frantzén has rapidly put his stamp on this long-established restaurant and in a short period of time he has attracted a number of awards and excellent reviews. One example is the DI Weekend Business Restaurant of the year 2015 award. The citation stated: "Björn Frantzén has brought a sparkling lustre to this glamorous centenarian and has succeeded in re-establishing a classic

restaurant concept in an historic setting." Lexington Man and NK Classic Woman both opened new departments at NK in Gothenburg.

## Rental market

The market rents for office premises in prime locations in Stockholm during the year were between SEK 4,400 and SEK 5,800 per square metre per year, excluding the property tax supplement. The rental market during the year for retail premises continued to be good. The market rents for the best retail space in prime locations, excluding NK, were between SEK 4,000 and SEK 13,000 per square metre per year, excluding the property tax supplement. Following renegotiations and new leases at NK Stockholm, market rents are between SEK 14,000 and SEK 23,000 per square metre per year, excluding the turnover-based rent supplement and the property tax supplement. The equivalent rent levels for NK Gothenburg were between SEK 6,000 and SEK 14,000 per square metre.

## Customers

The ten largest customers lease 32,000 square metres (31,000), representing annual rent revenue of SEK 249 million (241). Of the Business Area's 220 customers, the predominant sectors are law firms, advertising agencies, IT and media companies, organizations and banks.

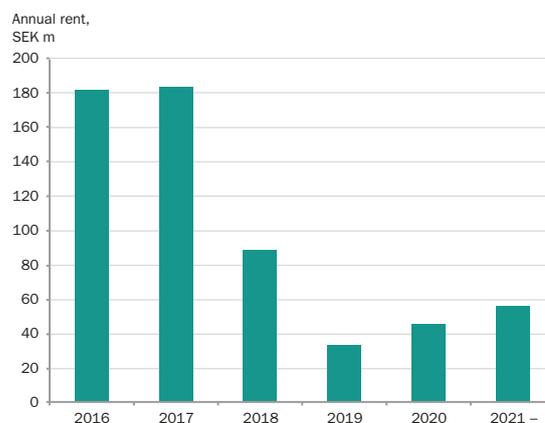
## Property holdings

	2015	2014
Number of properties	9	9
Rentable floor space, sq m	149,009	148,685
– of which offices	46,084	45,970
– of which stores and restaurants	44,645	44,470
Annual rent, SEK m	640	633
Rental vacancy level, %	1,9	3,9
Floor space vacancy level, %	3,1	5,3

## New leases and renegotiations

	2015	2014
New leases, sq m	5,300	6,700
New leases, SEK m	24	32
Renegotiations, sq m	20,100	14,100
Renegotiations, SEK m	126	98

## Lease term structure



The store tenants are both domestic and international companies with strict demands regarding store design and marketplace. The tenants frequently represent very well-known brands that only establish operations at a few selected locations. This applies in particular to the NK department stores in Stockholm and Gothenburg.

**AB Nordiska Kompaniet**

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

In 2015, the NK building in Stockholm celebrated its 100th anniversary. Various activities were arranged to mark its centenary year. The autumn campaign in the department store looked back on certain aspects of NK's history as did the Christmas display, which presented Christmas during different eras.

**The NK brand**

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

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

**Retail market**

The retail trade during 2015 developed positively and according to the Retail Survey Index (DHI), sales within the

durable goods sector increased in terms of price by 7.1 per cent, as did clothing. Sales at the NK department stores outstripped the Retail Survey Index by around 2 percentage points. The total turnover for both department stores rose from SEK 3,040 million to just over SEK 3,310 million, making 2015 a new record year.

**Parking operations**

The wholly owned subsidiary Parkaden AB runs parking operations in two Hufvudstaden properties in Stockholm: Parkaden, the multi-storey car park on Regeringsgatan, opposite the NK department store, which has 800 parking spaces, and Continentalgaraget at the Orgelpipan 7 property near the Central Station, with 455 parking spaces.

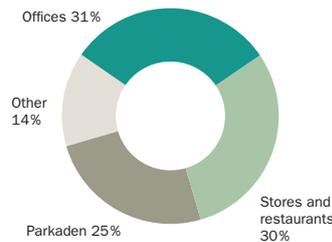
A new barrier system was installed in Continentalgaraget in 2015 to improve entry and exit control and to increase safety in the facility even further.

In Parkaden, the number of vehicles parked rose during the year, resulting in an increase in revenue.

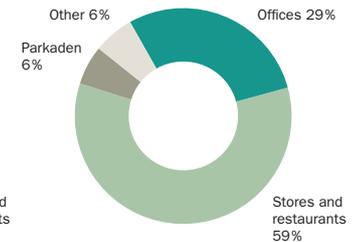
**Profit, property management**

SEK m	2015	2014
Net revenue	636.8	626.7
Maintenance	-11.8	-12.2
Operation and administration	-126.3	-124.2
Other costs	-71.9	-67.8
Total costs	-210.0	-204.2
Gross profit	426.8	422.5

**Rentable floor space per type of premises**



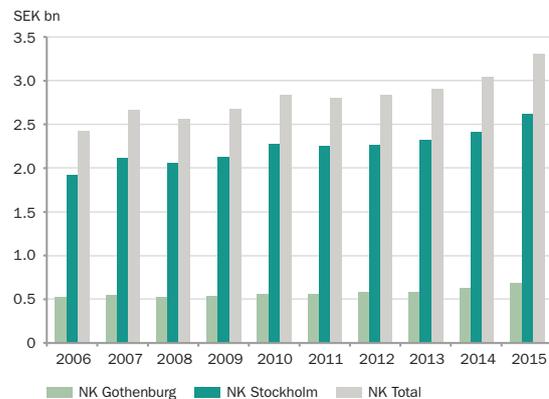
**Annual rent per type of premises**



**NK Department stores**

	2015	2014
<i>NK Stockholm</i>		
Rentable retail space, sq m	24,212	24,026
Rentable storage space, sq m	3,540	3,540
Number of departments	99	99
Number of restaurants	8	8
Sales, including VAT, SEK m	2,626	2,417
<i>NK Gothenburg</i>		
Rentable retail space, sq m	9,888	9,891
Rentable storage space, sq m	1,326	1,291
Number of departments	42	43
Number of restaurants	2	2
Sales, including VAT, SEK m	684	624

**Sales, NK Department stores**



# NORDISKA KOMPANIET

*Östra Hamngatan, Gothenburg*



# NORDISKA KOMPANIET

*Hamngatan, Stockholm*

Paul Smith



# Gothenburg Business Area

## Property holdings

The Gothenburg Business Area comprises 3 (3) properties, located in the Gothenburg CBD and divided into two areas, the Härbärg block and Nordstan. The property in Nordstan comprises two units, one facing Östra Hamngatan, Fyran, and one facing the Central Station, Femman, both of which offer considerable potential for development. Hufvudstaden is one of the larger individual partners in the Nordstan Cooperative Association, which owns and manages the Nordstan multi-storey car park as well as the square and pedestrianized streets.

Nordstan is one of the leading shopping centres in Sweden with attractive retail stores, parking and modern offices in the best possible commercial location. Nordstan receives more than 35 million visitors each year, of whom more than 10 million visit the Femman Shopping Precinct. Revenue was just over SEK 4 billion, of which Femman accounts for around SEK 740 million and the retail business in Fyran for around SEK 390 million.

The Femman Shopping Precinct houses approximately 60 stores, cafes and restaurants on three floors. The largest retail and cafeteria tenants include Dressmann, Espresso House, Gina Tricot, H&M, Kicks and Nilson Group.

### Largest tenants

Office	Sq m
Swedish Customs	9,100
Swedish Social Insurance Agency	4,600
Alektum Group	3,900
Advokatfirman Vinge	3,800
Grant Thornton	2,800
Stores	Sq m
H&M	1,900
Cassels	1,900
Nilson Group	1,700
KappAhl	1,700
Femmans Sport	1,400

### Development of the holdings

The Femman Shopping Precinct comprises approximately 16,000 square metres of retail floor space on three floors. A project commenced during the year to refurbish and develop the pre-

cinct. Changes are being made to the communication routes and the design, alongside maintenance work. A review of the commercial concept is also being conducted with the aim of reinforcing the precinct over time. This work will take place in stages and the whole project is due to be completed in 2017. The first new stores opened in 2015, including Odd Molly and Rituals.

In Fyran, a facade project is in progress which involves replacing a somewhat worn and tired marble facade with a light Nordic granite facade. Enclosure of the arcades along Östra Hamngatan and Köpmansgatan is planned for 2016. Both this and the replacement of the facade will reinforce the property from a retail and office perspective.

In Nordstan, the Cooperative Association, working in collaboration with the property owners, raised the ceiling height on Köpmansgatan and created a more attractive shopping street directly beside our Fyran property.

Hufvudstaden owns the whole of the Härbärg block and has worked on developing the block with the aim of

## Property holdings

	2015	2014
Number of properties	3	3
Rentable floor space, sq m	87,236	87,361
– of which offices	49,777	49,803
– of which stores and restaurants	30,965	31,134
Annual rent, SEK m	277	272
Rental vacancy level, %	11.4	5.6
Floor space vacancy level, %	11.2	7.4

## New leases and renegotiations

	2015	2014
New leases, sq m	7,200	3,700
New leases, annual rent, SEK m	30	9
Renegotiations, sq m	8,000	16,200
Renegotiations, SEK m	30	44

## Profit, property management

SEK m	2015	2014
Net revenue	270.1	274.1
Maintenance	-2.7	-2.9
Operation and administration	-50.4	-49.6
Other costs	-26.9	-26.6
Total costs	-80.0	-79.1
Gross profit	190.1	195.0

densifying and creating new, modern offices and reinforcing retail operations. Detailed planning work continued throughout 2015 in cooperation with the city authority. The corner property on Härbärgen, facing Brunnsparken, is subject to a preservation order and reinforcement of the foundations is taking place to assure the property for the future and to create attractive retail space. Michael Kors will open its first store in Gothenburg in this corner property. The store is due to open in 2016.

During 2015, adaptation of premises was carried out for a number of tenants in conjunction with renegotiation of a lease or the signing of a new lease. The premises have thus been adapted to satisfy the tenants' wishes and needs. Tenants that have moved into new premises include Alektum, the Confederation of Swedish Enterprise and Swedish Shipping.

The level of vacant space within the Business Areas increased during the year as premises have been vacated in conjunction with current and future projects.

**Rental market**

The rental market for office premises developed positively during the year with a low level of vacant space and a slight rise in rent levels. The market rent for office space in prime locations was between SEK 2,200 and SEK 3,000 per square metre per year, excluding the property tax supplement. In the case of stores, the rent trend continued to be good. Prime location premises attracted rents of between SEK 6,000 and SEK 14,000 per square metre per year, excluding the property tax supplement.

**Customers**

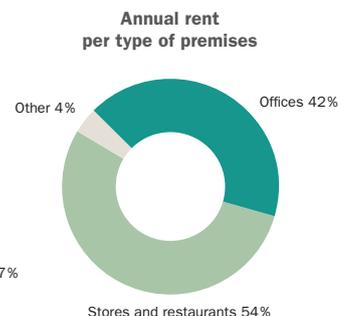
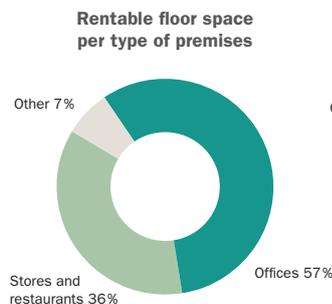
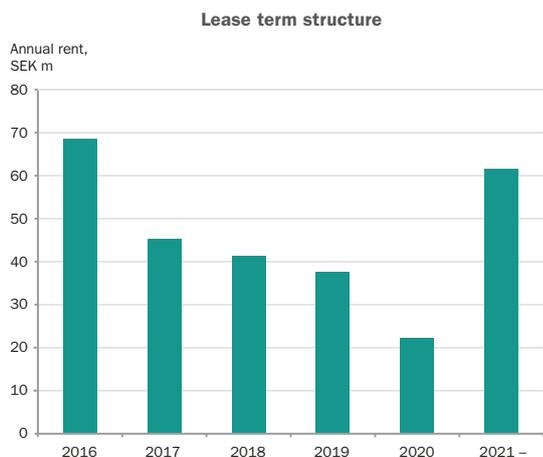
Gothenburg is a market with customers who work both locally, outside the region and internationally. The Business Area's office customers are principally companies that appreciate centrally located, high-quality premises. The predominant sectors are law firms, accountants, the media, public authorities and organizations. The store customers appreciate our attractive, centrally located market and commercial locations and during the year several new Swedish and inter-

national companies showed an interest in Gothenburg. There are 156 customers in the Business Area. The ten largest customers lease 33,000 square metres (32,000), representing annual rent revenue of SEK 95 million (90).

**Brands within the Business Area**

*Femman.* The Femman Shopping Precinct is one of the strongest brands in the retail trade in western Sweden and represents a wide range within the clothing and durable goods sectors. A review of the communication platform for the Femman Shopping Precinct is in progress with the aim of reinforcing and distinguishing our marketplace.

*Nordstan.* Nordstan is one of Sweden's largest indoor shopping centres in terms of visitor numbers. Hufvudstaden is one of the two largest individual partners in the Nordstan Cooperative Association with a share of approximately 40 per cent.



# FEMMAN

*Nordstan, Gothenburg*





**NORDSTAN**  
*Fyran, Gothenburg*

# Administration Report

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

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

It is proposed that the Income Statements and Balance Sheets included in the Annual Report be adopted at the Annual Meeting to be held on March 17, 2016.

## CORPORATE GOVERNANCE REPORT

### Rules and regulations and Articles of Association

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

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

### Shares and shareholders

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

are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is L E Lundbergföretagen AB, with a total of 45.3 per cent of outstanding shares and 88.1 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 series C shares are entitled to request that their series C shares be converted into series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules. There is no pension fund or any other undertaking to the personnel with regard to shareholdings.

### Buy-back of Company shares

Since the Annual Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the Company. The mandate was renewed at the 2015 Annual 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 at December 31, 2015, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of shares. The whole block was acquired in 2003 at an average price of SEK 27.30 per share. No shares were bought back during the year or after the end of the reporting period (up to and including February 11, 2016).

### Annual Meeting

A shareholder's right to decide in matters related to Hufvudstaden is exercised at a general meeting. Shareholders who are

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

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

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

The 2015 Annual Meeting was held on March 26, 2015. A total of 452 shareholders, representing 131,476,503 series A shares and 8,260,469 series C shares, were present and they represented 957,523,403 votes, equivalent to 93 per cent of the total number of outstanding votes. Present at the meeting were the Board of Directors, the members of the Executive Management and the auditor. Fredrik Lundberg was elected to chair

the meeting. It was decided at the Annual Meeting to adopt the presented Income Statement and Balance Sheet as well as the Consolidated Income Statement and Consolidated Balance Sheet, and to allocate the unappropriated earnings in such a way that SEK 2.90 per share was paid to the shareholders as a dividend. At the meeting, discharge from liability was granted to the members of the Board of Directors and the President and a decision was reached on remuneration to the members of the Board of Directors and the auditors. In addition, all members of the Board of Directors and the auditors were re-elected for the period up to the end of the next Annual Meeting. Finally, a decision was reached at the meeting on guidelines for remuneration to executives and authorization for the Board of Directors to decide on the acquisition and transfer of the Company's own series A shares.

The 2016 Annual Meeting will be held in Stockholm on March 17, 2016.

