

HUFVUDSTADEN

ANNUAL REPORT



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Reference to the statutory annual report and sustainability report. The statutory annual report comprises pages 10–13, 40–49, 53–87, 92–95, 110 and 112. Comparative figures in brackets refer to the corresponding figures for the preceding year. The statutory sustainability report as required under the Swedish Annual Accounts Act is provided on pages 10–13, 40–49, 57, 110 and 112.



NK is one of the strongest and most recognisable brands in Sweden among both Swedish and foreign consumers.



Hufvudstaden offers high-quality offices in attractive locations to successful companies.



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NK e-commerce was launched at the end of the summer to further reinforce the customer offering and broaden NK target group.

Hufvudstaden in brief



The expected rise in demand for flexible leases can be met with Cecil Coworking and turnkey REDO offices.

At right: Birger Jarlspassagen, the classic arcade in Bibliotekstan, offers exciting dining concepts and exclusive shopping.

Hufvudstaden offers office and retail premises in prime locations in the two largest cities in Sweden: Stockholm and Gothenburg. The property company has about 140 employees and owns 29 properties that were valued at SEK 45.6 billion at the end of 2020.

We are long-term property owners whose main focus is outstanding service, enduring customer relationships and high-quality property management and development. Our objective is to contribute to strengthening the competitiveness and brands of our customers by providing the best possible conditions. We offer successful businesses central locations, sustainable adaption of the premises and the potential to expand in our properties.

Sustainability is a cornerstone in everything we do. We take economic and social responsibility and develop long-term, green and climate-smart solutions. We are working with our tenants and partners to promote sustainable urban development in Stockholm and Gothenburg.

Hufvudstaden was founded in 1915 and our Class A shares have been listed on what is now Nasdaq Stockholm since 1938. We have been doing business for over 100 years in Stockholm and over 60 years in Gothenburg. AB Nordiska Kompaniet, which owns the NK brand and has department stores in Stockholm and Gothenburg, is a wholly owned subsidiary of the Group.

BUSINESS MODEL

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

WE ARE GENERATING LONG-TERM VALUE FOR:

Customers

First place in the Large Company category in the annual Fastighetsbarometern CSI survey.

Society

Preserving and creating attractive city centre environments for all.

Employees

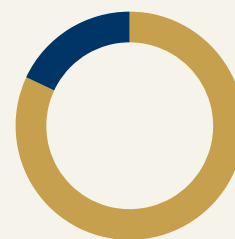
Professional employees with deep commitment.

Shareholders

Good returns at low risk.

FAIR VALUE OF PROPERTY HOLDINGS

SEK 45.6 bn



■ Stockholm 83% (SEK 37,870m)
■ Gothenburg 17% (SEK 7,767m)



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A year affected by the pandemic

OVERVIEW

Net revenue from property management decreased by 7 per cent to SEK 1,768 million (1,896), which can mainly be attributed to temporary rent reductions and increased rental and bad debt losses for stores and restaurants as a result of Covid-19.

Gross profit from property management amounted to SEK 1,237 million (1,373). The decrease of 10 per cent can be attributed mainly to lower rental revenue for stores and restaurants.

The net loss for the year was SEK -1,462 million (3,146), equivalent to SEK -7.13 per share (15.25). The decrease can be attributed mainly to negative unrealised changes in the value of the property holdings regarding properties with a significant proportion of stores and restaurants.

The board of directors is proposing a dividend to SEK 2.50 per share (3.90). The reduction was decided in the light of the executed share buyback, forthcoming investments and lower operating results in 2020.

The fair value of the property holdings was SEK 45.6 billion (47.7), resulting in net tangible assets (EPRA NTA) of SEK 173 per share (185). Unrealised changes in the value of the property holdings amounted to SEK -2,930 million (2,727) for the year.

The equity ratio was 60 per cent (62), the net loan-to-value (LTV) ratio was 19 per cent (16) and the interest coverage ratio multiple was 9.1 (11.4).

The rental vacancy level was 8.2 per cent (5.0) at year-end. Excluding current development projects, the rental vacancy level was 6.7 per cent (1.7).

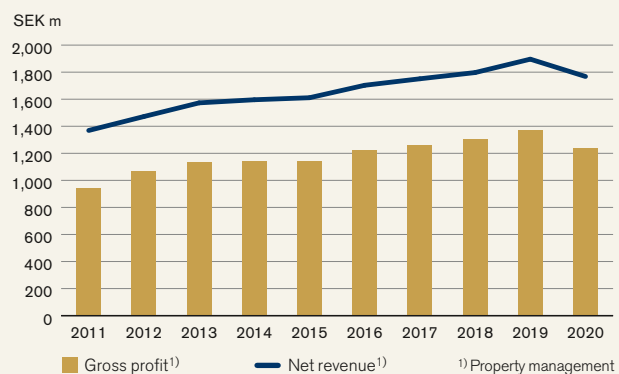


The Skären 9 property in Bibliotekstan was extended with the addition of two floors. The law firm Vinge has moved back into new and attractive offices.

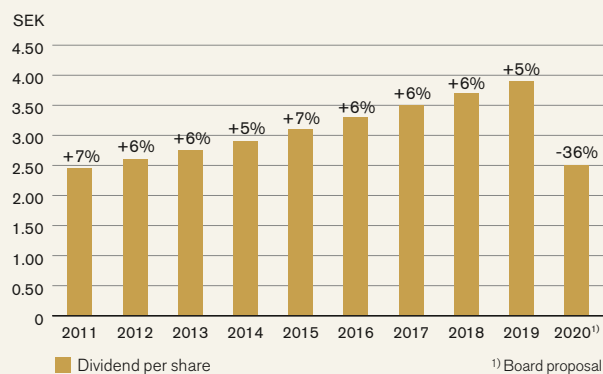
FINANCIAL SUMMARY

SEM m	2020	2019	2018	2017	2016
Net revenue, property management	1,768	1,896	1,797	1,751	1,703
Gross profit, property management	1,237	1,373	1,302	1,262	1,226
Changes in value, investment properties	-2,930	2,727	3,621	2,848	4,160
Operating profit	-1,702	4,087	4,940	4,031	5,425
Profit for the year	-1,462	3,146	4,320	3,035	4,120
Net profit from operating activities	834	973	915	876	841
Fair value of properties, SEK bn	45.6	47.7	44.1	39.7	36.5
Rental vacancy rate, %	8.2	5.0	2.6	3.9	3.9
Net loan-to-value ratio, properties, %	18.8	15.5	14.2	14.6	15.2
Interest coverage ratio, multiple	9.1	11.4	10.5	9.3	8.6

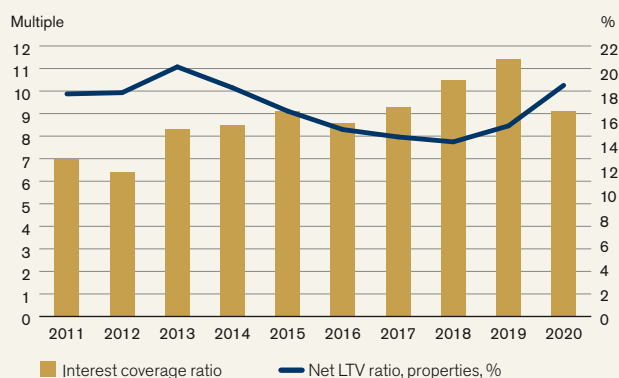
GROSS PROFIT AND NET REVENUE



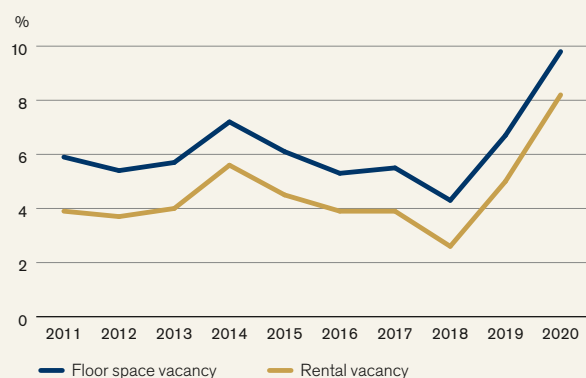
DIVIDEND GROWTH



INTEREST COVERAGE RATIO AND NET LTV RATIO



VACANCY



A year defined by Covid



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Combined with the share buyback, 2020 was one of the most active investment years in a long time.

2020 opened on a strong note with sustained growth in the global economy. Although there were challenges, prospects for global economic development during the year were favourable.

The spread of the novel coronavirus had developed into a pandemic by the end of the first quarter, resulting in stock market declines. Countries all over the world were forced to take strong measures to reduce transmission and limit health risks. Far-reaching restrictions were introduced in Sweden, which had serious economic consequences.

Following a stabilisation in the summer and a modest recovery in the third quarter, the transmission rate accelerated into a second wave in the autumn. The authorities reinstated the restrictions and encouraged the public to practice social distancing and work from home.