#### 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 (in addition to the members appointed according to law by a party other than the general meeting). Members are elected at a general meeting of the shareholders for the period up to the end of the first Annual Meeting to be held after the year in which the members of the Board of Directors were appointed. In the light of the concentrated ownership structure, Hufvudstaden does not have a formally appointed Election Committee. The duty of an Election Committee to prepare the decisions to be reached at the Meeting in matters relating to elections and fees is handled by Hufvudstaden's main shareholder, L E Lundbergföretagen AB.

The main shareholder proposes a person to chair the meeting, a Board of Directors, a Chairman and fees for the Board of Directors as well as an auditor and a fee for the auditor. Hufvudstaden must be notified of the proposal from the main shareholder well in advance to ensure that the proposal can be presented in the summons to the Annual Meeting

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

As a basis for its proposal prior to the 2016 Annual Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate, among other things using applicable parts of the annual evaluation of the work of the Board of Directors as a guide. The skills, experience and background of the proposed members are taken into account, as is the gender division within the Board of Directors. The Election Committee procedure applied at Hufvudstaden is a deviation from the Code.

#### Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the work of the Company. All members of the Board have been assessed based on skills, experience and background. The only member of the Executive Management on the Board is the President and he is the only one who

see pages 88–89. An external lawyer is engaged to act as secretary to the Board.

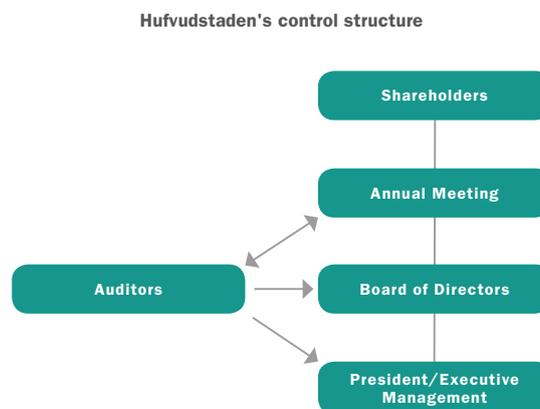
#### Responsibility of the Board of Directors

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

- Continuous follow-up and assessment of the Company's financial position and business development.
- Continuous evaluation of the Company's operative management and the work of the President.
- Ensuring that there is satisfactory control of the Company's compliance with laws and other regulations and the continuous evaluation of the Company's internal control and risk management systems.
- 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 undertakings of the Board of Directors and the President and the allocation of duties between the Board and the President. The relevance and validity of the rules of procedure are reviewed each year.

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



can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder L E Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members,

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, whereupon a discussion takes place within the Board. The Board also evaluates the work of the President, although without the person in question being present, and approves more material assignments carried out by the President outside the Company.

### Work of the Board of Directors

During the 2015 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. Economic and financial reports and operational reports from the Business Areas are presented at each Board meeting. In addition, key matters of a principle nature or of major financial significance are taken up at each ordinary meeting. During the year, the work of the Board of Directors was aimed specifically at strategy discussions, issues pertaining to the economic climate and financing, property valuation and investments. Other matters dealt with during the year were upgrading of the Femman Shopping Precinct in Nordstan, development and refurbishment of the Hårbärg block in Gothenburg, information regarding the Company's Code of Conduct and a review of the Company's finance policy. Company officials attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2014 was approved, and the Board meeting in August in conjunction with the examination by the Board of the Company's six-monthly report.

### Board committees

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

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

### Executive Management

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and

a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to make well-informed judgements.

In addition to the President, the Executive Management comprises the three business area heads, as well as the Head of Accounting/Finance, the Head of Property Development and the Head of Human Resources. The Executive Management meets

approximately once a month to discuss current issues. For information about individual members, see pages 90–91.

### 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 2015 Annual Meeting, KPMG AB was re-elected as the auditing company for a period of one year. Joakim Thilstedt is lead auditor. Joakim Thilstedt's other major assignments include L E Lundbergföretagen, Holmen, Modern Times Group MTG and Synsam.

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

### Remuneration

#### *Board of Directors*

Remuneration to the Board of Directors is decided at the Annual Meeting. At the Annual Meeting in 2015 it was decided that remuneration for Board work for 2015, totalling SEK 1,800,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. The Chairman received SEK 400,000 and the other seven non-employed members received SEK 200,000 each.

#### *Executive Management*

Guidelines for salaries, bonuses and other remuneration to the Company's executives are decided at the Annual Meeting. It was decided at the meeting that the same guidelines shall apply for 2015, with the exception of an addendum regarding the possibility of a defined contribution pension for the Vice President, equivalent to the guidelines decided at the 2014 Annual Meeting, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited, profit-related bonus

Name	Function	Attendance 2015 <sup>1)</sup>	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Bengt Braun		7	Yes	Yes
Peter Eggardt		6	Yes	Yes
Louise Lindh		7	Yes	No
Hans Mertzig		6	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg		7	Yes	Yes
Ivo Stopner	President	7	No (employee)	Yes

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

scheme as described below. The Company has no incentive schemes related to share price. These guidelines have been followed since the 2015 Annual Meeting and a proposal that unchanged guidelines will be applied in 2016 will be presented at the Annual Meeting. The report by the Board of Directors covering the evaluation of variable remuneration programmes for the Executive Management, the application of guidelines for remuneration to executives and current Company remuneration structures and remuneration levels for executives, will be published on the Company's website no later than three weeks prior to the 2016 Annual Meeting. The auditor's statement on whether guidelines for remuneration to executives, which were adopted at the Annual Meeting in 2015, have been followed will be available on the Company's website no later than three weeks prior to the Annual Meeting and will be attached to the documents distributed at the Annual Meeting. The statement is also available from the Company on request.

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

For further information regarding salaries and remuneration as well as guidelines for remuneration to executives, as adopted at the 2015 Annual Meeting, see Note 8.

### **Bonus**

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

In the case of both bonus schemes, a decision is made one year at a time and the bonus is subject to a ceiling. A bonus is only payable if the Company reports a positive result with no consideration given to unrealized changes in value. In 2015, the bonus cost for all employees was SEK 5.3 million (1.7) or an average of SEK 39,000 per employee. For the Executive Management, including the President, the average was SEK 224,000 per person.

### **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 statements. Hufvudstaden's internal control systems cover the control environment, risk assessment, control measures, information, communication and follow-up.

#### *Control environment*

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

#### *Risk assessment*

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

#### *Control measures*

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventative nature, i.e. measures aimed at avoiding losses or errors in the reporting, and of an

identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the Company's result, and which have carefully formulated control measures, are property and derivative valuation, maintenance, redevelopment, interest payments and leasing. Controls are carried out, among other things, using deviation analyses and quarterly meetings between the business area, group management and controller function.

#### *Information and communication*

In-house information and external communication are governed on a general level by, among other things, an information policy. Internal communication to and from the Board and Executive Management takes place in different ways, including regular information meetings held by the 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.

#### *Follow-up*

The Hufvudstaden Executive Management evaluates on an ongoing basis internal control of financial reporting, and that reporting to the Board functions efficiently, primarily through its own analyses, questioning and familiarization with the work of the controller function. To follow up identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including the Executive Management's comments on operations, the Board receives the Executive Management's comments on how 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 his observations regarding the Company's internal routines and control systems. The members of the Board then have the opportunity to ask questions. Each year, an examination is



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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

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

## OPERATIONS

### Business concept

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

### Key events during the financial year

The geopolitical uncertainty in the world continued during the year with the global economy reflecting a certain degree of caution. Falling commodity prices and uncertainty regarding the Chinese economy led to widespread financial concern. To counteract this, the central banks implemented an expansive monetary policy and yet still failed to meet the established inflation targets. There was growth in the US and UK economies and the eurozone also experienced a financial recovery. During the autumn, Europe was affected by a widespread influx of migrants. This has proved challenging for collaboration within the EU and the European economies.

The Swedish economy strengthened in 2015 with a growth rate of approximately 4 per cent. It is mainly private consumption, investments in housing construction and the service sector that contributed to this upturn. Exports also strengthened during the year and the high number of migrants has resulted in increased public consumption. Inflation remained low and the Swedish Central Bank cut the key rate on two occasions to what is a record-low -0.35 per cent.

Investment in infrastructure projects has continued, mainly in the city regions and in particular the Stockholm and

Gothenburg regions. Regional growth in these cities is strong and the increase in population is among the highest in Europe. Thanks to a growing service sector, low interest rates and rising employment, the consumption trend has been positive. Tourism has also helped to reinforce the retail trade even further.

In the Stockholm CBD, the vacancy level for offices was 3–4 per cent at the end of 2015. In line with increased employment and falling vacancy levels, market rents have risen and at the end of the year they were between SEK 4,400 and SEK 5,800 per square metre per year, excluding the property tax supplement.

In the Gothenburg CBD, there was considerable demand for modern, space-efficient premises, which resulted in a rise in rents and low vacancy levels of around 4 per cent.

The positive private consumption trend reinforced the retail trade even further in both Stockholm and Gothenburg. There is a strong demand for store premises with rising rent levels and with the result that vacancy is virtually non-existent.

In the Group as a whole, adaptation of around 38,000 square metres of floor space took place. In the Femman Shopping Precinct, a total upgrade of the precinct is in progress and the project will be completed in stages through to 2017.

On the Hårbärget block, detailed planning work is continuing and the reinforcement of foundations and load distribution work on load-bearing walls has largely been completed. In Bibliotekstan, leases have been signed with international fashion brands which will continue to reinforce the marketplace. The NK department stores achieved new record turnover levels with a growth in revenue of 9 per cent compared to 2014. The Group's rent renegotiations resulted in a rent increase of 6 per cent, of which stores increased by 6 per cent and offices by 5 per cent. A number of major new leases were signed with office tenants, who are due to move in during the second half of 2015 and in 2016.

Operating profitability is stable and Hufvudstaden's financial position continues to be good. The net loan-to-value ratio was 16.7 per cent, the equity ratio was 61 per cent and the interest coverage multiple increased to 9.1. The transaction

### Sensitivity analysis, property valuation<sup>1)</sup>

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 950 million
Property costs	SEK 50/sq m	SEK 475 million
Rental vacancy level	1.0 percentage points	SEK 420 million
Yield requirement	0.25 percentage points	SEK 1,950 million

1) Valuation date 31-12-2015.

volume on the property market was almost SEK 150 billion, which is in line with previous record-breaking years. The Company's property holdings increased in value during the year, which can be attributed mainly to lower yield requirements and higher rents.

### Property holdings

At the end of the year, Hufvudstaden owned 28 properties (28). Rentable floor space was 283,600 square metres in Stockholm and 103,600 square metres in Gothenburg, making a total of 387,200 square metres (386,900).

The total rental vacancy level in the Group as at December 31, 2015 was 4.5 per cent (5.6) and the floor space vacancy level was 6.1 per cent (7.2). In Stockholm, the rental vacancy level was 3.2 per cent and in Gothenburg 9.6 per cent, of which 6.2 per cent referred to project-related vacant space.

During the year, 48,600 square metres (49,400) were renegotiated at a total value of SEK 249 million per year and new leases were signed for 26,200 square metres (19,600).

### Property value and net asset value

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as at December 31, 2015. To assure the valuation, external valuations were commissioned from three valuation companies.

Share price and net asset value, Dec 31



1) From 2012, the estimated deferred tax was set at 5 per cent. The figure for previous periods was 10 per cent.

The external valuations made at the turn of the year were equivalent to 37 per cent of the fair value and the corresponding proportion at the mid-year point was 33 per cent.

The fair value of the property holdings as at December 31, 2015 was set at SEK 31.7 billion (27.8). The unrealized change in value was SEK 3,426.5 million (1,708.6).

#### Valuation method

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

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

#### Net asset value

Based on the valuation of the property holdings, the long-term net asset value (EPRA NAV) according to the Balance Sheet was SEK 25.8 billion or SEK 125 per share. The actual net asset value (EPRA NNNAV) was SEK 24.3 billion or SEK 118 per share following a deduction for assessed deferred tax. This assessment is made in the light of current

#### Net asset value, December 31, 2015

	SEK million	SEK/share
Equity according to the Balance Sheet	19,566.7	95
<i>Reversal</i>		
Derivatives according to the Balance Sheet	137.4	1
Deferred tax according to the Balance Sheet	6,065.6	29
Non-current net asset value (EPRA NAV)	25,769.7	125
<i>Deduction</i>		
Derivatives according to the above	-137.4	-1
Assessed actual liability, deferred tax, 5%	-1,378.6	-6
Current net asset value (EPRA NNNAV)	24,253.7	118

tax legislation, which means that properties can be sold via a limited company without tax implications. The assessed deferred tax has been set at 5 per cent.

#### Opportunities and risks

The Swedish finance market has stabilized although there still remains some uncertainty in the eurozone. In order to increase confidence in the financial system within the EU, the level of regulation has increased and more extensive

reporting and reconciliation of transactions is required. Our focus is therefore on the ongoing identification of operating risks and assessment of the Company's financial risks.

Hufvudstaden's financing potential has been guaranteed through loan assurances. The framework is SEK 4 billion, of which SEK 2.1 billion was unutilized, of which SEK 800 million is reserved to cover outstanding commercial paper. The Company has satisfactory margins in relation to the lenders' restrictions (covenants) regarding the loan agreements. Loans falling due in 2016 amount to SEK 300 million, see Note 25. The interest risk has been handled by hedging the interest level for SEK 5,050 million of the total borrowing of SEK 5,750 million. The fixed interest period was 27 months and the average annual equivalent rate was 2.1 per cent. The Company also has financing alternatives through an MTN programme with a limit of SEK 4 billion. The commercial paper programme for short-term borrowing totals SEK 2 billion. To minimize bad debts, new customers are subject to credit checks and there is continuous monitoring of accounts receivable and rent receivables.

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

#### Changes in value in the property holdings

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

#### Rent trend

The rent trend involves both risks and opportunities. The risk, however, is limited by Hufvudstaden's concentration on properties in the most attractive commercial locations. The rent levels for vacant office premises are affected quickly in the event of a strengthening or weakening of the economy. Rents for central retail locations are more stable. The rent level for leased premises with lease terms of three years or more are linked to the consumer price index and certain agreements also have a minimum indexation level. The majority of leases are not affected by a fall in the index. Rent changes take place when the leases are renegotiated.

#### Property tax

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

#### Rent losses

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

#### Lease term

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

#### Turnover-based rent

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

#### Operation and maintenance

Hufvudstaden is working actively to optimize the properties' energy use and in

doing so reduce operating costs. Energy procurement takes place regularly through forward agreements to reduce sensitivity to fluctuations in energy prices.

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

#### *Concentration on central Stockholm and central Gothenburg*

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

#### *Financial risks*

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

#### **Sensitivity analysis**

The effects on pre-tax profit on a full-year basis – excluding changes in value – in the event of changes in a number of factors are reported below.

The reported effects on profit in conjunction with changes in the rent level, vacancy level, operating and maintenance costs, property tax and interest expense, refer to the effects that would have occurred during the 2015 financial

year if the changes had occurred at the beginning of 2015.

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

#### **Non-financial result indicators**

Corporate social responsibility, both internally and externally, is a prerequisite for success. Hufvudstaden contributes to the development of society by assuming responsibility for its properties and the surrounding environment. The Company ensures that it complies with current laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are a valuable tool in the day-to-day work.

#### **Environmental impact**

Hufvudstaden is working actively to reduce negative environmental impact by, for example, reducing energy use and demanding the use of environmentally adapted products. Sustainability information for the Company is presented according to the Global Reporting Initiative standard.

#### **Stock market information**

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

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

#### **Key events after the year-end**

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

#### **The future**

The external situation is difficult to assess, both geopolitically and economically. Growth during 2015 was positive although the established inflation targets were not achieved. The Swedish Central Bank has therefore continued with its expansive monetary policy and two interest rate cuts were made. The level currently stands at a record-low -0.35 per cent.

Hufvudstaden owns properties in central Stockholm and central Gothenburg. Both cities have developed positively and report a high rate of growth, which has continued to facilitate expansion. The property market is strong with low interest rates, good financing opportunities and an efficient capital market. There is also a lack of alternative investment options. This has led to a considerable demand to invest in properties in the CBD but with little available potential property for purchase as few companies are looking to sell. The yield requirements have fallen to historically low levels. The assessment is that low interest rates will continue, which it is assumed will lead to a continuation of the high demand for properties.

The increase in employment, financial growth and a strong level of private consumption are having a positive impact on the rental market with falling vacancy levels and rising rents for both office and retail premises. The cities are also benefiting from an increase in tourism, both by domestic and international visitors. We can see that the potential for maintaining a good rate of development in our market areas will continue.

Reinforcement in the form of a new Business Development unit will increase the emergence of commercial projects with the aim of developing the Group's already attractive property holdings even further. The benefit from the projects will mean improved profitability and higher property values. Property acquisitions to supplement existing holdings could be implemented when the right opportunity arises. These investments would take place within the framework of the Company's solid financial position and the financial objectives will continue to be achieved in the future.

#### **Dividend and allocation of profit**

The Board has proposed a dividend of SEK 3.10 per share, or a total of SEK 639.4 million. The Board of Directors' proposed allocation of unappropriated earnings is presented in full on page 86.

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

#### **Change in pre-tax profit, excluding changes in value**

	Change +/-	Impact on profit, excluding changes in value before tax, +/-
Rent level	SEK 100/sq m	SEK 39 million
Vacancy level <sup>1)</sup>	1 percentage point	SEK 16 million
Operation and maintenance	10 per cent	SEK 15 million
Property tax <sup>2)</sup>	1 percentage point	SEK 17 million
Interest rate <sup>3)</sup>	1 percentage point	SEK 58 million

1) Vacant floor space is estimated at SEK 4,200 per square metre.

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

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

# BIRGER JARLSPASSAGEN

*Stockholm*

DELL WINE  
CAROTTE

DELL WINE  
CAROTTE

GOOD STUFF  
FROM CAROTTE

# Income Statements – Group

SEK m	Note	2015	2014
<i>Net revenue</i>			
Property management	5	1,610.7	1,596.4
Parking operations		78.3	68.9
		<b>1,689.0</b>	<b>1,665.3</b>
<i>Property management costs</i>			
– Maintenance		-34.4	-31.9
– Operations and administration	6	-256.5	-248.6
– Ground rents		-21.5	-17.0
– Property tax		-154.1	-154.2
<b>Property management expenses</b>		<b>-466.5</b>	<b>-451.7</b>
Parking operations, costs	6	-50.4	-49.8
<b>Cost of operations</b>		<b>-516.9</b>	<b>-501.5</b>
<b>Gross profit</b>		<b>1,172.1</b>	<b>1,163.8</b>
– of which Property management	3, 4	1,144.2	1,144.7
– of which Parking operations	3, 4	27.9	19.1
Central administration		-38.8	-36.2
<b>Operating profit before changes in value</b>	7–11	<b>1,133.3</b>	<b>1,127.6</b>
<i>Changes in value</i>			
– Investment properties	12	3,426.5	1,708.6
– Interest derivatives		11.8	-185.8
<b>Operating profit</b>		<b>4,571.6</b>	<b>2,650.4</b>
<i>Financial income and expense</i>			
Financial income	13	1.2	3.6
Financial expense	14	-124.2	-133.5
		<b>-123.0</b>	<b>-129.9</b>
<b>Profit before tax</b>		<b>4,448.6</b>	<b>2,520.5</b>
Tax	16	-978.5	-519.2
<b>PROFIT FOR THE YEAR AFTER TAX</b>		<b>3,470.1</b>	<b>2,001.3</b>
Other comprehensive income		–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,470.1</b>	<b>2,001.3</b>
Profit for the year per share before and after dilution, SEK		16.82	9.70
Ordinary dividend per share, SEK (proposed)		3.10	2.90

# Comments

## Property management

Net rent revenue from property management during the year totalled SEK 1,610.7 million (1,596.4), equivalent to an increase of 1 per cent. The increase can be attributed to higher gross rents in conjunction with renegotiations and new leases as well as a higher turnover-based rent supplement. During the year, Hufvudstaden renegotiated leases equivalent to SEK 249 million in annual rent revenue. Renegotiations for both office and retail premises resulted in an average increase in rent levels of 6 per cent (6). The cost of vacant space also increased, particularly at the beginning of the year. The rental vacancy level fell during the year from 5.6 per cent to 4.5 per cent. The lower level of vacant space can be attributed mainly to offices in Stockholm. The rental vacancy level, excluding current development projects, was 3.2 per cent (5.2).

The turnover-based rent supplement was SEK 18.1 million (10.9), of which the NK properties accounted for SEK 16.9 million (10.0). Turnover at the NK department stores was approximately SEK 3,310 million (3,040). Apart from the turnover-based rent supplement, there are no material seasonal variations with regard to rents.

Maintenance costs amounted to SEK 34.4 million (31.9). Operating costs amounted to SEK 185.6 million (184.0). The increase in operating costs can be

ascribed to higher letting costs. Administration costs totalled SEK 70.9 million (64.6). The increase was the result of additional staff in business development and property management.

Property tax amounted to SEK 154.1 million (154.2). The cost of property tax has mainly been passed on to the tenants. Overall, this means that the total cost for property management amounted to SEK 466.5 million (451.7).

The gross profit for the year was SEK 1,144.2 million (1,144.7).

## Parking operations

Parking operations comprise operations at Parkaden AB.

Net revenue was SEK 78.3 million (68.9). The increase can be attributed mainly to a rise in short-term parking and contract parking revenue. Costs totalled SEK 50.4 million (49.8) and gross profit amounted to SEK 27.9 million (19.1).

## Changes in value

Changes in the value of investment properties totalled SEK 3,426.5 million (1,708.6). The unrealized increase in value can be attributed mainly to the effect of a lower yield requirement as well as higher rents in conjunction with new and renegotiated leases. The average yield requirement in conjunction with the above valuation was 4.1 per cent (4.5).

Changes in the value of interest derivatives totalled SEK 11.8 million (-185.8). Hufvudstaden uses interest derivatives to reduce the impact on profit of changes in interest rates by achieving fixed interest periods that take into account the lease renewal structure. See also Interest risk section in Note 2.

## Financial items

Financial income was SEK 1.2 million (3.6). Financial expense amounted to SEK -124.2 million (-133.5). Interest expense fell due to a lower rate of interest on loans.

## Tax

The Group's tax expense was SEK -978.5 million (-519.2), of which SEK -105.5 million (-93.8) was current tax and SEK -873.0 million (-425.4) was deferred tax. The increase in deferred tax can be ascribed to higher unrealized changes in the value of the property holdings.

## Profit for the year

The profit for the year was SEK 3,470.1 million (2,001.3). The higher profit can be attributed to higher unrealised changes in the value of the property holdings.

# Balance Sheets – Group

SEK m	Note	31-12-2015	31-12-2014
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investment properties	17	31,740.5	27,817.4
Tangible fixed assets	18	7.4	7.0
Non-current receivables	20	10.3	8.4
<b>Total fixed assets</b>		<b>31,758.2</b>	<b>27,832.8</b>
<b>Current assets</b>			
Accounts receivable	21	20.6	14.6
Prepaid tax		31.6	56.7
Other receivables		23.8	0.6
Prepaid expense and accrued income	22	45.2	36.4
Cash and bank holdings	23	443.2	474.2
<b>Total current assets</b>		<b>564.4</b>	<b>582.5</b>
<b>TOTAL ASSETS</b>		<b>32,322.6</b>	<b>28,415.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,056.4	1,056.4
Other contributed capital		628.1	628.1
Profit brought forward, including profit for the year		17,882.2	15,010.3
<b>Total equity</b>	24	<b>19,566.7</b>	<b>16,694.8</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	25	4,650.0	4,650.0
Deferred tax liabilities	26	6,229.2	5,356.2
Other non-current liabilities		157.6	168.7
Other provisions	27	12.9	10.6
<b>Total non-current liabilities</b>		<b>11,049.7</b>	<b>10,185.5</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	25	1,100.0	1,000.0
Accounts payable		102.5	89.3
Other liabilities	28	108.8	90.1
Accrued expenses and prepaid income	30	394.9	355.6
<b>Total current liabilities</b>		<b>1,706.2</b>	<b>1,535.0</b>
<b>Total liabilities</b>		<b>12,755.9</b>	<b>11,720.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,322.6</b>	<b>28,415.3</b>

# Comments

## **Investment properties**

The carrying amount for properties in the Group was SEK 31,740.5 million (27,817.4). The increase in the properties' fair value can be attributed to unrealized changes in value totalling SEK 3,426.5 million (1,708.6) and investments in current development projects in the property holdings, mainly in Gothenburg, during the year totalling SEK 496.6 million (239.6). Investment properties in the Group are reported at fair value according to IAS 40, which means there is no impairment. The valuation method is described in Note 17. The properties' fiscal residual value was SEK 3.5 billion.

## **Cash and cash equivalents**

Cash and cash equivalents amounted to SEK 443.2 million (474.2). Rent payments take place mainly at the turn of the quarter, whereupon a temporary surplus could arise. This surplus liquidity is normally used for amortization of loans or is invested in short-term instruments with high liquidity and low risk. There are no limits on the right of use of cash and cash equivalents.

## **Interest-bearing liabilities**

The Group's liabilities to credit institutions amounted to SEK 2,850 million (2,850). At the year-end, Hufvudstaden's commercial paper totalled SEK 800

million (600) and bond loans totalled SEK 2,100 million (2,200). Borrowing totalled SEK 5,750 million (5,650). The average fixed interest period was 27 months (33), the capital tie-up period was 27 months (32) and the average annual equivalent interest cost at the year-end was 2.1 per cent (2.2). Net debt totalled SEK 5,306.8 million (5,175.8). Financial items included in net debt are listed in Note 2, page 74.

## **Deferred tax liabilities**

Deferred tax liabilities amounted to SEK 6,229.2 million (5,356.2). The change can be attributed to deferred tax on unrealized changes in value.

## Changes in equity – Group

SEK m	Share capital	Other contributed capital	Retained earnings, including profit for the year	Total
<b>Opening equity 01-01-2014</b>	<b>1,056.4</b>	<b>628.1</b>	<b>13,576.2</b>	<b>15,260.7</b>
Profit for the year			2,001.3	2,001.3
Other comprehensive income for the year			–	–
Comprehensive income for the year			2,001.3	2,001.3
Dividend			-567.2	-567.2
<b>Closing equity 31-12-2014</b>	<b>1,056.4</b>	<b>628.1</b>	<b>15,010.3</b>	<b>16,694.8</b>
<b>Opening equity 01-01-2015</b>	<b>1,056.4</b>	<b>628.1</b>	<b>15,010.3</b>	<b>16,694.8</b>
Profit for the year			3,470.1	3,470.1
Other comprehensive income for the year			–	–
Comprehensive income for the year			3,470.1	3,470.1
Dividend			-598.2	-598.2
<b>Closing equity 31-12-2015</b>	<b>1,056.4</b>	<b>628.1</b>	<b>17,882.2</b>	<b>19,566.7</b>

The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of all issued shares. At the Annual Meeting on March 26, 2015, the Board of Directors was given a renewed mandate to buy back a maximum of 10 per cent of all issued shares with the aim of giving the Board of Directors the opportunity

to adjust the capital structure in order to create increased value for the Company's shareholders and/or to allow the Company's own shares to be used as liquidity in conjunction with or to finance the acquisition of companies or properties. No buy-backs took place during 2015.

During 2015, a dividend of SEK 2.90 per share was paid to the Company's shareholders, totalling SEK 598,169,620.

The proposed dividend according to the allocation of unappropriated earnings is SEK 639.4 million. (See Definitions, page 99, Dividend).



**FEMMAN**  
*Nordstan, Gothenburg*

# Cash flow statements – Group

SEK m	2015	2014
<b>Current operations</b>		
Profit before tax	4,448.6	2,520.5
Depreciation and impairment of assets	8.2	7.2
Unrealized change in value, investment properties	-3,426.5	-1,708.6
Unrealized change in value, interest derivatives	-11.8	185.8
Other changes	2.3	1.8
Income tax paid	-90.0	-140.0
<b>Cash flow from current operations before changes in working capital</b>	<b>930.8</b>	<b>866.7</b>
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	-35.2	-14.9
Increase (+) / Decrease (-) in operating liabilities	71.9	29.2
<b>Cash flow from current operations</b>	<b>967.5</b>	<b>881.0</b>
<b>Investments</b>		
Investment in properties	-496.6	-239.6
Investment in equipment	-3.7	-4.6
<b>Cash flow from investments</b>	<b>-500.3</b>	<b>-244.2</b>
<b>Financing</b>		
Loans raised	2,200.0	1,600.0
Amortization of loans	-2,100.0	-1,700.0
Dividend paid	-598.2	-567.2
<b>Cash flow from financing</b>	<b>-498.2</b>	<b>-667.2</b>
<b>Cash flow for the year</b>	<b>-31.0</b>	<b>-30.4</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>474.2</b>	<b>504.6</b>
<b>Cash and cash equivalents at the year-end</b>	<b>443.2</b>	<b>474.2</b>
<b>Supplementary information, cash flow statements</b>		
Interest received	1.8	4.2
Interest paid	119.8	130.8

# Comments

## **Cash flow from current operations**

Cash flow from current operations before changes in operating capital increased by SEK 64.1 million to SEK 930.8 million (866.7). The increase can be attributed to lower tax paid in 2015 following approval by the Swedish Tax Agency of a previously denied direct deduction in 2014 of the cost of foundation reinforcement work. Changes in working capital increased cash flow by SEK 36.7 million (14.3), mainly due to a higher proportion of rents paid in advance. Cash flow from current operations thus totalled SEK 967.5 million (881.0).

## **Cash flow from investments**

Cash flow from investments amounted to SEK -500.3 million (-244.2) and refers to investment in existing holdings and equipment.

## **Cash flow from financing**

Cash flow from financing increased by SEK 169.0 million to SEK -498.2 million (-667.2). Net borrowing increased by SEK 100 million compared to a decrease of SEK 100 million the previous year. No buy-back of Company shares took place during the year.

The cash flow for the year was SEK -31.0 million (-30.4).

## **Cash and cash equivalents**

The Group's cash and cash equivalents totalled SEK 443.2 million (474.2) and comprised cash and bank holdings. In addition to cash and cash equivalents, there were unutilized overdraft facilities of SEK 40 million (40). As at December 31, 2015, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. At the year-end, SEK 2.1 billion was un-

utilized, of which SEK 800 million was reserved to cover outstanding commercial paper loans. The commercial paper programme totalled SEK 2.0 billion, of which SEK 800 million was outstanding at the year-end. The unutilized amount is SEK 1.2 billion. The Company's MTN programme has a limit of SEK 4.0 billion, of which SEK 2.1 billion has been issued. The unutilized amount is SEK 1.9 billion.