International tourism has come to a virtual halt and domestic tourism has prioritised destinations outside Stockholm and Gothenburg. In spite of government support measures, there has been severe impact on several sectors, including the restaurant industry and segments of the consumer durables trade. Unemployment in Sweden rose to around 9 per cent and GDP fell by around 3 per cent.

The Covid-19 restrictions have had temporary negative effect on Hufvudstaden's retail spaces in prime locations in Stockholm and Gothenburg, particularly the NK department stores. This resulted in declines in rental revenue and property values in 2020.

A bright spot amidst the general uncertainty is that the vaccination process began in several countries towards the end of the year. Hopefully, this is the beginning of a gradual return to a normally functioning society, which will benefit Hufvudstaden's well-situated properties and unique retail locations.

Accelerated change in the retail sector

Around 40 per cent of Hufvudstaden's total revenues are generated from retail stores and restaurants. For the past several years, even before the corona pandemic, we had observed changes in consumer behaviour as rapid digital

advances accelerated the growth of e-commerce. Sales of consumer durables have increased by around 3 per cent annually in recent years. Virtually the entire increase can be attributed to the rapid growth in e-commerce, which has been further accelerated by the pandemic.

Our central market locations are used mainly for retail and office space, with few residential units. Remote work from home has resulted in a distinct shift from in-person shopping to online shopping and from city locations to suburban areas. Along with the virtual elimination of tourism in the urban regions, this explains why in-person shopping in traditional prime retail locations has suffered during the year.

Throughout the pandemic, we have maintained close dialogue with our tenants to find the best solutions in business terms to help them bridge the pandemic. Hufvudstaden has granted individually adjusted rent rebates and helped tenants obtain various types of government support.

At heart, people are social beings with profound needs for human interaction, travel, culture, shopping and dining experiences. As we return to more normal conditions, it is extremely likely that demand for our centrally located marketplaces will rise again.

Stable office market

The office rental market has been stable with low vacancy rates in both the Stockholm CBD and Gothenburg CBD. Demand for modern, flexible offices in prime locations has been somewhat tentative, but several new leases for premises in our buildings have been signed at good rent levels. Hufvudstaden's renegotiations of office leases resulted in rent increases of around 20 per cent overall.

Office tenants are increasingly seeking leases with a high level of flexibility. Hufvudstaden has been offering turnkey office premises within the REDO concept for several years. In addition, our own Cecil coworking facility was launched in 2021, which gives tenants a great deal of flexibility in terms

STATEMENT BY THE PRESIDENT

of use of the premises, the term of the lease and level of service. The REDO and Cecil office concepts are an ideal complement to our traditional and attractive offices both during and after the pandemic.

Strong but diversified property market

The Swedish property market demonstrated strong development during most of the year due to low interest rates, a shortage of attractive alternative investment opportunities and good access to capital. The total transaction volume was around SEK 200 billion, making 2020 one of the peak transaction years of all time. Demand was especially strong for logistics properties, public buildings and residential properties, resulting in declining yields and rising property values. Office properties in prime locations were also in demand. There was a modest increase in yield requirements and decline in property values for properties with a larger proportion of retail space in less attractive locations or in city locations that have been impacted severely by the pandemic.

At year-end, Hufvudstaden's property holdings were valued at SEK 45.6 billion (47.7), down by approximately 4 per cent. The decrease in value is due to the effect of falling market rents for retail stores and slightly rising yield requirements, primarily for properties with a significant proportion of retail and restaurant space, such as the NK properties and the Femman shopping centre in Nordstan. NAV at the end of the year was SEK 173 per share (185) and the share price was SEK 136.20 per share.

A year of intense investment

Hufvudstaden executed a share buyback of SEK 500 million in September at an average price of SEK 126 per share. The buyback was thus executed at a price far below NAV, meaning that NAV per share outstanding increased. The Board of Directors believes this is beneficial to shareholders and will be proposing a renewed authorisation to repurchase shares to the upcoming annual general meeting. Investments in projects totalled nearly SEK 1 billion. Along with the buyback, 2020 was one of the most active investment years in a long time.

A comprehensive redevelopment project was completed during the year at the NK property in Stockholm, where large parts of the department store have been upgraded, several luxury brands have been established and the level of customer service has been elevated. NK e-commerce was launched at the end of the summer to further reinforce the customer offering and widen the NK target group.

The major expansion and redevelopment project at Skären 9 at Norrmalmstorg was completed at the end of the year and the law firm Advokatfirman Vinge moved back into new and attractive offices. The investment is a typical Hufvudstaden project that was carried out in close collaboration with the tenant and will generate significant cash flows for many years to come. Foundations are being laid in preparation for the rebuilding of the Vildmannen 7 property in Bibliotekstan that was previously destroyed by fire. The building is expected to be ready for occupation in 2023.

In the company's assessment, the share buyback and our projects will add shareholder value over time and it is gratifying that the progress of the ongoing projects has been able to proceed as planned, despite the difficult external circumstances.

Sustainable business

Sustainability and profitability are directly linked and Hufvudstaden has been working actively for a long time to attain its lofty goals concerning economic, social and environmental sustainability.

One of our key sustainability targets is to reduce the long-term climate impact of our business and we have achieved a reduction of around 90 per cent since 2010. The energy-saving measures taken within the Skären 9 project will significantly reduce energy use even though floor space will increase. With the addition of Kåkenhusen and NK Gothenburg during the year, around 60 per cent of Hufvudstaden's holdings are now environmentally certified.

For the third year running, Hufvudstaden was ranked first in the Large Company category in this year's Customer Satisfaction Index survey of office tenants. This is particularly gratifying this year, and shows that we maintain a high level of customer service regardless of the economic trend.

In the international Global Real Estate Sustainability Benchmark (GRESB), we achieved first place in the category office/retail among European property companies, confirming that we are taking the right approach from a broad perspective on sustainability.

Lower profits

Development was positive for the office business, but retail stores and restaurants suffered from the effects of the Corona pandemic, which has hit central city locations in urban areas especially hard. Gross profit fell by 12 per cent to SEK 1,240 million (1,405), due mainly to lower rental revenue from stores and restaurants.

The loss after tax for the year was SEK -1,462 million (3,146). The decrease can be attributed mainly to negative unrealised changes in the value of the property holdings with a significant proportion of stores and restaurants.

2021 and the future

Our main focus in 2021 will be to bridge the effects of the ongoing pandemic in partnership with our tenants.

Investments in projects will continue, aimed at generating cash flow and profits to the company from a long-term perspective.

Hufvudstaden acquired the NK business within Departments & Stores Europe in early 2021. The business will be run in the subsidiary NK Retail. The acquisition creates opportunities to accelerate the development of digital and physical business within NK, where the goal is to enhance NK's attractiveness and profitability.

Our financial position is strong and we are well-equipped to take on the challenges and grasp the opportunities that arise over time. In the light of the previously executed share buyback and forthcoming investments, the board of directors is proposing a reduction of the dividend compared to the preceding year, to SEK 2.50 per share.

Over its long history, Hufvudstaden has weathered many external crises and has always emerged stronger than before. Our marketplaces in prime locations in two expansive regions are highly attractive. We will continue along the established path according to our proven business model, while steadily advancing our positions.

In closing, I would like to thank all of Hufvudstaden's dedicated and professional employees, who have done their utmost during the year to shepherd the company and its customers through a challenging year.

Stockholm, February 2021



Ivo Stopner
President

The corona pandemic has affected the whole world

The corona pandemic has had profound impact on people, societies and businesses all over the world.

The year began with stable development of the global economy. The same applied to the Swedish economy, where a moderate cooldown was expected, but with continued economic growth of around 1 per cent.

As transmission of Covid-19 accelerated around the world, the disease developed into a pandemic by the end of the first quarter. Aimed at reducing spread of the virus and relieving pressure on the healthcare system, public authorities and governments issued general advice and recommendations and imposed restrictions to varying degrees, including total lockdowns of society in several other countries. The impact was devastating for several sectors, especially entertainment, arts and culture, tourism, segments of retail and the restaurant industry. People were encouraged to work from home, which resulted in faster changes in working methods with increased use of digital communication.

Transmission rates subsided in Asia, Europe and the United States in the late spring and summer, followed by optimism about a strong economic recovery. But everything changed when a second wave hit in the autumn. The burden on the healthcare system increased, mortality rates rose and economic activity slowed.

Public authorities encouraged further social distancing and recommended that people continue working from home. Christmas retail sales were severely impacted by restrictions and government directives. Tourism has been sharply curtailed and has virtually ceased in the urban regions of Stockholm and Gothenburg. Much of the arts and entertainment sector has been entirely shut down. In one bright spot, vaccination against Covid-19 began in late 2020 and will continue at a faster pace during the first half of 2021.

Hufvudstaden's centrally located properties and marketplaces in the two largest cities in Sweden have suffered from the effects of Covid-19 because city locations do not have as many local residents and the flow of commuters have significantly decreased. The greatest impact was measured in Q2 and Q4. Stabilisation and a modest recovery of customer footfall and sales figures were recorded in connection with declining transmission rates in Q3.