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

# Hufvudstaden AB – Parent Company

<b>Income Statements</b>			
SEK m	Note	2015	2014
Net revenue		1,038.4	1,031.3
Operating costs		-715.5	-500.7
<b>Gross profit</b>		<b>322.9</b>	<b>530.6</b>
Central administration		-38.8	-36.2
Changes in value	12	11.8	-185.8
<b>Operating profit</b>	6 – 11	<b>295.9</b>	<b>308.6</b>
<b>Profit from financial items</b>			
Group contributions received		331.9	348.8
Financial income	13	1.2	3.5
Financial expense	14	-124.2	-132.9
		<b>208.9</b>	<b>219.4</b>
<b>Profit after financial items</b>		<b>504.8</b>	<b>528.0</b>
Appropriations	15	1.7	-108.6
<b>Profit before tax</b>		<b>506.5</b>	<b>419.4</b>
Tax	16	-111.3	-56.3
<b>PROFIT FOR THE YEAR</b>		<b>395.2</b>	<b>363.1</b>

<b>Statement of Comprehensive Income</b>			
SEK m	Note	2015	2014
Profit for the year		395.2	363.1
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>395.2</b>	<b>363.1</b>

<b>Balance Sheets</b>			
SEK m	Note	31-12-2015	31-12-2014
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investment properties	17	8,073.6	8,096.7
Tangible fixed assets	18	4.8	4.8
		<b>8,078.4</b>	<b>8,101.5</b>
<i>Financial fixed assets</i>			
Participations in Group companies	19	2,824.8	2,824.8
Non-current receivables	20	10.2	8.4
Total financial fixed assets		2,835.0	2,833.2
<b>Total fixed assets</b>		<b>10,913.4</b>	<b>10,934.7</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	21	3.1	2.5
Other receivables		20.5	6.0
Prepaid tax		37.9	55.4
Receivables from Group companies		372.2	394.3
Prepaid expenses and accrued income	22	24.2	17.1
Total current receivables		457.9	475.3
Cash and bank holdings	23	442.6	474.0
<b>Total current assets</b>		<b>900.5</b>	<b>949.3</b>
<b>TOTAL ASSETS</b>		<b>11,813.9</b>	<b>11,884.0</b>

<b>Balance sheets, cont'd</b>			
SEK m	Note	31-12-2015	31-12-2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital (211,271,933 shares)		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
<b>Total restricted equity</b>		<b>1,978.7</b>	<b>1,978.7</b>
<i>Non-restricted equity</i>			
Retained earnings		1,425.3	1,660.4
Profit for the year		395.2	363.1
<b>Total non-restricted equity</b>		<b>1,820.5</b>	<b>2,023.5</b>
<b>Total equity</b>	24	<b>3,799.2</b>	<b>4,002.2</b>
<i>Untaxed reserves</i>			
	29	821.6	823.3
<i>Provisions</i>			
Pension provisions	27	12.7	10.5
Provisions for taxes	26	888.1	882.3
<b>Total provisions</b>		<b>900.8</b>	<b>892.8</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	25	4,650.0	4,650.0
Liabilities to Group companies		0.7	0.7
Other liabilities		153.3	167.5
<b>Total non-current liabilities</b>		<b>4,804.0</b>	<b>4,818.2</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	25	1,100.0	1,000.0
Accounts payable		74.2	54.8
Liabilities to Group companies		10.9	11.2
Other liabilities	28	36.9	26.1
Accrued expenses and prepaid income	30	266.3	255.4
<b>Total current liabilities</b>		<b>1,488.3</b>	<b>1,347.5</b>
<b>Total liabilities</b>		<b>8,014.7</b>	<b>7,881.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,813.9</b>	<b>11,884.0</b>

SEK m	Note	31-12-2015	31-12-2014
Pledged assets	31	1,461.5	1,459.7
Contingent liabilities	31	None	None

## Changes in equity

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings, including profit for the year	Total
<b>Opening equity 01-01-2014</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,186.4</b>	<b>4,165.1</b>
Profit for the year				363.1	363.1
Other comprehensive income for the year				-	-
Comprehensive income for the year				363.1	363.1
Dividend, Parent Company				-567.2	-567.2
Merger difference				41.2	41.2
<b>Closing equity 31-12-2014</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,023.5</b>	<b>4,002.2</b>
<b>Opening equity 01-01-2015</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,023.5</b>	<b>4,002.2</b>
Profit for the year				395.2	395.2
Other comprehensive income for the year				-	-
Comprehensive income for the year				395.2	395.2
Dividend, Parent Company				-598.2	-598.2
<b>Closing equity 31-12-2015</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>1,820.5</b>	<b>3,799.2</b>

## Comments

Net revenue was SEK 1,038.4 million (1,031.3). The increase can be attributed to higher gross rents in conjunction with new and renegotiated leases. The gross profit amounted to SEK 322.9 million (530.6). The decrease can be attributed mainly to increased maintenance costs and higher depreciation.

Net financial income and expense was SEK 208.9 million (219.4). The profit for the year includes group contributions from subsidiaries totalling SEK 331.9 million (348.8).

Cash and cash equivalents at the year-end totalled SEK 442.6 million (474.0). Investments in existing property holdings and equipment totalled SEK 117.8 million (91.5).

## Cash Flow Statements

SEK m	2015	2014
<b>Current operations</b>		
Profit after financial items	504.8	528.0
Depreciation and impairment of assets	143.9	121.2
Unrealized changes in value, interest derivatives	-11.8	185.8
Group contribution	-331.9	-348.8
Other changes	2.2	0.4
Income tax paid	-89.1	-136.3
<b>Cash flow from current operations before changes in working capital</b>	<b>218.1</b>	<b>350.3</b>
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	328.2	368.3
Increase (+) / Decrease (-) in operating liabilities	38.3	9.7
<b>Cash flow from current operations</b>	<b>584.6</b>	<b>728.3</b>
<b>Investments</b>		
Investment in properties	-115.7	-88.3
Investment in equipment	-2.1	-3.2
<b>Cash flow from investments</b>	<b>-117.8</b>	<b>-91.5</b>
<b>Financing</b>		
Loans raised	2,200.0	1,600.0
Amortization of loans	-2,100.0	-1,700.0
Dividend paid	-598.2	-567.2
<b>Cash flow from financing</b>	<b>-498.2</b>	<b>-667.2</b>
<b>Cash flow for the year</b>	<b>-31.4</b>	<b>-30.4</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>474.0</b>	<b>504.4</b>
<b>Cash and cash equivalents at the year-end</b>	<b>442.6</b>	<b>474.0</b>
<b>Supplementary information, cash flow statements</b>		
Interest received	1.6	3.9
Interest paid	119.7	130.3

# Notes

## Note 1. Accounting principles

### General information

Hufvudstaden AB (publ) is a limited liability company with its registered office in Stockholm. Hufvudstaden is quoted in the large cap list on Nasdaq Stockholm. The Group's principal area of business is the ownership, development and management of commercial properties. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. L E Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Consolidated Financial Statements for Hufvudstaden AB (publ) for 2015 have been approved for publication according to a decision reached by the Board on February 11, 2016. It is proposed that the Annual Report and Consolidated Financial Statements be adopted at the Annual Meeting on March 17, 2016.

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

The Parent Company applies the same accounting principles as the Group except in those cases stated below under the section 'Parent Company accounting principles'. The deviations that arise between the principles applied by the Parent Company and the principles 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 Group's functional currency is Swedish kronor, which is also the reporting currency for the Group and the Parent Company. Assets and liabilities are reported at the historical acquisition values, apart from certain financial assets and liabilities as well as investment properties valued at fair value. Financial assets and liabilities valued at fair value comprise derivatives and assets classified as financial assets valued at fair value in profit or loss. Valuation at fair value of investment properties and financial derivatives is the accounting principle that has greatest impact on the consolidated financial statements.

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

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

### Assessments and estimates

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

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

#### 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, which is known as the net capitalization method. The method means that the market yield requirement is put in relation to the net operating income of the properties. In this valuation, assessment is made of the yield requirement for each individual property. The properties' net operating income is calculated based on the market rental revenue, long-term rental vacancy level and normalized operating and maintenance costs. Hufvudstaden's internal property valuation is checked with external valuation companies, where an uncertainty range of +/- 5 per cent of the assessed fair value is given on the property level. If Hufvudstaden's valuation is outside the uncertainty range, an explanation for the deviation is given.

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

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

### Amended accounting principles

IFRIC 21, Levies, has been applied since January 1, 2015. The interpretation includes rules that state that government levies should be recorded in their entirety as a liability when the obligation arises, which affects the property tax for Hufvudstaden. Expensing remains unchanged, i.e. allocated to different periods throughout the year. In other respects, new and amended IFRS that came into effect in 2015 are not expected to have any impact on the consolidated financial statements.

### New IFRS

A number of new and amended IFRS will only come into effect in the forthcoming financial year and have not been applied in the preparation of these financial statements. The amendments are not expected to have any material impact on the consolidated financial statements.

### Classification etc.

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

### Consolidated accounts

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

### Reporting of income and costs

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

#### Income from property sales

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

#### Intra-Group rents and costs

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

#### Administration costs

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

#### Financial income and expense

Financial income and expense comprises interest income and interest expense, dividends from subsidiaries and unrealized and realized gains on financial investments. Interest income and interest expense are reported in the Income Statement for the period to which they refer, apart from borrowing expenses that are

Note 1 continued on page 71.

attributable directly to investments and where the financing cost is of material significance. Interest income attributable to accounts receivable is included in the gross profit. Interest income and interest expense are calculated according to the annual equivalent interest rate method.

#### Leases

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

#### Remuneration to employees

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

As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO contractual pension. During the 2015 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in the Income Statement when they arise.

#### Tax

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

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

#### Financial instruments

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

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

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

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

This category comprises two sub-groups: financial assets and liabilities, which comprise a holding for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term, and other financial assets and liabilities which the Company has initially chosen to place in this category (according to what is known as the Fair Value Option). Derivatives are classified as being held for

trading purposes if they are not identified as hedges. Financial assets in this category are valued continuously at fair value with changes in value reported in the Income Statement.

This category includes interest derivatives.

#### Loan receivables and accounts receivable

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

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

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

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

#### Other financial liabilities

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

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

#### Derivatives

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

#### Impairment of financial instruments

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

#### Tangible fixed assets

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

#### Depreciation, Property Management

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

#### Depreciation, Parking Operations

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

#### Depreciation principles

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

#### Investment properties

Investment properties are properties that are held for the purposes of securing rental revenue and/or an increase in value. Initially, investment properties are

reported as an acquisition expense, which includes expenses directly attributable to the acquisition. After the initial report, 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 normally take place each quarter. To assure the valuation, valuations are made by external valuation companies at least once a year. The external valuations normally cover 25–40 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. Hufvudstaden also investigates on an ongoing basis if there are other indications of changes in the fair value of the properties. These indications could take the form, for example, of major leases, terminations and material changes in the yield requirements.

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

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

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

#### Impairments

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

#### Share capital

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

#### Profit per share

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

#### Fixed assets held for resale and discontinued operations

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

#### Provisions

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

#### Contingent liabilities

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

#### 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. The Group's operations are divided into two segments, Property Management and Parking Operations. This division is in compliance with the manner in which operations are followed up internally.

#### PARENT COMPANY ACCOUNTING PRINCIPLES

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

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

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

Mergers are reported according to BFAR 1999:1.

#### Investment properties

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

#### Valuation of investment properties and tangible fixed assets

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

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

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

#### Depreciation – investment properties

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

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

#### Note 2. Financial risks

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

normally takes place with short fixed interest periods and interest swaps are used to achieve the desired fixed interest structure. Derivatives are only used for the purpose of minimizing the risk and should be linked to an underlying exposure. At present, the Group has derivatives reported in the category financial assets and liabilities valued at fair value in profit or loss. It has been decided that hedge accounting will be applied to future interest derivatives.

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

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

#### Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. The aim is to have financing from at least three of the major banks and a loan portfolio with a spread of due dates and long terms. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company must have loan assurances that cover the rescheduling of loans and investments. In addition, the Company has a commercial paper programme and an MTN programme. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. The Executive Management prepares rolling forecasts for the Group's liquidity on the basis of expected cash flows. Hufvudstaden's borrowings amounted to SEK 5,750 million at the year-end. The average fixed interest period was 27 months (33), the average capital tie-up period was 27 months (32) and the average annualized equivalent interest cost was 2.1 per cent (2.2). Net debt totalled SEK 5,306.8 million compared to SEK 5,175.8 million at the end of 2014. As at December 31, 2015, the Group had non-current loan assurances of SEK 4 billion, of which SEK 2.1 billion was unutilized, of which SEK 800 million has been reserved to cover outstanding commercial paper. There is also a commercial paper programme of SEK 2 billion, of which SEK 1.2 billion was unutilized, as well as an MTN programme of SEK 4 billion, of which SEK 1.9 billion was unutilized. The Company has satisfactory margins with regard to the lenders' restrictions (covenants) in the loan agreements.

#### Due date structure, interest and capital, December 31, 2015

Year due	Interest payments, SEK m	Of which swaps, SEK m	Nominal amount, SEK m <sup>1)</sup>	Proportion, %
2016, Q 1	29.9	19.5	300.0	5
2016, Q 2	29.8	19.5	–	–
2016, Q 3	36.1	19.4	–	–
2016, Q 4	28.5	18.2	–	–
2017	107.5	59.8	2,950.0	51
2018	53.6	27.3	1,700.0	30
2019	12.0	4.6	500.0	9
2020	6.4	–	–	–
2021	6.4	–	–	–
2022	4.1	–	300.0	5
Total	314.3	168.3	5,750.0	100

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

In addition to the above, there are other liabilities, which also include accounts payable, which normally fall due within 30 days, as well as derivatives with a negative value of SEK 137.4 million.

#### Interest risk

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

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's Finance Policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest structure for the net debt should normally be 12–48 months. Loans are normally raised at a variable rate of interest and derivatives are used to achieve the desired fixed interest structure. As at December 31, 2015, the Group's fixed interest period

was 27 months. A change in the interest level of +/- 1 percentage point, assuming an unchanged loan volume and fixed interest period according to current derivative agreements, would affect Hufvudstaden's interest expense in 2016 to the amount of +/- SEK 36 million (37). At the same time, the change in interest would mean a change in value in interest derivatives to the amount of SEK 83 million (121) in the result.

#### Fixed interest structure, December 31, 2015 (Including effect of interest derivatives)

Year due	Volume, SEK m	Proportion, %	Average AER, %
2016	1,200.0	21	1.0
2017	1,500.0	26	1.8
2018	1,800.0	31	2.6
2019	950.0	17	2.9
2022	300.0	5	2.1
Total	5,750.0	100	2.1

#### Credit risk

A 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 minimize the credit risk through advance rent payments and to only enter into credit transactions with large financing institutions. A credit risk can be attributed mainly to outstanding accounts receivable/rent receivables, cash and cash equivalents as well as financial derivative agreements with positive values, which as at the year-end had a collective carrying value of SEK 463.8 million, which means that the Group has limited exposure to credit risks.

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

The Group's ten largest tenants represent 25 per cent of the total contracted rent and the single largest customer accounts for 8 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited. Exposure regarding financial derivative agreements is limited by the Group policy of only entering into such agreements with major financial institutions with a high rating and with whom the Company has a long-term relationship. In addition, there are general agreements with these institutions regarding the set-off of different derivative agreements, which further reduces the credit risk exposure.

#### Concentration of credit risk, December 31, 2015<sup>1)2)</sup>

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0 – 99	90	3,570	0.2
100 – 499	99	27,039	1.7
500 – 999	118	87,968	5.7
1,000 – 2,499	161	246,960	15.9
2,500 – 4,999	81	284,002	18.3
5,000 – 9,999	45	309,690	19.9
10,000 –	27	594,184	38.3
Total	621	1,553,413	100.0

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

2) Annual rent as at December 31, 2015.

#### Fair value

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

Continuation, Note 2.