Payment capacity was weaker during Q2–Q4 for many of our retail and restaurant tenants. Temporary rent rebates related to Covid-19 amounted to around SEK 163 million in 2020. Adjusted for government compensation of approximately SEK 40 million under the commercial rent support scheme in Q2, the net cost was around SEK 123 million. In addition, net revenue was affected by higher costs for rental and bad debt losses. The effects of the pandemic also resulted in negative unrealised changes in value, primarily for properties with a significant percentage of retail and restaurant tenants.

Hufvudstaden has long-term relationships with its tenants, which is a core element of our business concept. We support tenants in all matters related to premises, in good times and bad. Discussions will continue in early 2021 to find the best solution in business terms to help tenants bridge this challenging period. The effect on operating results will therefore continue in upcoming quarters.

Hufvudstaden has followed official recommendations and directives aimed at controlling spread of the virus. Operations have been adapted to ensure full compliance with the directives in stores, restaurants and office premises. The majority of Hufvudstaden's employees have worked from home during the pandemic. Working methods have been modified and increased digitalisation has been implemented. Current and planned development projects have proceeded as planned. Hufvudstaden's financial position remains strong and conditions are good for the continued development of our properties and marketplaces.

While the pandemic has in all likelihood accelerated social changes, we firmly believe that people still want to meet in the future, both professionally and socially. Face-to-face encounters create opportunities for exchange of ideas, innovation and business, as well as culture and experiences. Offices, stores and restaurants are a prerequisite for this. The assessment is therefore that centrally located properties in the two largest cities in Sweden are still attractive and we are convinced that our business model will lay the foundation for favourable profit growth upon return to more normal conditions.

The corona pandemic has had negative impact on stores and restaurants in central Stockholm. We are convinced that interest in our marketplaces in central locations is going to rise again upon return to more normal conditions.



High quality, good service and a long-term approach

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 a long-term approach to management and development of our own commercial properties in prime business locations in Stockholm and Gothenburg.

Vision

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

Business concept

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

STRATEGIES TO ACHIEVE THE OBJECTIVES

Customer focus	Quality	Skills development	Business development	Sustainability
Hufvudstaden will work in close cooperation with its customers and contribute continuously to improving their business potential and competitiveness.	Systematic quality management will ensure the highest possible level of quality in all of the company's products and services.	Employee skills development will be systematically assured with focus on professional knowledge and values.	Active business development and adaptation to digital advances in society will create added value in the property holdings.	Hufvudstaden is committed to working actively and long-term towards economic, environmental and social sustainability.

FINANCIAL OBJECTIVES

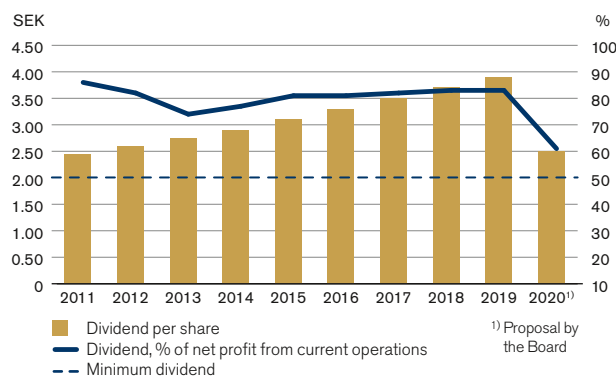
DIVIDENDS AND DIVIDEND SHARE

OBJECTIVE

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

OUTCOME

The Board is proposing a dividend of SEK 2.50 per share, for a total dividend of SEK 505.8 million. The dividend corresponds to 61 per cent of net profit from current operations. The reduction was decided in the light of the executed share buyback, forthcoming investments and the lower result in 2020.



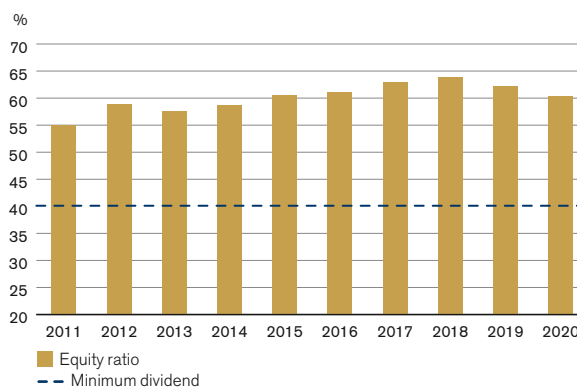
EQUITY RATIO

OBJECTIVE

Equity ratio of at least 40 per cent over time.

OUTCOME

The equity ratio was 60 per cent at year-end 2020.

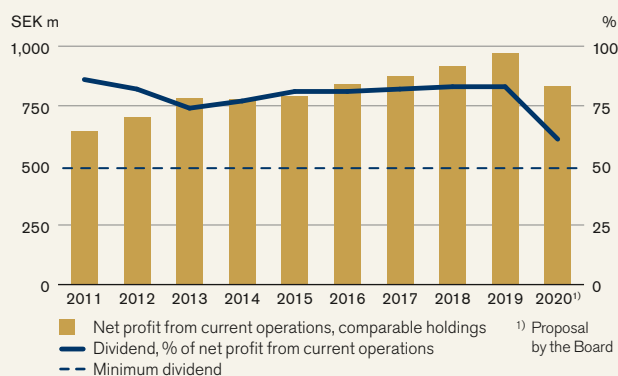


OPERATING AND SUSTAINABILITY OBJECTIVES

NET PROFIT AND DIVIDEND SHARE

OBJECTIVE
Hufvudstaden will gradually increase profit from current operations.

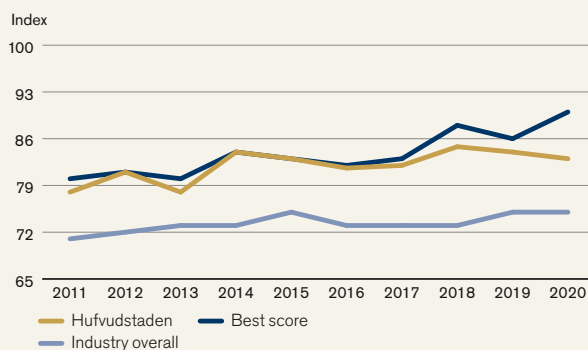
OUTCOME
Net profit from current operations decreased by 14 per cent during the year due to the effects of the corona pandemic.



CUSTOMER SATISFACTION INDEX

OBJECTIVE
Hufvudstaden will have the most satisfied customers in the industry.

OUTCOME
Hufvudstaden participates in the annual customer satisfaction survey (Fastighetsbarometern) among office tenants. In this year's survey, we were ranked first in the Large Company category and second overall.



Source: CFI Group

WELL-DEVELOPED PROPERTY HOLDINGS

OBJECTIVE
Hufvudstaden will have the most well-developed property holdings in the industry.

OUTCOME
Several major projects continued during 2020 and a total of 25,000 square metres of floor space were adapted. The Customer Satisfaction Survey asks questions about how office tenants perceive our properties.

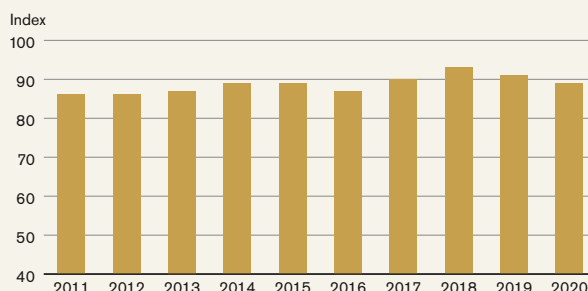
Subject	Hufvudstaden	Sector average	Maximum
Location	90	80	100
Property	84	73	100
Premises	80	76	100
Environmental consideration	78	70	100

Source: CFI Group

PROFESSIONAL EMPLOYEES

OBJECTIVE
Hufvudstaden will have the most professional employees in the industry, with strong commitment to the customer, good business acumen and professional know-how.

OUTCOME
Hufvudstaden asks our office tenants every year how they perceive our employees based on set objectives. The outcome this year remained at a high level.



Source: CFI Group

OPERATING AND SUSTAINABILITY OBJECTIVES

ENERGY CONSUMPTION

OBJECTIVE

By 2020, energy consumption will be reduced by 30 per cent compared to 2010.

OUTCOME

Energy use was reduced by 14 per cent in 2020 compared to the preceding year. Compared to 2010, energy usage has been reduced by 34 per cent.

CLIMATE IMPACT

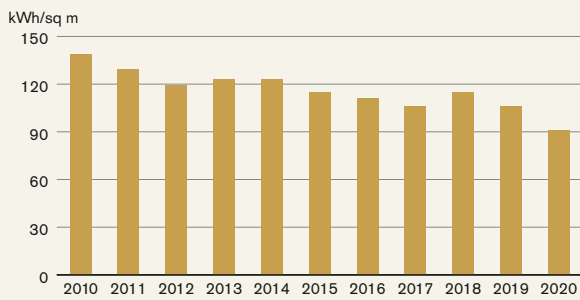
OBJECTIVE

By 2020, climate emissions from property operations will be reduced by 90 per cent compared to 2010.

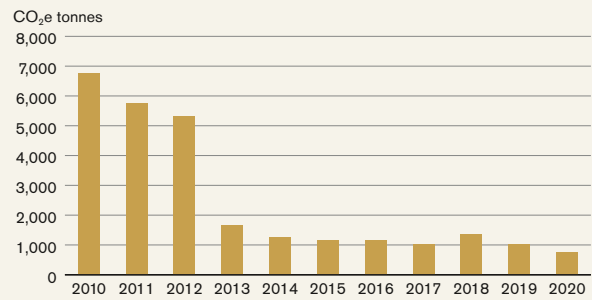
OUTCOME

Climate emissions from property operations were reduced in 2020 by 39 per cent compared to the preceding year. In total, climate emissions have been reduced by 91 per cent since 2010.

Energy consumption per square metre, normal year-adjusted less tenant electricity



Climate emissions from energy consumption



OPERATING AND SUSTAINABILITY OBJECTIVES

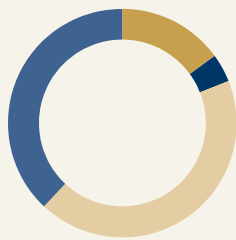
ENVIRONMENTALLY CERTIFIED PROPERTIES

OBJECTIVE

Hufvudstaden's ambition is to environmentally certify the entire property holdings, with emphasis on major redevelopment and new construction projects.

OUTCOME

The Kåkenhusen 40 property in Stockholm and NK Gothenburg were certified during the year according to BREEAM In-Use.



- Miljöbyggnad 15%
- GreenBuilding 4%
- BREEAM InUse 43%
- Not yet certified 38%

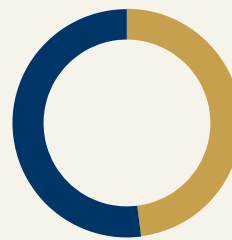
EQUALITY

OBJECTIVE

Hufvudstaden will seek to achieve equality within the Company.

OUTCOME

Gender distribution is equal for the company overall. The distribution in the managerial group is 33 per cent women and 67 per cent men.



- Women 48%
- Men 52%

SUSTAINABILITY OBJECTIVES FROM 2021

- 16 per cent reduction in energy use per square metre between 2019–2025.
- Climate emissions from construction activities cut in half during the period of 2019–2030.
- Property operations to be climate-neutral by 2025.
- Promote sustainable supply chains.
- Zero tolerance against serious workplace accidents.
- The properties will be future-proofed against climate changes.
- All properties to be environmentally certified by 2025.
- All new financing to be green from 2025.



Inspiring, flexible and sustainable office environments are key reasons that our customers prefer Hufvudstaden.

The property market remains strong in a challenging year

Economic conditions

Many years of economic growth came to an end when Covid-19 developed into a pandemic during the first quarter of the year. Several countries implemented drastic measures with lockdowns of varying severity aimed at reducing transmission and relieving the pressure on healthcare. Consequently, economic activity fell around the world and in several countries the decline in GDP was measured in double digits in the second quarter. Transmission rates subsided in Asia, Europe and the United States in the late spring and summer, which was followed by optimism about a strong economic recovery. The positive trend was turned upside down when transmission rates began accelerating again in the autumn, followed by new restrictions and lockdowns. Several countries have invested vast sums to develop vaccines against Covid-19 and vaccination against the disease began in record time.

The uncertainty before and after the US presidential election, the final negotiations surrounding Brexit and strained trade relations, primarily between the US and China, were other events that impacted economic development during the year. Overall, inflation fell and the estimated decline in global economic activity was 4 per cent in 2020. Several stimulus and support schemes were launched and interest rates remained very low all over the world. Stock markets around the world plummeted in conjunction with the first wave of the pandemic, but rose thereafter and in several cases ended the year up over 2019.

In Sweden, GDP fell by around 3 per cent and unemployment rose to around 8.5–9.0 per cent. The GDP contraction was somewhat lower than it was in several other countries, which can be explained by the Swedish Covid-19 strategy, which focused on general recommendations and restrictions instead of lockdowns. Some industries have come through the crisis well, or even benefited from it. Others have experienced severe impact, primarily the culture and entertainment, international and urban tourism, restaurants and segments of the retail and

industries. The inflation rate was around 0.5 per cent and the repo rate was 0 per cent for most of the year.

Hufvudstaden's sub-markets

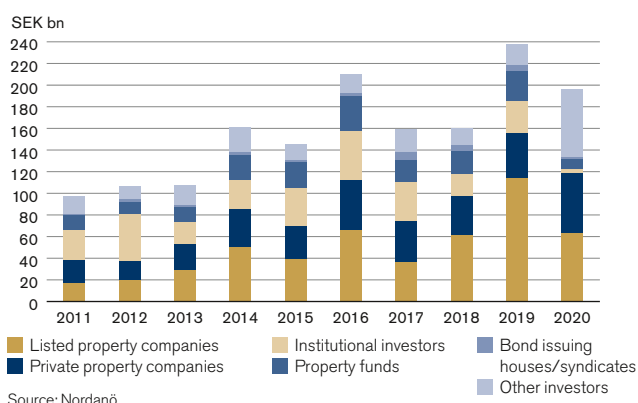
Hufvudstaden owns and manages 24 properties in central Stockholm and 5 properties in central Gothenburg. The populations of the two cities are around 2.4 million in Greater Stockholm and around 1.0 million in Greater Gothenburg. Population growth has been high in both regions over the past decade, at around 17 per cent in Stockholm and 13 per cent in Gothenburg. Economic growth was strong in both regions throughout the 2000s and up to 2019. According to Statistics Sweden ("SCB"), gross regional product (GRP) grew by an average of 3.1 per cent annually in Greater Stockholm and by an average of 2.4 per cent annually in Västra Götaland, an area slightly larger than that normally referred to as Greater Gothenburg. The corresponding figure for Sweden as a whole is 2.2 per cent.

Tourism has been growing in both Stockholm and Gothenburg for several years, but the Covid-19 pandemic has decimated visitor numbers in both regions. Preliminary figures from SCB show that the number of overnight stays in Greater Stockholm and Greater Gothenburg dropped by around 50 per cent during the year, which is considerably more than for the entire country.

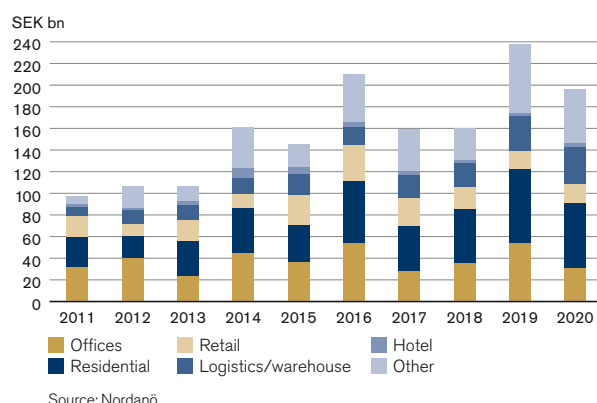
Major infrastructure projects are in progress in both cities. Two such in Stockholm are the Förfärd Stockholm and extension of the underground rail system. The largest investment in Gothenburg is the West Swedish Agreement, which includes the recently completed Marieholm Tunnel, a new bridge over the Göta River ("Hisingsbron") and the West Link rail tunnel.

The central business district (CBD) in Stockholm covers an area surrounding Central Station, Hötorget, Stureplan, Östermalmstorg, Norrmalmstorg, Kungsträdgården and Sergels Torg. In total, there is about 2 million square metres of office space in the CBD. Office space in the Gothenburg CBD amounts to about 1 million square metres.

TRANSACTION VOLUME PER INVESTOR CATEGORY



TRANSACTION VOLUME PER PROPERTY TYPE



Investor market

In spite of the Covid-19 pandemic, the property market remained strong overall in 2020. It became more difficult to arrange financing from banks and the capital market in connection with the first wave of Covid-19 in the spring, but the situation was resolved within a month or two. Transaction volume for the year ended on a strong note at around SEK 200 billion, one of the highest transaction volume ever noted. International investors accounted for about 25 per cent of transaction volume. The property types that most frequently changed hands were residential, office and logistics/warehouse properties and public buildings.

The number of properties for sale in central Stockholm and central Gothenburg was limited and the transaction volume in these areas was consequently low during the year. Yield requirements for office properties were stable or down slightly, but rose slightly for retail properties. At year-end 2020, the yield requirement for commercial properties containing office and retail premises in the Stockholm CBD varied between 3.25 and 3.80 per cent and in the Gothenburg CBD between 3.85 and 4.45 per cent.