Information regarding fair values, financial instruments										
SEK m	Items valued at fair value through profit or loss		Accounts receivable and loan receivables		Other liabilities		Non-financial items		Total carrying amount	
	Derivatives									
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>GROUP</b>										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables			10.3	8.4					10.3	8.4
Current receivables			72.3	35.4			17.3	16.2	89.6	51.6
Cash and cash equivalents			443.2	474.2					443.2	474.2
Non-current liabilities	137.4	149.1			4,683.1	4,680.2			4,820.5	4,829.3
Current liabilities					1,419.0	1,270.6	287.2	259.8	1,706.2	1,530.4
<b>PARENT COMPANY</b>										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables			10.2	8.4					10.2	8.4
Current receivables			44.6	23.3			3.2	2.3	47.8	25.6
Cash and cash equivalents			442.6	474.0					442.6	474.0
Non-current liabilities	137.4	149.1			4,678.6	4,678.9			4,816.0	4,828.0
Current liabilities					1,304.7	1,169.1	172.7	167.3	1,477.4	1,336.4

The fair value concurs essentially with the carrying value. For bond loans with a fixed rate of interest the undervalue is SEK -41.2 million. The fair value of all instruments valued at fair value in the Balance Sheet is attributable to level 2 in IFRS 13, i.e. the value has been calculated based on official market listings.

### Note 3. Segment information

The Group's operations are divided into two segments, Property Management and Parking Operations. The Property Management segment is divided into business areas that follow the operative control of the Company's business, which mainly follows the geographical division of the rental market into sub-markets. In the Parent Company, there is only the Property Management segment. The following presentation shows income and costs as well as assets and investments for the different business areas for 2015 and the comparison year 2014.

#### Property Management

SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>GROUP</b>								
<i>Income and costs</i>								
Net revenue	703.8	695.6	636.8	626.7	270.1	274.1	1,610.7	1,596.4
<i>(of which turnover-based rent)</i>	(-)	(0.9)	(16.9)	(10.0)	(1.2)	(-)	(18.1)	(10.9)
Maintenance	-19.9	-16.8	-11.8	-12.2	-2.7	-2.9	-34.4	-31.9
Operation and administration	-79.8	-74.8	-126.3	-124.2	-50.4	-49.6	-256.5	-248.6
Ground rent	-0.2	-0.2	-21.3	-16.8	-	-	-21.5	-17.0
Property tax	-76.6	-76.6	-50.6	-51.0	-26.9	-26.6	-154.1	-154.2
Gross profit, property management	527.3	527.2	426.8	422.5	190.1	195.0	1,144.2	1,144.7
Parking operations			27.9	19.1			27.9	19.1
Central administration							-38.8	-36.2
<i>Changes in value</i>								
Investment properties							3,426.5	1,708.6
Interest derivatives							11.8	-185.8
Operating profit							4,571.6	2,650.4
Financial income and expense							-123.0	-129.9
Profit before tax							4,448.6	2,520.5
<b>Assets</b>								
Investment properties	15,102.8	13,312.5	11,571.8	10,045.1	5,065.9	4,459.8	31,740.5	27,817.4
Rent receivables	0.8	1.1	0.8	0.6	0.9	0.2	2.5	1.9
<b>Investments</b>								
Investment properties and equipment	125.9	92.7	146.1	86.3	228.3	65.2	500.3	244.2

Note 3 continued on page 75.

Continuation, Note 3.

<b>Parking Operations</b>		
The Parking Operations segment includes parking operations at Parkaden AB.		
SEK m	2015	2014
<b>GROUP</b>		
Net revenue	78.3	68.9
Rental costs	-40.6	-40.6
Operation and administration	-8.7	-8.3
Depreciation	-1.1	-0.9
Gross profit	27.9	19.1
Total assets amounted to SEK 13.7 million (14.4).		

<b>Note 4. Profit trend – summary</b>										
SEK m	Jan – Mar		Apr – Jun		Jul – Sept		Oct – Dec		Jan – Dec	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>GROUP</b>										
<i>Property management</i>										
Net revenue	395.2	397.4	390.6	394.7	397.5	394.8	427.4	409.5	1,610.7	1,596.4
Maintenance	-8.8	-4.4	-7.9	-10.0	-7.3	-6.1	-10.4	-11.4	-34.4	-31.9
Operation and administration	-64.5	-63.0	-63.5	-58.0	-58.1	-60.4	-70.4	-67.2	-256.5	-248.6
Other costs	-43.6	-42.2	-44.2	-42.5	-43.9	-43.2	-43.9	-43.3	-175.6	-171.2
Property management costs	-116.9	-109.6	-115.6	-110.5	-109.3	-109.7	-124.7	-121.9	-466.5	-451.7
Other operations, net	5.9	4.4	5.7	4.8	5.8	3.1	10.5	6.8	27.9	19.1
Gross profit	284.2	292.2	280.7	289.0	294.0	288.2	313.2	294.4	1,172.1	1,163.8
Central administration	-9.0	-8.9	-9.4	-9.0	-9.3	-9.0	-11.1	-9.3	-38.8	-36.2
<i>Changes in value</i>										
Investment properties	365.9	60.9	731.5	578.5	574.4	54.5	1,754.7	1,014.7	3,426.5	1,708.6
Interest derivatives	-22.6	-54.5	20.8	-59.8	-4.8	-34.4	18.4	-37.1	11.8	-185.8
Financial income and expense	-29.6	-31.3	-30.6	-33.7	-31.2	-32.9	-31.6	-32.0	-123.0	-129.9
Tax	-142.1	-64.1	-219.0	-170.1	-182.1	-59.9	-435.3	-225.1	-978.5	-519.2
Profit for the period after tax	446.8	194.3	774.0	594.9	641.0	206.5	1,608.3	1,005.6	3,470.1	2,001.3

<b>Note 5. Operational lease agreements – Group as lessor</b>							
The Group has commercial lease agreements for the property holdings, which comprise offices, stores, warehouses and other non-residential premises. The remaining term is between 1 and 11 years.							
<i>Renewal structure</i> <sup>1)2)3)</sup>							
	2016	2017	2018	2019	2020	2021–	Total
<i>Number of agreements</i>							
Offices	53	71	77	50	27	45	323
Stores	133	84	71	33	26	20	367
Other	424	257	166	81	41	35	1,004
Total	610	412	314	164	94	100	1,694
Proportion, %	36.0	24.3	18.5	9.7	5.6	5.9	100.0
<i>Annual rent, SEK m</i>							
Offices	61.1	170.4	153.2	70.1	86.9	256.1	797.8
Stores	255.1	156.1	116.6	62.9	51.4	79.2	721.3
Other	33.5	28.4	17.5	11.7	11.0	9.4	111.5
Total	349.7	354.9	287.3	144.7	149.3	344.7	1,630.6
Proportion, %	21.4	21.8	17.6	8.9	9.2	21.1	100.0

1) Including leases signed for future occupancy/commencement, whereupon the corresponding present floor space is excluded.  
2) Excluding vacant floor space and floor space (storage and office) for Hufvudstaden's use.  
3) Excluding residential leases.

**Note 6. Depreciation, tangible fixed assets and investment properties**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
<i>Depreciation per type of asset</i>				
Investment properties	- <sup>1)</sup>	- <sup>1)</sup>	138.8	104.7 <sup>2)</sup>
Tangible fixed assets	3.3	3.1	2.1	2.0
Total	3.3	3.1	140.9	106.7
<i>Depreciation per function</i>				
Property management	2.2	2.2	140.9	106.7 <sup>2)</sup>
Parking operations	1.1	0.9	-	-
Total	3.3	3.1	140.9	106.7

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

2) In addition, impairments have been made totalling SEK 14.8 million.

**Note 7. Average number of employees**

Average number of employees	2015		2014	
		Of which men, %		Of which men, %
Parent Company	102	60	97	61
(of which executives)	(7)	(71)	(7)	(86)
<i>Wholly owned subsidiaries</i>				
Parkaden AB	3	67	3	67
Total, Group	105	60	100	61
(of which executives)	(7)	(71)	(7)	(86)

Of the Group's 28 managers (27) 9 are women (9) or 32 per cent (33). The Board of the Parent Company comprised 7 men (7) and 2 women (2). In the Group, there is one other male member of the Board (1 man). The Group only has employees in Sweden.

**Note 8. Salaries and remuneration**

SEK k	Group				Parent Company			
	2015	Of which bonus	2014	Of which bonus	2015	Of which bonus	2014	Of which bonus
<i>Salaries and other remuneration</i>								
Fee to the Chairman of the Board	400		400		400		400	
Fee to other Board members	1,425		1,425		1,400		1,400	
Remuneration and benefits, President	4,909	545	4,331	255	4,909	545	4,331	255
Remuneration and benefits, other executives	10,310	1,025	8,790	589	10,310	1,025	8,790	589
Remuneration and benefits, other employees	55,240	3,775	44,731	848	53,844	3,719	43,536	834
Total	72,284	5,345	59,677	1,692	70,863 <sup>1)</sup>	5,289	58,457 <sup>1)</sup>	1,678
<i>National insurance expenses, including special employer's contribution</i>								
Chairman of the Board	126		126		126		126	
Other Board members	310		489		302		481	
President	2,161		1,915		2,161		1,915	
Other executives	3,660		3,125		3,660		3,125	
Other employees	21,431		15,844		21,005		15,472	
Total	27,688		21,499		27,254		21,119	
<i>Pension expenses</i>								
President	2,556		2,420		2,556		2,420	
Other executives	2,119		1,607		2,119		1,607	
Other employees	7,687		9,083		7,604		9,007	
Total	12,362		13,110		12,279		13,034	

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

Note 8 continued on page 77.

Continuation, Note 8.

An expensed director's fee was paid for 2015 to the Chairman of the Board Fredrik Lundberg to the amount of SEK 400,000 and to Board members Claes Boustedt, Bengt Braun, Peter Egardt, Louise Lindh, Hans Mertzig, Sten Peterson and Anna-Greta Sjöberg to the amount of SEK 200,000 each. President Ivo Stopner does not receive any remuneration for his work on the Board. Within the Group, there is also Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 25,000.

Guidelines for salary, bonus and other remuneration to executives are decided at the Annual Meeting. For 2015, the meeting decided that the following guidelines should be applied.

Salary conditions for executives shall be formulated in line with the market plus an incentive element in the form of a bonus, which is only payable if the Company reports a positive result without consideration given to unrealized changes in value. Such a bonus shall be decided for one year on each occasion, shall be linked to predetermined, quantifiable criteria, and shall be subject to a ceiling. The bonus part aims to provide the management with a special incentive to work to achieve positive results for the Company and thus support the interests of the shareholders.

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

The bonus for the President can amount to a maximum of three months' salary per year and for other executives a maximum of the higher of three months' salary or SEK 250,000 per person per year. The bonus payable to the current number of executives, at the present salary level, can amount to a maximum of SEK 2.8 million.

The retirement age for the President is 65 years although with the right for the President or the Company to decide on retirement with a full pension from the age of 60. Pensions for members of the Group management, including the President, are covered by the ITP plan and are defined benefit plans. In addition, there is a defined contribution pension for the President and Vice President for the part of the salary not covered by the ITP plan. The President has a direct pension of SEK 1 million per year, secured through endowment insurance. The premium has been invested in Hufvudstaden shares.

If the President and other executives are given notice of termination of employment by the Company, the total fixed salary during the period of notice plus

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

These guidelines will cover those persons who during the time the guidelines apply are members of the Executive Management. The guidelines apply to agreements entered into following a decision at the Annual Meeting and in those cases where changes are made in existing agreements after this point in time.

The guidelines have been followed since the 2015 Annual Meeting and a proposal that the guidelines remain unchanged for 2016 will be presented at the 2016 Annual Meeting.

Pensions for Group employees, including the President, are covered by the ITP plan and are defined benefit pensions. Alecta's surplus in the form of the collective consolidation level as of December had not been confirmed at the time of the signing of this Annual Report. Alecta's preliminary consolidation level, as at December 31, 2015, amounted to 153 per cent (144). The collective consolidation 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 occur with IAS 19.

For the President and members of the Executive Management a bonus scheme was in place during the year based on result, customer satisfaction and personal objectives as described above. Other permanent employees in the Group were also covered by a bonus scheme during the year. The bonus criteria were 'operating result' and 'customer satisfaction'. For managers there was also a personal assessment and individual objectives and a bonus was payable up to a maximum of two months' salary. In the case of other employees, the bonus was subject to a maximum of one month's salary.

The bonus schemes are subject to a decision being made for one year on each occasion and the bonuses are subject to a ceiling. A bonus is only payable if the Company reports a positive result without taking into account unrealized changes in value.

In the final accounts, a provision has been made for a bonus for profit targets and customer satisfaction. For personal objectives, a provision is made equivalent to 75 per cent of the maximum outcome. The bonus outcome for 2015 was charged with a cost for 2014 of SEK 36,909.

**Note 9. Fees and cost reimbursements to auditors**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
KPMG AB				
Audit work	1.0	1.0	1.0	1.0
Other assignments	0.2	0.4	0.2	0.4
Total	1.2	1.4	1.2	1.4

**Note 10. Operational lease agreements – Group as the lessee**

Annual charges, SEK m	Group		Parent Company	
	2015	2014	2015	2014
- 1 year	5.4	17.8	-	12.2
1 year – 5 years	3.8	3.0	0.2	-
5 years –	16.7	3.9	13.1	0.3

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

**Note 11. Operating costs per cost category**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Maintenance	33.8	31.4	301.5	121.3
Operation and administration	230.7	235.9	80.6	83.5
Ground rent	21.5	17.0	13.1	8.8
Property tax	154.1	154.2	107.6	107.2
Depreciation and impairment	3.3	3.1	141.0	121.5
Personnel costs	112.9	96.7	111.0	95.0
Total	556.3	538.3	754.8	537.3

**Note 12. Changes in value**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Unrealized changes in value, investment properties	3,426.5	1,708.6	-	-
Unrealized changes in value, interest derivatives	11.8	-185.8	11.8	-185.8
Total	3,438.3	1,522.8	11.8	-185.8

**Note 13. Financial income**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Interest income from bank holdings	0.2	3.5	0.2	3.4
Interest income, other	1.0	0.1	1.0	0.1
Total	1.2	3.6	1.2	3.5

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

**Note 14. Financial expense**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Interest expense to credit institutions	52.7	94.5	52.7	94.5
Interest expense, swaps	65.1	31.9	65.1	31.9
Interest expense, other	6.4	7.1	6.4	6.5
Total	124.2	133.5	124.2	132.9

Of the financial expense, SEK 59.1 million (101.6) refers to financial instruments not valued at fair value.

**Note 15. Appropriations**

SEK m	Parent Company	
	2015	2014
Change in accumulated additional depreciation	1.7	-51.6
Change in tax allocation reserve	-	-57.0
Total	1.7	-108.6

**Note 16. Income taxes**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
<i>Current tax expense</i>				
Tax expense for the year	-106.0	-132.6	-106.0	-132.6
Tax attributable to previous years	0.5	38.8	0.6	38.8
<i>Deferred tax expense/tax income</i>				
Difference between fiscal and accounting depreciation of properties	-120.4	-66.9	-3.7	-3.8
Unrealized change in value, properties	-753.8	-379.2	-	-
Unrealized change in value, interest derivatives	-2.6	40.9	-2.6	40.9
Effect, pension provision	0.5	0.4	0.4	0.4
Effect, allocation to untaxed reserves	3.3	-20.6	-	-
Total tax	-978.5	-519.2	-111.3	-56.3
<i>Profit before tax</i>	4,448.6	2,520.5	506.5	419.4
Tax according to the current tax rate of 22 %	-978.7	-554.5	-111.4	-92.3
Tax attributable to previous years	0.5	38.8	0.6	38.8
Non-taxable income	0.3	0.3	0.3	0.3
Non-deductible expenses	-0.6	-0.6	-0.6	-0.5
Standard income, tax allocation reserve	-1.0	-2.2	-1.0	-2.2
Other	1.0	-1.0	0.8	-0.4
Total tax	-978.5	-519.2	-111.3	-56.3

There were no deficit deductions in the Group as at the year-end.