Rental market

Offices

The office rental market was stable in 2020 in both of Hufvudstaden's sub-markets. Demand was slightly hesitant due to the uncertainty related to the Covid-19 pandemic. In accordance with official recommendations and directives, most people have been working from home. This has accelerated a change in working methods with greater use of digital communication, a development that had been previously forecast to take several years. In parallel, this has illustrated the significance of the physical workplace. Daily and spontaneous conversations with colleagues, the establishment of new networks and the building of company culture are examples of things that have proven to be more difficult to implement in the context of remote working.

The forecast going forward is that the labour market will be more flexible when it comes to working at home, but that there will still be a need for modern and efficient offices, albeit in a somewhat altered configuration. This is also likely to result in higher demand for shorter, more flexible leases, a need that can be met with coworking spaces and other turnkey rental concepts.

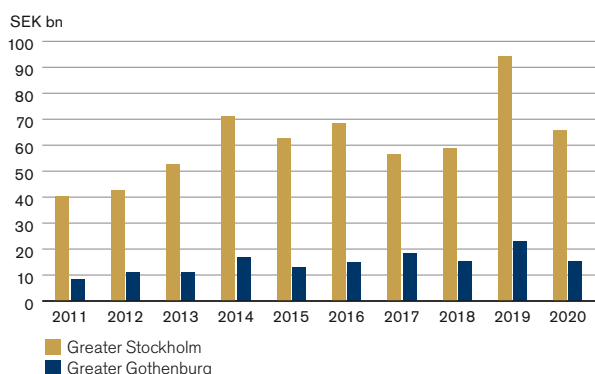
The vacancy rate in the Stockholm CBD rose slightly from the very low level last year and was 4–5 per cent at the end of 2020. Market rents were mainly stable in the range of SEK 6,300–8,700 per square metre, excluding the property tax supplement.

The prime locations for offices in central Gothenburg are assessed as the city districts Inom Vallgraven, especially the blocks nearest the "harbour streets" of Östra Hamngatan, Västra Hamngatan, Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungsporsavenyn, the Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. The office rental market was also slightly hesitant in the Gothenburg CBD and in some cases the rental processes took a little longer. Demand was greatest for modern offices in prime locations and the vacancy rate was in the range of 4-5 per cent at year-end. Market rents ranged from SEK 2,900 to 3,800 per square metre, excluding the property tax supplement.

Retail

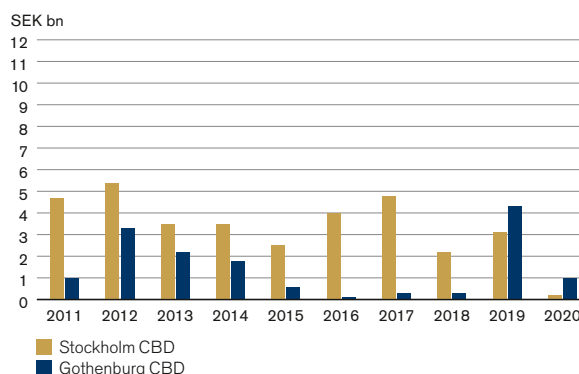
The transformation of the retail sector has been ongoing for several years. New consumer behaviours with an increasing element of online shopping have entailed profitability problems and needs for the transformation of physical stores in most industries within consumer durables. The segments of consumer durables that have had positive impact on sales trends in stores in recent years are found mainly in the discount, premium and luxury segments. To respond to changed consumer behaviours, physical marketplaces must be continuously developed and property management requires increased presence and new knowledge.

TRANSACTION VOLUME IN GREATER STOCKHOLM AND GREATER GOTHENBURG



Source: Nordanö

TRANSACTION VOLUME IN THE STOCKHOLM CBD AND GOTHENBURG CBD



Source: Nordanö

The Covid-19 pandemic has accelerated the digital transformation. New consumer groups have quickly switched to online shopping, while other groups have reinforced these trends. The impact of the pandemic has varied among retail segments. Sales have risen in grocery, building supplies, home decor and electronics. The same applies to certain external trading areas and suburban town centres. The loss in sales has been greatest for clothing and footwear in city locations. Social distancing, with people working at home and furloughed or postponement of events, has resulted in lower consumption in these segments.. The Retail Trade Index (DHI) rose in 2020 by 3.7 per cent compared to 2019. Consumer durables rose by 3.2 per cent, while clothing fell by approximately 20 per cent.

As the transmission rate fell during the summer and early autumn, a recovery in footfall and sales in physical stores and marketplaces in central Stockholm and central Gothenburg was

recorded. This is a signal that properties that offer consumers attractive meeting places and retail spaces with unique shopping experiences are in prime position to respond to changed consumer behaviours in the future as well.

The rental market for retail premises was difficult to assess in 2020, but market rent levels are estimated to have been negatively affected, at least temporarily. The assessment is that market rents in prime commercial locations in Stockholm were in the range of SEK 13,000–25,000 per square metre and year, excluding the property tax supplement. Östra Nordstan, Fredstan and Kungsgatan between Östra Hamngatan and Västra Hamngatan are considered prime retail locations in central Gothenburg. Market rents for primary sales floor space in these locations ranged from SEK 5,000 to 14,000 per square metre and year, excluding the property tax supplement.

LARGEST PROPERTY OWNERS IN THE STOCKHOLM CBD

	Rentable floor space, sq m
Vasakronan	366,000
AMF Pension	294,000
Hufvudstaden	265,000
Skandia Fastigheter	119,000
Pembroke Real Estate	112,000
SEB Trygg Liv	103,000

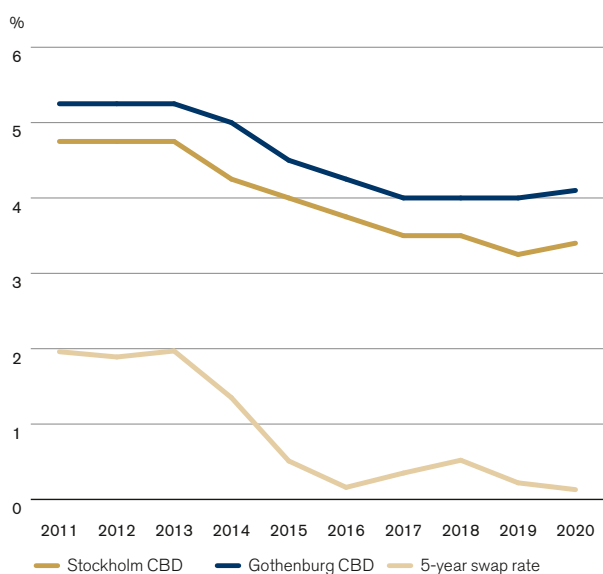
Source: Nordanö

LARGEST PROPERTY OWNERS IN THE GOTHENBURG CBD

	Rentable floor space, sq m
Vasakronan	266,000
Wallenstam	219,000
Balder	158,000
Hufvudstaden	105,000
Bygg-Göta Göteborg	91,000
Platzer	77,000

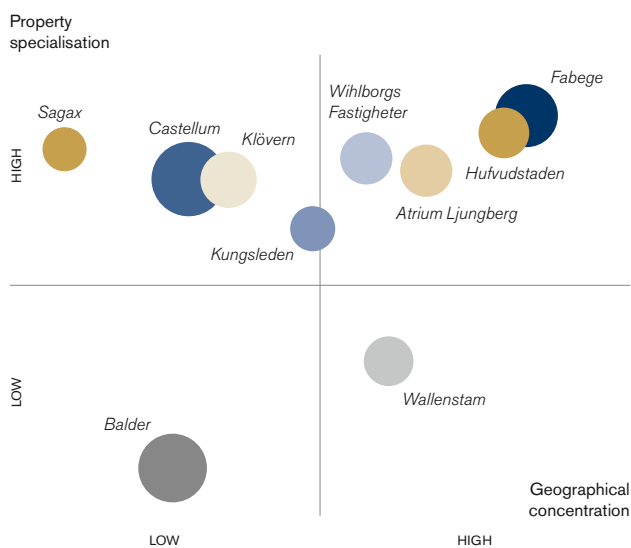
Source: Nordanö

YIELD REQUIREMENTS IN THE STOCKHOLM CBD AND GOTHENBURG CBD



Source: Nordanö

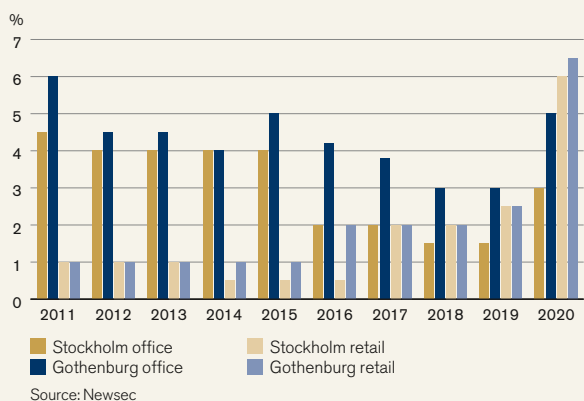
POSITIONING AMONG LARGER PROPERTY COMPANIES