**Note 17. Investment properties**

**GROUP**  
Investment properties were reported according to the fair value method.

SEK m	2015	2014
Investment properties, Group	31,740.5	27,817.4

*Information about changes in the carrying amounts of investment properties.*

SEK m	Investment properties owned for the full year	
	2015	2014
Opening fair value		27,817.4
Investment in properties		496.6
Unrealized change in value		3,426.5
Closing fair value		31,740.5

2014	Investment properties owned for the full year	
	2014	2013
Opening fair value		25,869.1
Investment in properties		239.6
Unrealized change in value		1,708.6
Closing fair value		27,817.4

All properties generated rental revenue during the year. For income and costs attributable to investment properties, reference can be made 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 and Land and Development in Progress. Investment properties are valued according to level 3 in the fair value hierarchy. The property holdings only include commercial properties comprising 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 was done by assessing the fair value of each individual property. The assessment took place in the form of a valuation according to a variation on the location price method, known as the net capitalization method. The method means that the market yield requirements are put in relation to the net operating income of the properties.

The assessment of the yield requirements is based on information gathered on the market yield on investment requirements for purchases and sales of comparable properties in similar locations. If few or no deals are concluded in the property's sub-area, transactions in the adjoining area are analyzed. Deals not yet concluded also provide guidance on the market yield requirements. Account is also taken of the property type, technical standard and building construction. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with valuation and consulting companies. Hufvudstaden's average yield requirement since December 31, 2010 has varied between 4.1 per cent and 5.0 per cent and as at December 31, 2015, the figure was 4.1 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.25 percentage points higher.

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

Revenue is adjusted to take into account an assessed, long-term rental vacancy level. The vacancy level is based on the true outcome of the property holdings over a business cycle and the expected rental situation for the individual property. In the valuation, an average vacancy level of 4 per cent has been estimated. The actual average vacancy level during the period 2006–2015 varied between 3 and 7 per cent and as at December 31, 2015, the figure was 4.5 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 SEK 400–500 and the estimated cost in the valuation as at December 31, 2015 was on the same level.

*Note 17 continued on page 79.*

Continuation, Note 17.

The following information has been used in the valuation made on 31-12-2015:

Office and retail	Range (weighted average)	
Net operating income (SEK/sq m)	1,300 – 6,270	(3,500)
Vacancy level (%)	2 – 5	(4)
Yield requirement, Stockholm (%)	3.8 – 4.3	(3.9)
Yield requirement, Gothenburg (%)	4.1 – 4.8	(4.6)
Yield requirement, total (%)	4.1	

External valuation

To assure the valuation, external valuations were obtained from three valuation companies: Forum Fastighetsekonomi AB, NAI Svefa AB and Newsec Advice AB. The external valuations cover 8 properties and are equivalent to 37 per cent of the internally assessed fair value and the corresponding figure at the mid-year point was 33 per cent. The basis for the selection of the properties was that they should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Kvasten 9, Kåkenhusen 40 (part of), Oxhuvudet 18, Rännilen 8 and Rännilen 11 in Stockholm and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a fair value of SEK 12.0 billion. Hufvudstaden's internal valuation of the same properties was SEK 11.6 billion. The internal valuations thus concur well with the external valuations.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of valuation. The price, however, can only be set when a transaction has been completed. In conjunction with a property valuation, a range is often given to indicate the degree of uncertainty surrounding the fair value estimates. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 31.7 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- 1.6 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation<sup>1)</sup>

	Change, +/-	Impact on value, +/-
Rent revenue	SEK 100 per sq m	SEK 950 m
Property costs	SEK 50 per sq m	SEK 475 m
Rental vacancy level	1.0 percentage points	SEK 420 m
Yield requirement	0.25 percentage points	SEK 1,950 m

1) Valuation date 31-12-2015.

Tax values, investment properties, Group

SEK m	2015	2014
Tax values, buildings	8,885.6	8,885.6
Tax values, land	6,584.2	6,584.2
	15,469.8	15,469.8

PARENT COMPANY

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

SEK m	2015	2014
Investment properties, Parent Company	8,073.6	8,096.7

Investment properties, excluding land

SEK m	2015	2014
Opening acquisition values	3,771.8	3,406.4
Takeover via merger	–	292.1
Investments for the year	115.7	88.3
Disposals for the year	–	-15.0
Closing acquisition values	3,887.5	3,771.8
Opening depreciation	-1,001.2	-904.7
Takeover via merger	–	-5.8
Depreciation for the year	-125.0	-90.9
Impairments for the year	–	-14.8
Disposals for the year	–	15.0
Closing depreciation	-1,126.2	-1,001.2
Opening revaluation according to the adopted Balance Sheet for the previous year	1,077.3	1,091.1
Depreciation for the year	-13.8	-13.8
Closing revaluation	1,063.5	1,077.3
Closing residual value according to plan	3,824.8	3,847.9

Land

SEK m	2015	2014
Opening acquisition value	1,207.4	954.7
Takeover via merger	–	252.7
Investments for the year	–	–
Closing acquisition value	1,207.4	1,207.4
Opening value, revaluation	3,041.4	3,041.4
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, multi-storey car parks, restaurants 2 per cent
- Building equipment: 5–10 per cent
- Land improvements: 3.75–5 per cent

Information about the fair value of investment properties

SEK m	2015	2014
Investment properties, Parent Company	20,727.7	18,271.7

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

Tax values, investment properties, Parent Company

SEK m	2015	2014
Tax values, buildings	5,906.4	5,906.4
Tax values, land	4,907.4	4,907.4
	10,813.8	10,813.8

**Note 18. Tangible fixed assets**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Opening acquisition value	32.0	31.5	16.2	17.1
Investments for the year	3.7	4.9	2.1	3.5
Disposals	-1.4	-4.4	-1.4	-4.4
Closing acquisition value	34.3	32.0	16.9	16.2
Opening depreciation	-25.0	-26.0	-11.4	-13.5
Depreciation for the year	-3.3	-3.1	-2.1	-2.0
Disposals	1.4	4.1	1.4	4.1
Closing accumulated depreciation	-26.9	-25.0	-12.1	-11.4
Closing residual value according to plan	7.4	7.0	4.8	4.8

**Note 19. Participation in Group Companies**

	Company reg. no.	Reg. office	Capital (votes) %	Number	Nominal value, SEK 1,000	Carrying amount 2015, SEK m
<b>PARENT COMPANY</b>						
<i>Shares in subsidiaries</i>						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
Aktiebolaget Hamngatsgaraget	556068-6601	Stockholm	100	3,000	300	231.2
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.6
						2,824.5
<i>Shares in dormant companies</i>						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	0.0
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	0.0
Förvaltnings AB Normalmstorg nr. 1	556019-5405	Stockholm	100	150	150	0.0
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
Parent Company, total						2,824.8
<b>OTHER GROUP COMPANIES</b>						
<i>Owned by AB Citypalatset</i>						
Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	239.5
<i>Owned by Fastighetsaktiebolaget Stockholms City</i>						
Hotel Stockholm Aktiebolag	556031-4303	Stockholm	100	10,000	1,000	3.4
<i>Owned by AB Nordiska Kompaniet</i>						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
						0.5
Other Group companies, total						243.4

No changes in the level of ownership have taken place compared to the previous year. There are no foreign subsidiaries in the Group.

*Change in Parent Company's holdings in Group companies*

SEK m	Parent Company	
	2015	2014
Opening carrying amount	2,824.8	3,091.2
Merged subsidiaries	-	-266.4
Closing carrying amount	2,824.8	2,824.8

**Note 20. Other non-current receivables**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Opening carrying amount	8.4	43.6	8.4	43.6
Change in value, interest derivatives	-	-36.6	-	-36.6
Change for the year	1.9	1.4	1.8	1.4
Closing carrying amount	10.3	8.4	10.2	8.4

**Note 21. Accounts receivable**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Accounts receivable	18.1	12.7	1.8	0.9
Rent receivables	2.5	1.9	1.3	1.6
Total	20.6	14.6	3.1	2.5

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

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 4.9 million (0.5). Accounts receivable that have fallen due, but which have not been impaired, amounted to SEK 4.5 million (2.7).

**Note 22. Prepaid expenses and accrued income**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Accrued rent revenue	27.6	16.9	20.7	11.5
Prepaid expenses	17.6	19.1	3.5	5.2
Accrued interest income	-	0.4	-	0.4
Total	45.2	36.4	24.2	17.1

**Note 23. Cash and bank holdings**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Bank balances	443.2	474.2	442.6	474.0
Total	443.2	474.2	442.6	474.0

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

**Note 24. Equity****GROUP****Other contributed capital**

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

**Retained earnings, including profit for the year**

The retained earnings, including profit for the year, include profit in the Parent Company and its subsidiaries. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

**Dividend**

In 2015, a dividend was paid of SEK 2.90 per share or a total of SEK 598,169,620. For 2015, the Board of Directors proposes a dividend of SEK 3.10 per share or a total of SEK 639,424,392.

**Asset 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.

**Share capital**

SEK m	2015	2014
<i>Breakdown of share series</i>		
A 202,996,869 shares, par value SEK 5	1,015.0	1,015.0
C 8,275,064 shares, par value SEK 5	41.4	41.4
Total	1,056.4	1,056.4

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

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

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

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

**PARENT COMPANY****Restricted funds**

Restricted funds may not be reduced through a dividend.

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

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

**Non-restricted equity**

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

**Note 25. Interest-bearing liabilities**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
<i>Non-current liabilities</i>				
Bank loans	2,850.0	2,850.0	2,850.0	2,850.0
Bond loans	1,800.0	1,800.0	1,800.0	1,800.0
Total	4,650.0	4,650.0	4,650.0	4,650.0
<i>Current liabilities</i>				
Bond loans	300.0	400.0	300.0	400.0
Commercial paper loans	800.0	600.0	800.0	600.0
Total	1,100.0	1,000.0	1,100.0	1,000.0
Credit facility granted	40.0	40.0	40.0	40.0
Loan assurances	4,000.0	4,000.0	4,000.0	4,000.0

As at December 31, 2015, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. The loan assurances are subject to undertakings regarding the equity ratio and interest coverage ratio. At the year-end, SEK 2.7 billion was utilized, of which SEK 800 million has been reserved to cover outstanding commercial paper.

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

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

**Borrowing 31-12-2015****Group and Parent Company**

Year due	Average AER, % <sup>1)</sup>	Nominal amount, SEK m		
		Bank loans <sup>2)</sup>	Bonds <sup>3)</sup>	Commercial paper <sup>4)</sup>
2016	0.1	–	300.0	–
2017	0.1	2,650.0	–	300.0
2018	1.4	200.0	1,000.0	500.0
2019	3.4	–	500.0	–
2022	2.1	–	300.0	–
Total		2,850.0	2,100.0	800.0

1) All loans are denominated in SEK.

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

3) As 2) or a fixed rate of interest with an annual coupon.

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

**Interest swaps 31-12-2015****Group and Parent Company**

Year due	Average AER		Nominal amount, SEK m	Fair value, SEK m
	Fixed interest, %	Variable interest % <sup>1)</sup>		
2016	1.5	-0.4	500.0	7.8
2017	1.6	-0.4	1,500.0	47.7
2018	1.7	-0.4	1,300.0	57.3
2019	1.9	-0.4	450.0	24.6
Total			3,750.0	137.4

1) Interest terms are three months Stibor. Interest is paid quarterly. Swap contracts are denominated in SEK.

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

**Note 26. Deferred tax liability**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Investment properties	6,065.6	5,191.5	921.1	917.4
Interest derivatives	-30.2	-32.8	-30.2	-32.8
Untaxed reserves	196.6	199.8	–	–
Pension provision	-2.8	-2.3	-2.8	-2.3
Total	6,229.2	5,356.2	888.1	882.3

As at the year-end, December 31, 2015, there was a deficit deduction in the Group of SEK 0 million (0).

*Change in deferred tax*

SEK m	Balance as at January 1	Reported within profit or loss	Balance as at December 31
<b>GROUP</b>			
<b>2015</b>			
Investment properties	5,191.5	874.1	6,065.6
Interest derivatives	-32.8	2.6	-30.2
Untaxed reserves	199.8	-3.2	196.6
Pension provision	-2.3	-0.5	-2.8
	5,356.2	873.0	6,229.2
<b>2014</b>			
Investment properties	4,745.4	446.1	5,191.5
Interest derivatives	8.1	-40.9	-32.8
Untaxed reserves	179.2	20.6	199.8
Pension provision	-1.9	-0.4	-2.3
	4,930.8	425.4	5,356.2

Note 26 continued on page 83.

Continuation, Note 26.

SEK m	Balance as at January 1	Reported within profit or loss	Takeover via merger	Balance as at December 31
<b>PARENT COMPANY</b>				
2015				
Investment properties	917.4	3.7	–	921.1
Interest derivatives	-32.8	2.6	–	-30.2
Pension provision	-2.3	-0.5	–	-2.8
	882.3	5.8	–	888.1
2014				
Investment properties	947.0	3.8	-33.4	917.4
Interest derivatives	8.1	-40.9	–	-32.8
Pension provision	-1.9	-0.4	–	-2.3
	953.2	-37.5	-33.4	882.3

**Note 27. Other provisions**

A provision has been made in the Balance Sheet for a pension liability in respect of endowment insurance for the President, Vice President and former executives of the Company.

**Note 28. Other liabilities**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
VAT settlement	41.6	41.5	22.9	24.8
Other	67.2	48.6	14.0	1.3
Total	108.8	90.1	36.9	26.1

**Note 29. Untaxed reserves**

SEK m	Parent Company	
	2015	2014
<i>Accumulated depreciation in excess of plan</i>		
Opening balance	107.3	55.6
Depreciation for the year	-1.7	51.7
Closing balance	105.6	107.3
Tax allocation reserves	716.0	716.0
Total	716.0	716.0
Total untaxed reserves	821.6	823.3

**Note 30. Accrued expenses and prepaid income**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Accrued interest expense	35.6	34.1	35.6	34.1
Advance rent payments	287.2	259.8	172.7	167.3
Other accrued expenses	72.1	61.7	58.0	54.0
Total	394.9	355.6	266.3	255.4

**Note 31. Pledged assets and contingent liabilities**

SEK m	Group		Parent Company	
	2015	2014	2015	2014
Property mortgages for liabilities at credit institutions	1,451.3	1,451.3	1,451.3	1,451.3
<i>(of which mortgages on subsidiaries' properties)</i>			(704.5)	(704.5)
Other non-current receivables	10.2	8.4	10.2	8.4
Total	1,461.5	1,459.7	1,461.5	1,459.7

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

**Note 32. Affiliations**

Hufvudstaden AB is under the controlling influence of L E Lundbergföretagen AB and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen AB. Fredrik Lundberg's director's fee for 2015 was SEK 400,000. Details of payments to Board members and executives can be found in Note 8.

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

**Note 33. Events after the year-end**

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

# BIBLIOTEKSTAN

*Birger Jarlsgatan, Stockholm*



# BIBLIOTEKSTAN

*Mäster Samuelsgatan, Stockholm*



# Proposed distribution of unappropriated earnings

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

A statement explaining the proposed distribution of earnings is available on the Company's website, [www.hufvudstaden.se](http://www.hufvudstaden.se), or can be obtained free of charge from the Company on request.