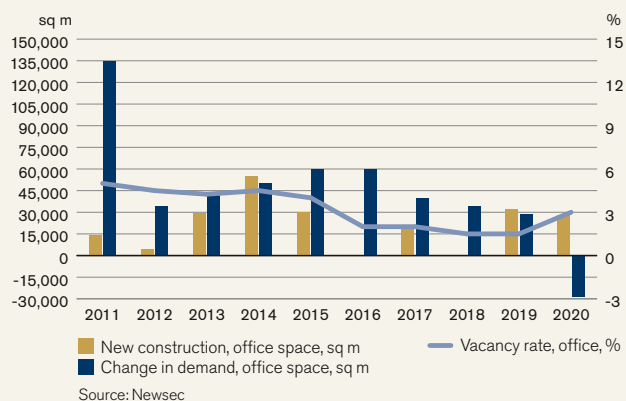
The size of the circles reflects the standard calculated property value per Q3 2020. Source: Nordanö

THE PROPERTY MARKET

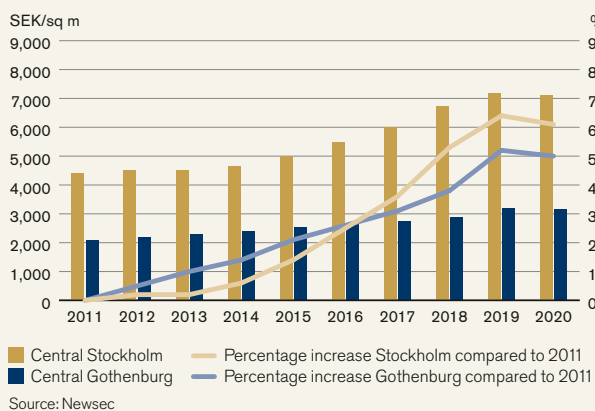
VACANCY RATE, OFFICE AND RETAIL SPACE IN PRIME LOCATIONS



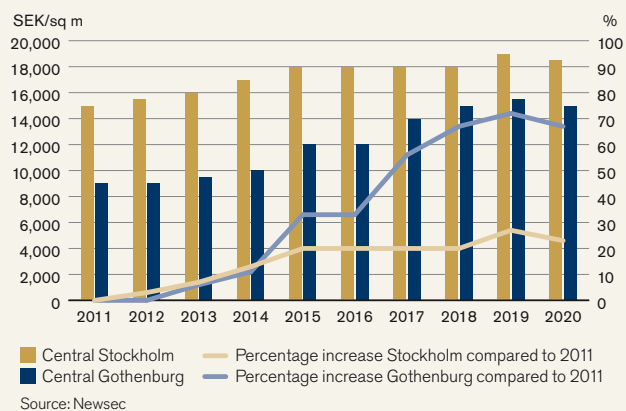
NEW CONSTRUCTION, DEMAND AND VACANCY RATE FOR CENTRALLY LOCATED OFFICE SPACE IN STOCKHOLM



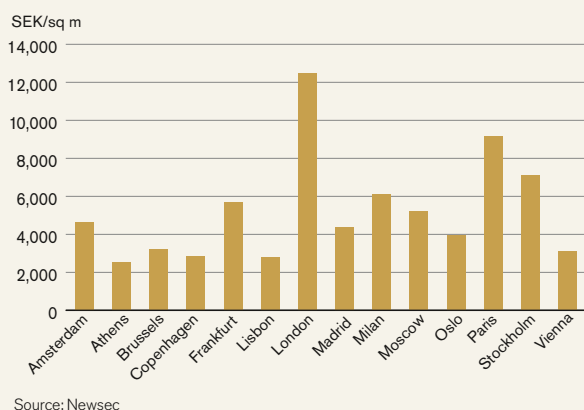
MARKET RENT TREND, PRIME LOCATION OFFICE SPACE, NOMINAL (excluding the property tax supplement)



MARKET RENT TREND, PRIME LOCATION RETAIL SPACE, NOMINAL (excluding the property tax supplement)



PRIME LOCATION OFFICE RENTS IN EUROPEAN CITIES, DECEMBER 2020



MARKET RENTS, DECEMBER 2020 (excluding the property tax supplement)

Stockholm	Office, SEK/sq m and year	Retail, SEK/sq m and year
Bibliotekstan/NK	7,300–8,700	13,000–25,000
Other CBD	6,300–8,700	3,000–13,000
Östermalm	3,400–7,500	2,500–10,000
Gamla stan	3,200–4,800	2,000–5,000
Södermalm	2,900–4,800	2,000–6,000
Kungsholmen	3,500–6,000	2,000–7,000
Liljeholmen	2,200–3,200	2,000–6,000
Globen	2,200–3,200	2,000–5,000
Arenastaden	2,500–3,500	2,500–11,000
Kista	2,000–2,800	2,000–7,000
Gothenburg	Office, SEK/sq m and year	Retail, SEK/sq m and year
Inom Vallgraven	2,900–3,800	5,000–14,000



”

Development was positive for the office business, but retail stores and restaurants suffered from the effects of the corona pandemic, which has hit central city locations in urban areas especially hard.

←

The Rännilen 19 property at Normalmstorg in Stockholm was originally built as the head office of Hufvudstaden.

→

Fredstan is a hub in central Gothenburg. Brunnsparken, which connects Fredstan and Nordstan, was renovated during the year. Flows of people in the area fell sharply due to the pandemic.



























GANT

GANT

norstan

THE PROPERTY MARKET







Property/Construction year/Rentable Space	Property/Construction year/Rentable Space	Property/Construction year/Rentable Space
<p>1</p>  <p>Grönlandet Södra 11 Construction year: 1911 Rentable space: 9,133 sq m</p>	<p>9</p>  <p>Hästen 19 (NK) Construction year: 1915 Rentable space: 39,410 sq m</p>	<p>15</p>  <p>Pumpstocken 10 Construction year: 1865 Rentable space: 12,467 sq m</p>
<p>2</p>  <p>Svärdfisken 2 Construction year: 1851 Rentable space: 7,465 sq m</p>	<p>10</p>  <p>Kungliga Trädgården 5 Construction year: 1984 Rentable space: 2,764 sq m</p>	<p>16</p>  <p>Rännilen 8 Construction year: 1900 Rentable space: 2,775 sq m</p>
<p>3</p>  <p>Orgelpipan 7 Construction year: 1964 Rentable space: 30,463 sq m</p>	<p>11</p>  <p>Vildmannen 7 Construction year: 1897 Rentable space: 0 sq m</p>	<p>16</p>  <p>Rännilen 11 Construction year: 1902 Rentable space: 2,916 sq m</p>
<p>4</p>  <p>Hästhuvudet 13 Construction year: 1919 Rentable space: 7,081 sq m</p>	<p>12</p>  <p>Kvasten 2 Construction year: 1987 Rentable space: 4,671 sq m</p>	<p>16</p>  <p>Rännilen 18 Construction year: 1888 Rentable space: 6,935 sq m</p>
<p>5</p>  <p>Oxhuvudet 18 Construction year: 1931 Rentable space: 29,540 sq m</p>	<p>12</p>  <p>Kvasten 6 Construction year: 1917 Rentable space: 7,050 sq m</p>	<p>16</p>  <p>Rännilen 19 Construction year: 1902 Rentable space: 11,284 sq m</p>
<p>6</p>  <p>Järnplåten 28 Construction year: 1958 Rentable space: 9,202 sq m</p>	<p>12</p>  <p>Kvasten 9 Construction year: 1978 Rentable space: 3,440 sq m</p>	<p>17</p>  <p>Norrmalm 2:63 Construction year: 1993 Rentable space: 194 sq m</p>
<p>7</p>  <p>Kåkenhusen 40 Construction year: 1926 Rentable space: 22,567 sq m</p>	<p>13</p>  <p>Skären 9 Construction year: 1984/2020 Rentable space: 13,729 sq m</p>	<p>18</p>  <p>Medusa 1 Construction year: 1878 Rentable space: 2,206 sq m</p>
<p>8</p>  <p>Hästskon 10 Construction year: 1964 Rentable space: 35,697 sq m</p>	<p>14</p>  <p>Packarhuset 4 Construction year: 1932 Rentable space: 15,387 sq m</p>	<p>19</p>  <p>Achilles 1 Construction year: 17th century Rentable space: 4,958 sq m</p>

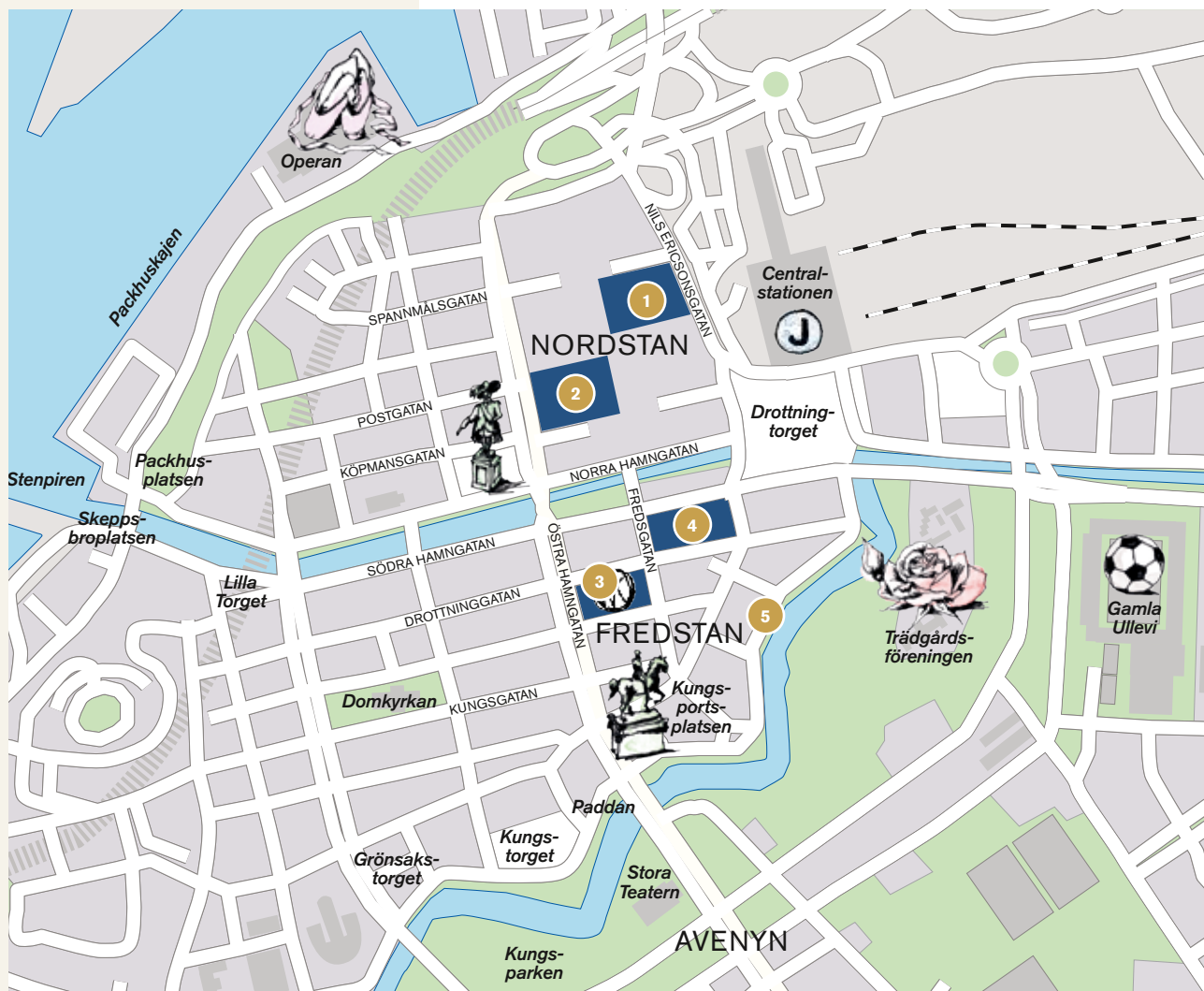
The map shows the Hufvudstaden property holdings in Stockholm including year of construction and rentable space. See the property list on pages 106–107 for more information.

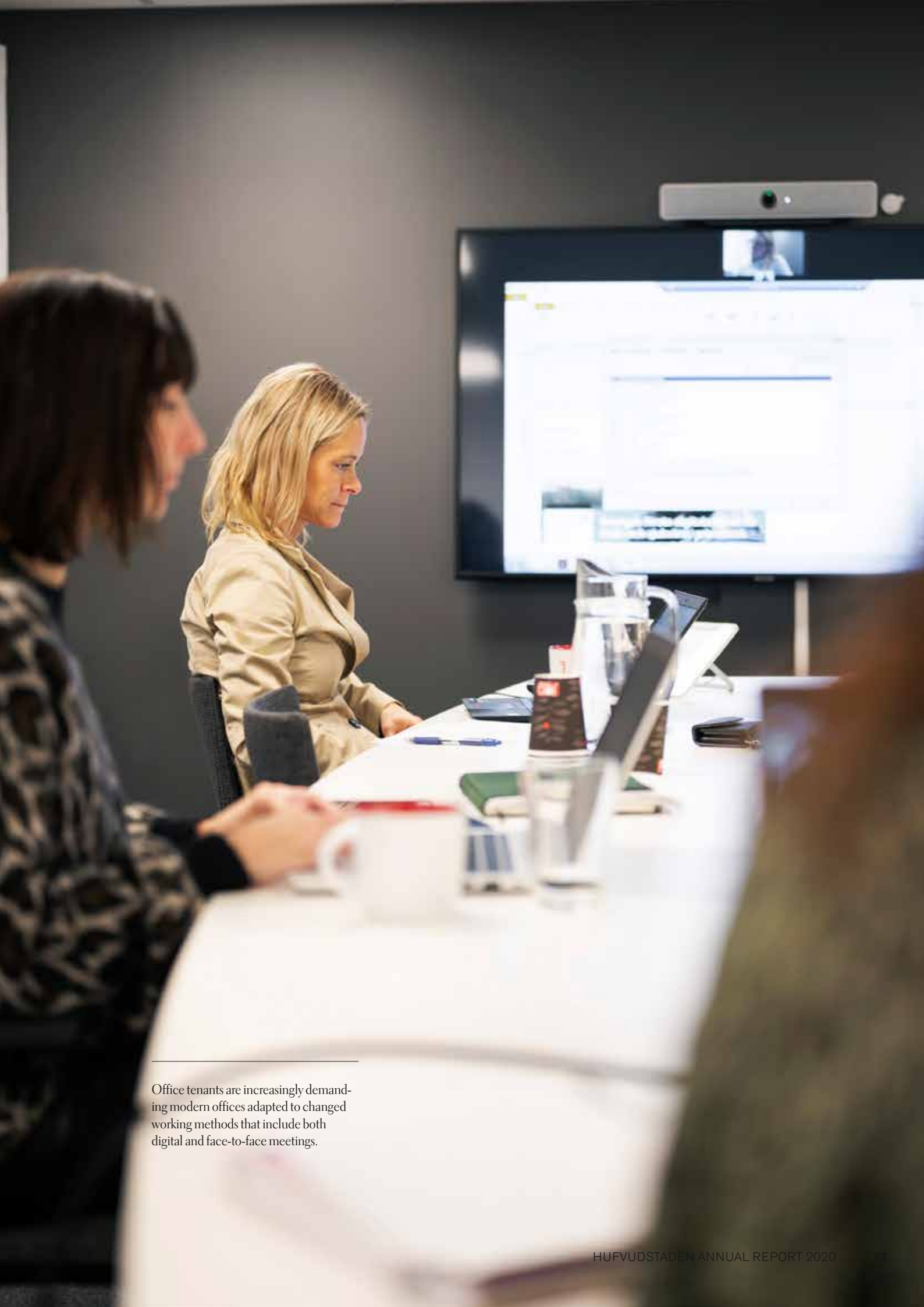


THE PROPERTY MARKET

The map shows the Hufvudstaden property holdings in Gothenburg including year of construction and rentable space. See the property list on pages 106–107 for more information.

Property/Construction year/Rentable Space	Property/Construction year/Rentable Space	Property/Construction year/Rentable Space
<p>1</p>  <p>Nordstaden 8:24 (Femman) Construction year: 1972/2011 Rentable space: 44,737 sq m</p>	<p>3</p>  <p>Inom Vallgraven 10:9 (NK) Construction year: 1964 Rentable space: 16,722 sq m</p>	<p>4</p>  <p>Inom Vallgraven 12:11 Construction year: 1875/1929/30 Rentable space: 4,757 sq m</p>
<p>2</p>  <p>Nordstaden 8:24 (Fyran) Construction year: 1972 Rentable space: 21,196 sq m</p>	<p>4</p>  <p>Inom Vallgraven 12:10 Construction year: 1975 Rentable space: 16,449 sq m</p>	<p>5</p>  <p>Inom Vallgraven 3:2 Construction year: 1856 Rentable space: 1,564 sq m</p>





Office tenants are increasingly demanding modern offices adapted to changed working methods that include both digital and face-to-face meetings.

Stable office market in Stockholm

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

Portfolio development

The development of Bibliotekstan as the number one destination in Scandinavia for Swedish and international fashion in the premium and luxury segments continued in 2020. The consequences of the corona pandemic and recommendations of the Public Health Agency of Sweden that were focused on working from home and social distancing have included lower customer footfall and sales for the retail and restaurant markets. In spite of the consequences and the fact that the retail trade is in a state of transition, we are seeing sustained interest in the district from both Swedish and international brands. New and strong brands that opened in the district during the year include the French fashion brand ba&sh and Swedish shirt brand La Chemise.