Retained earnings	SEK	1,425,286,270
Profit for the year	SEK	395,216,847
	SEK	1,820,503,117
Dividend to the shareholders,		
SEK 3.10 per share	SEK	639,424,392 <sup>1)</sup>
To be carried forward	SEK	1,181,078,725
	SEK	1,820,503,117

<sup>1)</sup> See Definitions, page 99, Dividend.

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

Stockholm, February 11, 2016



Fredrik Lundberg  
*Chairman*



Claes Boustedt  
*Board Member*



Bengt Braun  
*Board Member*



Peter Egardt  
*Board Member*



Louise Lindh  
*Board Member*



Hans Mertzig  
*Board Member*



Sten Peterson  
*Board Member*



Anna-Greta Sjöberg  
*Board Member*



Ivo/Stopner  
*President*  
*Board Member*

Our audit report was submitted on February 15, 2016

KPMG AB



Joakim Thilstedt  
*Authorized Public Accountant*

# Auditor's Report

To the Annual Meeting of the shareholders of Hufvudstaden AB (publ), company registration number 556012-8240.

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and the consolidated accounts of Hufvudstaden AB (publ) for 2015. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 50–86.

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

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

### *Auditor's responsibility*

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

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

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

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

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and of their financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been prepared. The Statutory Administration Report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopts the Income Statement and Balance Sheet for the Parent Company and the Group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the President of Hufvudstaden AB (publ) for 2015.

### *Responsibilities of the Board of Directors and the President*

The Board of Directors is responsible for the proposal for appropriations of the

Company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

### *Auditor's responsibility*

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

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

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

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

### *Opinions*

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

Stockholm February 15, 2016

KPMG AB



Joakim Thilstedt

*Authorized Public Accountant*

# Board of Directors and Auditors

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

Board of Directors. Other executives in the Company take part in Board meetings to present specific points. During the 2015 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. The work of the Board of Directors complies with

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



**Fredrik Lundberg**

*Born 1951. MSc, MBA, Honorary PhD in Economics, Honorary PhD in Engineering. Chairman, Board member since 1998. President and CEO of L E Lundbergföretagen AB. Chairman of Holmen AB, AB Industrivärden and Industrade AB. Deputy Chairman of Svenska Handelsbanken AB. Member of the board of L E Lundbergföretagen AB and Skanska AB. Holding in Hufvudstaden: 1,950,412 shares. (directly and through related parties).<sup>1)</sup>*



**Claes Boustedt**

*Born 1962. MBA. Board member since 1998. Vice President of L E Lundbergföretagen AB. President of L E Lundberg Kapitalförvaltning AB. Member of the board of Sandvik AB. Holding in Hufvudstaden: 1,000 shares.*



**Bengt Braun**

*Born 1946. MBA, LL.M. Board member since 2000. Chairman of the Board of Euro Comfort Holding GmbH. Member of the board of Bonnier Holding AB, TV4 AB and Mertzig Asset Management AB. Previous positions include the post of President and CEO of Bonnier AB. Holding in Hufvudstaden: 3,750 shares.*

1) L E Lundbergföretagen AB also holds 93,377,680 shares in Hufvudstaden. Fredrik Lundberg and related parties control approximately 71 per cent of the votes and Louise Lindh and related parties control approximately 11 per cent of the votes in L E Lundbergföretagen AB.



**Peter Egardt**

*Born 1949. BA.*

*Board member since 2003.*

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

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

*Previous positions include  
President of the Stockholm Chamber of  
Commerce and the Association of Swedish  
Chambers of Commerce.  
Holding in Hufvudstaden: 18,000 shares.*



**Louise Lindh**

*Born 1979. MBA.*

*Board member since 2007.*

*Vice President, Fastighets AB L E Lundberg.*

*Chair of J2L Holding AB.*

*Member of the board of  
L E Lundbergföretagen AB, Holmen AB  
and Fastighets AB L E Lundberg.  
Holding in Hufvudstaden: 29,166 shares.<sup>1)</sup>*



**Hans Mertzig**

*Born 1941. Economist.*

*Board member since 2000.*

*Member of the board of  
Mertzig Asset Management AB  
and the Swedish Central Bank  
Anniversary Fund Foundation.  
Chair of the Finance Committee  
of the Swedish Central Bank  
Anniversary Fund Foundation.*

*Previous positions include asset manager  
at Ramsbury AB and the KK Foundation.*

*Holding in Hufvudstaden: –*



**Sten Peterson**

*Born 1956. MSc.*

*Board member since 2006.*

*President of Byggnads AB Karlsson & Wingsjö.*

*Member of the board of  
L E Lundbergföretagen AB,  
Fastighets AB L E Lundberg,  
Byggnads AB Karlsson & Wingsjö and  
J2L Holding AB.*

*Holding in Hufvudstaden: 2,000 shares.*



**Anna-Greta Sjöberg**

*Born 1967. MA, MBA.*

*Board member since 2006.*

*President of Crispa AB.*

*Member of the Board of Tryggstiftelsen.*

*Previous positions include  
Managing Director of the Royal Bank  
of Scotland, Nordic Branch.  
Holding in Hufvudstaden: 3,000 shares.*



**Ivo Stopner**

*Born 1962. MSc.*

*President and Board member since 1999.*

*No other material assignments outside the Group.*

*Holding in Hufvudstaden: 3,300 shares  
(own and through related parties),*

*100,000 call options and 19,675 shares within  
the framework of endowment insurance taken  
out in respect of an assured direct pension.*

**Auditors**

**KPMG AB with Joakim Thilstedt** born 1967, Authorized Public Accountant, as lead auditor.

**Secretary**

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

# Senior Executives

## **Ivo Stopner**

*Born 1962. MSc.*

*President. Employed since 1990.*

*Holding in Hufvudstaden: 3,300 shares (own and through related parties), 100,000 call options and 19,675 shares within the framework of endowment insurance taken out in respect of an assured direct pension.*

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

## **Ki Hummelgren**

*Born 1968. Head of Human Resources. Employed 2008.*

*Holding in Hufvudstaden: 20,000 call options.*

## **Daniel Massot**

*Born 1970. MSc. Head of the Gothenburg Business Area.*

*Employed 2009.*

*Holding in Hufvudstaden: 30,000 call options.*

## **Anders Nygren**

*Born 1970. MSc. Head of Property Development. Employed 2006.*

*Holding in Hufvudstaden: 10,000 call options.*

## **Mattias Nygårds**

*Born 1972. MSc. Head of the Stockholm City West Business Area.*

*Employed 2011 (previously employed 2005–2009).*

*Holding in Hufvudstaden: 40,000 call options.*

## **Åsa Roslund**

*Born 1966. MBA. Acting CFO. Employed 2005.*

*Member of the Executive Management since October 2015.*

*Holding in Hufvudstaden: –*

## **Bo Wikare**

*Born 1963. MSc. Vice President.*

*Head of the Stockholm City East Business Area.*

*Head of Business Development. Employed 1994.*

*Holding in Hufvudstaden: 62 shares and 40,000 call options.*



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

# NORDISKA KOMPANIET

*Hamngatan, Stockholm*



Grande Reverso  
Night & Day watch



EQUILIBRE  
ld

# Multi-year review – Group

	2015	2014	2013	2012	2011
<b>Income Statements, SEK m</b>					
Net revenue					
Property management	1,611	1,596	1,573	1,472	1,369
Parking operations	78	69	68	70	68
	1,689	1,665	1,640	1,542	1,437
<b>Operating expenses</b>					
Maintenance, operation and administration	-291	-280	-270	-263	-283
Ground rents	-22	-17	-16	-16	-16
Property tax	-154	-154	-152	-128	-126
Property management	-467	-451	-438	-407	-425
Parking operations	-50	-50	-50	-49	-48
	-517	-502	-488	-457	-473
Gross profit	1,172	1,164	1,153	1,085	965
– of which Property management	1,144	1,145	1,135	1,065	945
– of which Parking operations	28	19	18	20	20
Central administration	-39	-36	-36	-34	-32
<b>Changes in value</b>					
Investment properties	3,427	1,709	1,358	621	1,245
Interest derivatives	12	-186	60	-25	-99
Operating profit	4,572	2,650	2,534	1,646	2,079
<b>Financial income and expense</b>					
Profit before tax	4,449	2,520	2,407	1,486	1,956
Tax	-979	-519	-531	454	-521
Profit for the year	3,470	2,001	1,876	1,939	1,435
<b>Balance Sheets, SEK m</b>					
<b>Assets</b>					
Properties	31,748	27,817	25,869	23,058	22,251
Other non-current assets	10	15	49	11	12
Current assets	564	583	558	585	432
Total assets	32,323	28,415	26,476	23,653	22,695
<b>Equity and liabilities</b>					
Equity	19,567	16,695	15,261	13,921	12,487
Interest-bearing liabilities	5,750	5,650	5,750	4,700	4,375
Other liabilities and allocations	7,006	6,070	5,465	5,032	5,833
Total equity and liabilities	32,323	28,415	26,476	23,653	22,695
<b>Property holdings</b>					
Fair value, SEK bn	31.7	27.8	25.9	23.1	22.3
Tax assessment value, SEK bn	15.5	15.5	15.8	12.9	12.9
Rentable floor space, 1,000 sq m	387	387	387	367	365
Rental vacancy level (EPRA Vacancy Rate), %	4.5	5.6	4.0	3.7	3.9
Floor space vacancy level, %	6.1	7.2	5.7	5.4	5.9
Investments in properties, SEK m	497	240	1,454	186	945
Net operating income, SEK per sq m <sup>1)</sup>	2,955	2,958	2,956	2,900	2,637
<b>Financial key ratios</b>					
Gross margin, %	69	70	70	70	67
Return on equity, %	19.1	12.5	12.9	14.7	12.0
Return on capital employed, %	19.2	12.2	12.8	9.3	13.1
Equity ratio, %	61	59	58	59	55
Interest coverage ratio, multiple	9.1	8.5	8.3	6.4	7.0
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	16.7	18.6	20.3	18.2	18.1
Cash flow from current operations, SEK m	968	881	951	518	559
Cash flow for the year, SEK m	-31	-30	7	151	-1
Average number of employees in the Group	105	100	96	94	93
<b>Share data (no dilution effect)</b>					
Profit for the year, SEK	16.82	9.70	9.10	9.40	6.96
Dividend, SEK	3.10 <sup>2)</sup>	2.90	2.75	2.60	2.45
Dividend proportion, %	81	77	74	82	86
Equity, SEK	94.86	80.94	73.99	67.49	60.54
Fair value of properties, SEK	153.92	134.86	125.42	111.79	107.88
Cash flow from current operations, SEK	4.69	4.27	4.61	2.51	2.71
Cash flow for the year, SEK	-0.15	-0.15	0.03	0.73	-0.01
Non-current net asset value (EPRA NAV), SEK	125.00	107.00	97.00	89.00	86.00
Net asset value (EPRA NNAV), SEK <sup>3)</sup>	118.00	100.00	92.00	84.00	76.00
Share price, series A, at the year-end, SEK	119.90	101.60	86.15	81.95	70.05
P/E ratio, multiple	7.1	10.5	9.5	8.7	10.1
Share price series A/equity, %	126.4	125.5	116.4	121.4	115.7
Yield, %	2.6	2.9	3.2	3.2	3.5
Number of outstanding shares at the year-end	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Total number of issued shares at the year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933

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

2) In accordance with a proposal by the Board.

3) Since 2012 the estimated deferred tax has been set at 5 per cent, compared to the figure of 10 per cent for previous periods.

For Definitions, see page 99.

# Business areas in figures

Property holdings	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	2015		2014		2015		2014		2015		2014		2015		2014	
	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
Gross rent, including charge for consumables	752.0	4,981	742.0	4,919	661.8	4,441	654.2	4,400	298.8	3,425	291.9	3,341	1,712.6	4,423	1,688.1	4,363
<i>(of which property tax supplement)</i>	<i>(71.0)</i>	<i>(470)</i>	<i>(71.6)</i>	<i>(475)</i>	<i>(43.7)</i>	<i>(293)</i>	<i>(43.4)</i>	<i>(292)</i>	<i>(22.1)</i>	<i>(253)</i>	<i>(24.3)</i>	<i>(278)</i>	<i>(136.8)</i>	<i>(353)</i>	<i>(139.3)</i>	<i>(360)</i>
Rent losses on vacant space	-47.2	-313	-45.6	-302	-23.0	-154	-27.7	-186	-26.8	-307	-18.0	-206	-97.0	-251	-91.3	-236
Bad debt losses	-1.0	-7	-0.8	-5	-2.0	-13	0.2	1	-1.9	-22	0.2	2	-4.9	-13	-0.4	-1
<b>Net sales</b>	<b>703.8</b>	<b>4,661</b>	<b>695.6</b>	<b>4,612</b>	<b>636.8</b>	<b>4,274</b>	<b>626.7</b>	<b>4,215</b>	<b>270.1</b>	<b>3,096</b>	<b>274.1</b>	<b>3,137</b>	<b>1,610.7</b>	<b>4,160</b>	<b>1,596.4</b>	<b>4,126</b>
Maintenance	-19.9	-132	-16.8	-111	-11.8	-79	-12.2	-82	-2.7	-31	-2.9	-33	-34.4	-89	-31.9	-82
Operations	-49.5	-328	-48.2	-320	-99.0	-664	-101.1	-680	-37.1	-425	-34.7	-397	-185.6	-479	-184.0	-476
Administration	-30.3	-201	-26.6	-176	-27.3	-183	-23.1	-155	-13.3	-152	-14.9	-171	-70.9	-183	-64.6	-167
Ground rent	-0.2	-1	-0.2	-1	-21.3	-143	-16.8	-113	-	-	-	-	-21.5	-56	-17.0	-44
Property tax	-76.6	-507	-76.6	-508	-50.6	-340	-51.0	-343	-26.9	-308	-26.6	-304	-154.1	-398	-154.2	-399
<b>Total property expenses</b>	<b>-176.5</b>	<b>-1,169</b>	<b>-168.4</b>	<b>-1,116</b>	<b>-210.0</b>	<b>-1,409</b>	<b>-204.2</b>	<b>-1,373</b>	<b>-80.0</b>	<b>-916</b>	<b>-79.1</b>	<b>-905</b>	<b>-466.5</b>	<b>-1,205</b>	<b>-451.7</b>	<b>-1,168</b>
<b>Gross operating profit</b>	<b>527.3</b>	<b>3,492</b>	<b>527.2</b>	<b>3,496</b>	<b>426.8</b>	<b>2,865</b>	<b>422.5</b>	<b>2,842</b>	<b>190.1</b>	<b>2,180</b>	<b>195.0</b>	<b>2,232</b>	<b>1,144.2</b>	<b>2,955</b>	<b>1,144.7</b>	<b>2,958</b>

Property data	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	2015	2014	2015	2014	2015	2014	2015	2014
December 31								
Number of properties	16	16	9	9	3	3	28	28
Floor space, sq m	150,978	150,843	149,009	148,685	87,236	87,361	387,223	386,889
Rental vacancy level, %	4.2	7.0	1.9	3.9	11.4	5.6	4.5	5.6
Floor space vacancy level, %	6.2	8.9	3.1	5.3	11.2	7.4	6.1	7.2
Total rentable parking spaces	165	165	1,296	1,276	51	51	1,512	1,492

Rentable space and annual rent	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m
December 31, 2015								
Offices	102,286	495.1	46,084	187.8	49,777	115.2	198,147	798.1
Shops and restaurants	36,643	242.8	44,645	375.9	30,965	151.0	112,253	769.7
Storage and miscellaneous	6,380	12.7	18,938	34.7	4,465	8.7	29,783	56.1
Parking	4,570	6.5	39,039	41.4	1,250	1.7	44,859	49.6
Residential	1,099	2.0	303	0.3	779	0.8	2,181	3.1
<b>Total</b>	<b>150,978</b>	<b>759.1</b>	<b>149,009</b>	<b>640.1</b>	<b>87,236</b>	<b>277.4</b>	<b>387,223</b>	<b>1,676.6</b>

Floor space vacancy level and rental vacancy level	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Property management, total	
	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m	Vacant floor space, sq m	Rental vacancy level, SEK m
December 31, 2015								
Offices	6,927	28.8	1,547	5.8	2,817	5.6	11,291	40.2
Shops and restaurants	-	-	730	3.8	5,428	23.2	6,158	27.0
Storage and miscellaneous	1,465	1.9	1,923	2.6	1,505	2.5	4,893	7.0
Parking	616	0.7	351	0.3	50	0.3	1,017	1.3
Residential	309	0.6	-	-	-	-	309	0.6
<b>Total</b>	<b>9,317</b>	<b>32.0</b>	<b>4,551</b>	<b>12.5</b>	<b>9,800</b>	<b>31.6</b>	<b>23,668</b>	<b>76.1</b>

<b>Lease term structure<sup>1) 2) 3)</sup></b>							
December 31, 2015							
<b>Number of leases</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021-</b>	<b>Total</b>
<b>Stockholm City East Business Area</b>							
Offices	21	35	56	31	16	29	188
Stores	31	19	13	12	8	10	93
Other	262	156	71	41	21	18	569
<b>Total</b>	<b>314</b>	<b>210</b>	<b>140</b>	<b>84</b>	<b>45</b>	<b>57</b>	<b>850</b>
Proportion, %	36.9	24.7	16.5	9.9	5.3	6.7	100.0
<b>Stockholm City West Business Area</b>							
Offices	19	26	11	9	6	9	80
Stores	56	58	48	11	9	2	184
Other	131	70	72	20	19	8	320
<b>Total</b>	<b>206</b>	<b>154</b>	<b>131</b>	<b>40</b>	<b>34</b>	<b>19</b>	<b>584</b>
Proportion, %	35.3	26.4	22.4	6.8	5.8	3.3	100.0
<b>Gothenburg Business Area</b>							
Offices	13	10	10	10	5	7	55
Stores	46	7	10	10	9	8	90
Other	31	31	23	20	1	9	115
<b>Total</b>	<b>90</b>	<b>48</b>	<b>43</b>	<b>40</b>	<b>15</b>	<b>24</b>	<b>260</b>
Proportion, %	34.6	18.5	16.5	15.4	5.8	9.2	100.0
<b>Hufvudstaden, total</b>							
Offices	53	71	77	50	27	45	323
Stores	133	84	71	33	26	20	367
Other	424	257	166	81	41	35	1,004
<b>Total</b>	<b>610</b>	<b>412</b>	<b>314</b>	<b>164</b>	<b>94</b>	<b>100</b>	<b>1,694</b>
Proportion, %	36.0	24.3	18.5	9.7	5.6	5.9	100.0
<b>Annual rent, SEK M</b>							
<b>Stockholm City East Business Area</b>							
Offices	18.0	91.2	117.7	50.1	52.7	164.2	493.9
Stores	72.1	25.8	32.8	21.5	19.2	59.2	230.6
Other	8.7	8.9	7.6	2.0	9.5	3.2	39.9
<b>Total</b>	<b>98.8</b>	<b>125.9</b>	<b>158.1</b>	<b>73.6</b>	<b>81.4</b>	<b>226.6</b>	<b>764.4</b>
Proportion, %	12.9	16.5	20.7	9.6	10.7	29.6	100.0
<b>Stockholm City West Business Area</b>							
Offices	34.6	48.3	13.5	10.6	27.9	46.2	181.1
Stores	130.0	117.5	67.8	14.9	16.2	7.3	353.7
Other	17.5	18.1	6.8	8.4	1.5	2.6	54.9
<b>Total</b>	<b>182.1</b>	<b>183.9</b>	<b>88.1</b>	<b>33.9</b>	<b>45.6</b>	<b>56.1</b>	<b>589.7</b>
Proportion, %	30.9	31.2	14.9	5.8	7.7	9.5	100.0
<b>Gothenburg Business Area</b>							
Offices	8.5	30.9	22.0	9.4	6.3	45.7	122.8
Stores	53.0	12.8	16.0	26.5	16.0	12.7	137.0
Other	7.3	1.4	3.1	1.3	-	3.6	16.7
<b>Total</b>	<b>68.8</b>	<b>45.1</b>	<b>41.1</b>	<b>37.2</b>	<b>22.3</b>	<b>62.0</b>	<b>276.5</b>
Proportion, %	24.9	16.3	14.9	13.4	8.1	22.4	100.0
<b>Hufvudstaden, total</b>							
Offices	61.1	170.4	153.2	70.1	86.9	256.1	797.8
Stores	255.1	156.1	116.6	62.9	51.4	79.2	721.3
Other	33.5	28.4	17.5	11.7	11.0	9.4	111.5
<b>Total</b>	<b>349.7</b>	<b>354.9</b>	<b>287.3</b>	<b>144.7</b>	<b>149.3</b>	<b>344.7</b>	<b>1,630.6</b>
Proportion, %	21.4	21.8	17.6	8.9	9.2	21.1	100.0

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

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

3) Excluding residential leases.

# Properties

Property designation	Address	Site area, sq m	Year of purchase	Year of construction/ redevelopment	Tax assessment 2015, SEK m
<b>Stockholm City East Business Area</b>					
<i>Kungsgatan Management Area</i>					
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	327.0
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	369.0
Kåkenhusen 40	Brunnsgatan 1–9, Norrlandsgatan 29–33, Kungsgatan 4–10	4,934	1921/2011	1926/28/30/32/84/85/89/91	1,020.0
Oxhuvudet 18 <sup>1)</sup>	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,191.0
<i>Total</i>		11,830			2,907.0
<i>Norrmalmstorg Management Area</i>					
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	198.0
Kvasten 6 <sup>1)</sup>	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	377.0
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	211.0
Norrmalm 2:63 <sup>2)</sup>	Norrmalmstorg		1992	1993	13.2
Packarhuset 4 <sup>1)3)</sup>	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,017.0
Pumpstocken 10 <sup>1)</sup>	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78 91/2000	1865/97/1901/29/84 96/97/2006	783.4
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	170.0
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	164.0
Rännilen 18 <sup>1)</sup>	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	407.0
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39 2007	1902/42/64/90/2002	627.0
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001	599.0
Vildmannen 7 <sup>1)</sup>	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	221.0
<i>Total</i>		17,663			4,787.6
<b>Total, Stockholm City East Business Area</b>		<b>29,493</b>			<b>7,694.6</b>
<b>Stockholm City West Business Area</b>					
<i>NK Management Area, Stockholm</i>					
Hästen 19 <sup>1)5)</sup> och 20 <sup>4)5)</sup> , Spektern 14 <sup>4)5)</sup>	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	2,428.0
<i>NK Management Area, Gothenburg</i>					
Inom Vallgraven 10:9 <sup>5)</sup>	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	628.0
<i>Parkaden Management Area</i>					
Hästskon 10 <sup>6)</sup>	Regeringsgatan 47–55, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	512.0
<i>Management Area, West</i>					
Achilles 1 <sup>7)</sup>	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th Century/1974	150.0
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	250.0
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	120.0
Medusa 1 <sup>1)8)</sup>	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	71.0
Orgelpipan 7 <sup>9)</sup>	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	726.0
Svärdfisken 2 <sup>1)</sup>	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	180.0
<i>Total</i>		12,075			1,497.0
<b>Total, Stockholm City West Business Area</b>		<b>30,391</b>			<b>5,065.0</b>
<b>Gothenburg Business Area</b>					
<i>Gothenburg Management Area</i>					
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	228.0
Inom Vallgraven 12:11	Drottninggatan 50–52, Södra Hamngatan 45–47, Fredsgatan 2–4	2,127	1967/ 2010/11	1875/1929/30	152.4
Nordstaden 8:24	Postgatan 26–32 och 39–43, Nordstadstorget 2–8, Spannmålgatan 19, Nils Ericssonsgatan 17, Götgatan 9–11, Köpmansgatan 28–34, Östra Hamngatan 26–28	12,678	1979/2013	1972/2005/11	2,023.0
Nordstaden GA:5 <sup>10)</sup>	Nordstadstorget and others				306.8
<b>Total, Gothenburg Business Area</b>		<b>18,962</b>			<b>2,710.2</b>
<b>TOTAL</b>		<b>78,846</b>			<b>15,469.8</b>

Rentable space, sq m								
Offices	Stores	Restaurants	Cinemas	Storage	Parking	Residential	Other	Total
4,986	1,866			239				7,091
6,434	1,809			1,028				9,271
17,106	3,338	1,673		604				22,721
20,829	5,078			1,997	1,581		5	29,490
49,355	12,091	1,673		3,868	1,581		5	68,573
2,845	800			285	792			4,722
2,808	3,427	243		201	206			6,885
2,458	595	144		257				3,454
		194						194
10,864	3,304	704		438				15,310
7,786	3,834	495		75		192	1	12,383
1,702	1,037			28				2,767
1,630	871	539		2				3,042
5,199	1,328	84		292				6,903
7,843	2,120			507	886			11,356
7,861	1,642			399	1,105			11,007
1,935	1,518			21		907	1	4,382
52,931	20,476	2,403		2,505	2,989	1,099	2	82,405
<b>102,286</b>	<b>32,567</b>	<b>4,076</b>		<b>6,373</b>	<b>4,570</b>	<b>1,099</b>	<b>7</b>	<b>150,978</b>
11,575	21,953	2,259		3,540			16	39,343
5,164	9,681	207		1,326			2	16,380
	2,696	515		8,680	24,482		1	36,374
4,014	351			604				4,969
7,590	379	263		871				9,103
2,775				8				2,783
1,283	242	271		103		303		2,202
9,956	3,684	1,969		1,334	13,450		1	30,394
3,727	175		1,893	559	1,107			7,461
29,345	4,831	2,503	1,893	3,479	14,557	303	1	56,912
<b>46,084</b>	<b>39,161</b>	<b>5,484</b>	<b>1,893</b>	<b>17,025</b>	<b>39,039</b>	<b>303</b>	<b>20</b>	<b>149,009</b>
10,438	3,115	404		1,107	1,250			16,314
2,014	1,731			473		779		4,997
37,325	24,424	1,291		2,833			52	65,925
<b>49,777</b>	<b>29,270</b>	<b>1,695</b>		<b>4,413</b>	<b>1,250</b>	<b>779</b>	<b>52</b>	<b>87,236</b>
<b>198,147</b>	<b>100,998</b>	<b>11,255</b>	<b>1,893</b>	<b>27,811</b>	<b>44,859</b>	<b>2,181</b>	<b>79</b>	<b>387,223</b>

- 1) The property is classified as being of cultural and historical importance.
- 2) The property is held on a lease.
- 3) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- 4) Hästen 20 and Spektern 14 are leaseholds. The ground rent for Hästen 20 is SEK 3.3 million and is fixed until April 30, 2022. The ground rent for Spektern 14 will be subject to negotiation after September 30, 2015. The ground rents are adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 43 million.
- 5) Owned by the subsidiary AB Nordiska Kompaniet.
- 6) Owned by the subsidiary AB Hamngatgaraget. Hästskon 10 is on leasehold and the ground rent after August 31, 2014 is subject to negotiation. The tax assessment value of the land is included to the amount of SEK 226 million. A review of the tax assessment for 2013 has been requested.
- 7) The property is a listed building.
- 8) Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- 9) Orgelpipan 7 is on leasehold. The ground rent is SEK 12.8 million and is fixed until October 31, 2024. The tax assessment value of the land is included to the amount of SEK 295 million.
- 10) The property is jointly owned and includes parking operations, certain leasing of premises as well as servicing and maintenance of pedestrian precincts, loading areas, cooling and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.



**PARKADEN**  
*Stockholm*

# Definitions and glossary

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

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

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

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

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

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

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

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

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

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

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

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

*EPRA.* European Public Real Estate Association. A sector organization for publicly listed property companies in Europe.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Property tax supplement.* Reimbursement of property tax by tenants.

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

*Rentable floor space.* Total floor space available for renting.

*Rental losses.* Loss of revenue as a result of vacant premises.

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

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

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

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

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

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

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

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

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



**SÖDRA HAMNGATAN**  
*Gothenburg*

# Annual Meeting

The Annual Meeting will take place at 4pm on Thursday, March 17, 2016 at the Grand Hôtel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan. Notice to attend the Annual Meeting will be published on the *Post- och Inrikes Tidningar* website [www.bolagsverket.se/poit](http://www.bolagsverket.se/poit) and on the Company's website [www.hufvudstaden.se](http://www.hufvudstaden.se). Notification that a summons has been issued will be published in *Dagens Nyheter*.

## Notification

Shareholders who wish to attend the meeting must:

- be registered in the shareholders' register kept by Euroclear Sweden AB by Friday, March 11, 2016, whereupon shareholders who have their shares registered with nominees must have the shares re-registered temporarily in their own name at Euroclear Sweden AB to be entitled to attend the meeting. Registration must be completed by March 11, 2016.

- notify Hufvudstaden by Friday March 11, 2016, preferably before 4pm. Notification must be sent using the Company's website [www.hufvudstaden.se](http://www.hufvudstaden.se), e-mail at [anm@hufvudstaden.se](mailto:anm@hufvudstaden.se), telephone on +46 8 762 90 00, or in writing to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

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

Company at the above address by March 11, 2016 at the latest. A proxy form is provided on request and is available on the Company's website.

## Dividend

The Board of Directors proposes that a dividend of SEK 3.10 per share, totaling SEK 639.4 million, be paid for 2015, with the record date set as March 21, 2016. Payment is expected to be made on March 24, 2016.

## Change of address

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

# Calendar

Interim Report, Jan–Mar 2016 ..... May 3, 2016  
Interim Report, Jan–June 2016 ..... August 22, 2016  
Interim Report Jan–Sept 2016 ..... November 9, 2016  
Year-End Report 2016 ..... February 16, 2017  
Annual Report 2016 ..... March 2017

## Contact persons

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Åsa Roslund, *Acting CFO*  
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*This information is also published on [www.hufvudstaden.se](http://www.hufvudstaden.se). The Annual Report is distributed to all new shareholders and to other shareholders on request.*

# Addresses

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Website..... www.hufvudstaden.se  
Company reg. no.....556012-8240  
Registered office.....Stockholm

## Gothenburg

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Website..... www.hufvudstaden.se

## Parking operations

*Parkaden AB*

NK 100

SE-111 77 STOCKHOLM

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Telephone ..... +46 8 762 92 00  
E-mail..... info@parkaden.se  
Website..... www.parkaden.se

## NK Department Stores

*NK Stockholm*

NK 100

SE-111 77 STOCKHOLM

Visiting address: Hamngatan 18-20

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Fax ..... +46 8 762 80 01  
Website..... www.nk.se

*NK Gothenburg*

NK 331

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SE-411 07 GOTHENBURG

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Fax ..... +46 31 710 11 89  
Website..... www.nk.se

## Group brands

norrholmstorg 1



  
BIBLIOTEKSTÄN  
EVOLVED SINCE 1885

**BJP**  
BIRGER JARLSPASSAGEN

**PARKADEN**

**nordstan**

VARUHuset  
**Femman**



**NORDISKA KOMPANIET**

*Hamngatan, Stockholm*



HUFVUDSTADEN