Stores and restaurants within the second sub-area in the business area, on Kungsgatan, Drottninggatan, Klarabergsgatan and in Gamla Stan, have been affected in equivalent way, with sales losses and lower footfall due to Covid-19 and the public recommendations. In spite of the challenges that have arisen and the somewhat hesitant situation, there is interest in new establishments. The new Bastard Burgers restaurant concept, which serves street food from Norrland, has opened on Norrlandsgatan.

The expansion and redevelopment of Skären 9 is one of the major projects that were ongoing during the year. Around 3,100 square metres of additional office space has been created here, while existing office space was fully renovated. The first two floors of offices have been adapted to Hufvudstaden's own coworking concept, Cecil. Cecil offers flexible workspaces in an inspiring environment with personal, first-class service. Cecil

opened in February 2021. The floors above have been adapted to meet the high standards of Advokatfirman Vinge, a Swedish law firm. The project went very well and the tenant moved back before the scheduled date after having been evacuated during the redevelopment project.

One trend observed is that tenants are increasingly seeking greater flexibility and a higher level of service when they rent premises. To meet that demand, Hufvudstaden offers turnkey office space in our REDO concept, where everything is ready for rapid move-in. Two new REDO offices were completed this year.

A few of the larger office tenants that have moved in are De Lage Landen, Time Danowsky Advokatbyrå and JKN Advokat. Inverto has moved to larger premises at another address within the business area. Several current tenants have expanded their floor space, including Influence and Sirocco.

We have received a building permission for a new building behind the Roslagen sandstone façade that was preserved after the property Vildmannen 7 was lost to fire. The demolition of the totally destroyed building was in progress for much of the year. The work to lay the foundation of the new building began at the end of the year.

Rental market

The office rental market has been stable. We have renegotiated with several existing customers and closed leases with a number of new tenants. Demand for nice offices in attractive locations remains good, but the market as a whole has been somewhat hesitant, which is an effect of Covid-19 and the recommendations



STOCKHOLM BUSINESS AREA

PROPERTY HOLDINGS

	31 December, 2020	31 December, 2019
Number of properties	22	22
Rentable space, sq m	206,227	203,530
– Of which offices	133,077	129,615
– Of which retail and restaurants	42,254	42,483
Annual rent, SEK m	1,203	1,144
Rental vacancy level, %	5.8	5.5
Floor space vacancy level, %	6.8	7.8
Number of rentable parking spaces	619	630

LARGEST TENANTS

Offices	sq m
Danske Bank	10,800
Advokatfirman Vinge	7,800
Finansinspektionen	7,200
KG10	4,800
Knowit	3,700

Retail & Restaurant	sq m
Zara	2,900
Eataly	2,800
Alewalds	1,300
Adidas	1,200
McDonalds	1,200

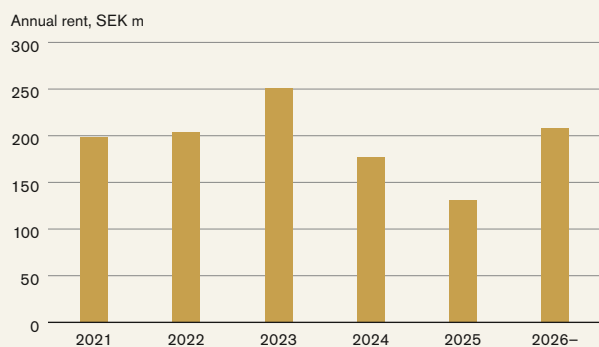
PROFIT FROM PROPERTY MANAGEMENT

SEK m	2020	2019
Net revenue	1,052.6	1,056.4
Maintenance	-14.4	-16.8
Operations and administration	-109.0	-109.3
Other costs	-117.1	-118.8
Total costs	-240.5	-244.9
Gross profit	812.1	811.5

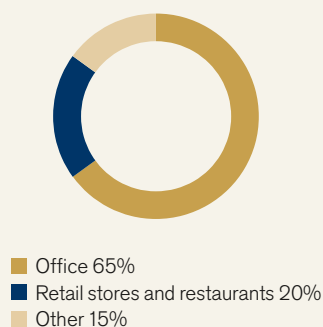
NEW LEASES & RENEGOTIATIONS

	2020	2019
New leases, sq m	18,500	7,200
New leases, annual rent, SEK m	111	51
Renegotiated leases, sq m	22,200	21,700
Renegotiated annual rent, SEK m	134	122

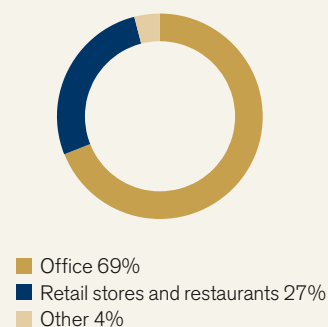
LEASE TERM ANALYSIS



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



To an increasing extent, office tenants are seeking leases with a high level of flexibility. To meet that demand, Hufvudstaden offers turnkey office space through the REDO concept, where everything is ready for rapid move-in.

of the Public Health Agency of Sweden. At the end of the year, the rental vacancy rate for the business area was 4.4 per cent, excluding ongoing redevelopment projects. Market rents for offices remained essentially stable during the year, despite the hesitance due to the Covid-19 pandemic. At the end of the year, market rents for office space in the Stockholm CBD were between SEK 6,300 and 8,700 and per square metre and year, excluding the property tax surcharge.

Market rent levels for retail premises were difficult to assess, but are assumed to have declined, at least temporarily, compared to the beginning of 2020. The assessment is that market rents in prime commercial locations were SEK 13,000–25,000 per square metre and year, excluding the property tax supplement.

Customers

Our office tenants in Stockholm are companies that require centrally located, high-quality office premises. The predominant businesses are banking and finance, law firms and consultancies in the fields of recruitment, IT, management and media. Long term office tenants include Brummer & Partners, Danske Bank, Erik Penser Bank, Finansinspektionen, JKL, The Swedish Export Credit Agency and the law firms of Alrutz, Vinge and White & Case. The business area has 341 customers. The ten largest customers lease 49,000 square metres (47,000) and generate total annual rent of SEK 318 million (292).

Retail tenants include Swedish and international companies with high standards for store design and location. The tenants often represent famous brands that are found only in a few selected places. Retail tenants in Bibliotekstan include Scandinavian high-fashion brands like Byredo, Filippa K, Gant, Hope, Our Legacy, Rodebjer and Totême combined with large international fashion houses like By Marlene Birger, Cartier, Céline, Chanel, Maje, Michael Kors, Prada, Ralph Lauren, Sandro and Zara. The larger retail tenants along Kungsgatan comprise mainly chain retailers such as Adidas, Alewalds, Cervera, Haglöfs, Naturkompaniet, Stadium, Ströms, Telenor and Telia.

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

Brands in the business area

Bibliotekstan. The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan that is home to retail stores with high-class brands, restaurants and cafés.

Birger Jarlspassagen. The historic arcade, which is located between Birger Jarlsgatan and Smålandsgatan, is a famous meeting place that offers exciting dining concepts.

Norrmalmstorg 1. The building is an iconic property and a commercial hub in central Stockholm.



Quality and the selection of sustainable materials are intertwined in the creation of new office environments.



A challenging year for the NK department stores

The NK business area comprises the NK properties in Stockholm and Gothenburg and the Hästskon 10 property in Stockholm. In addition to the NK department stores, the NK business area includes modern and space-efficient office premises in the NK properties and parking operations in Parkaden AB.

Portfolio development

A three-year project to redevelop the NK department store in Stockholm was completed during the year. The project involved upgrading of half the floor space of the department store and a link between the department store and the Parkaden parking facility, which is now called NK Parkaden. The project ended with the opening of new departments for the luxury brands Hermès and Saint Laurent in the atrium. The work to install a new padel sports and fitness centre on the roof of NK Parkaden began during the year. Among else, the centre will feature four padel courts and will be finished in spring 2021.

A project to redevelop the women's floor of the NK department store in Gothenburg has begun. Aisles and departments will be modified so that additional departments can be created. The goal is to make the floor more exciting and richer in content. The majority of the project will be implemented in 2021.

Rental market

The Covid-19 pandemic had profound impact on 2020. Sales in the department stores plummeted after the Public Health Agency of Sweden recommended at the end of March that people should work from home. As a result, the individual NK entrepreneurs experienced significant profitability problems, some entered into reconstruction proceedings and a couple

went bankrupt. Aimed at overcoming this trying situation and avoiding further bankruptcies, several tenants were granted rent reductions or rent deferral. Interest in new establishments was weak during this period. Rent reductions related to Covid-19 during the year amounted to around SEK 74 million after compensation of around SEK 19 million from the government under the commercial rent support scheme under Q2.

Market rents at NK Stockholm are estimated at SEK 13,000 to 25,000 per square metre and year, excluding the turnover-based surcharge and property tax surcharge. The corresponding rent levels for NK Gothenburg were between SEK 5,000 and 14,000 per square metre.

Market rents for office space in prime locations in the Stockholm CBD ranged from SEK 6,300 to 8,700 per square metre and year, excluding the property tax surcharge. The corresponding levels in Gothenburg were SEK 2,900 to 3,800 per square metre.

Customers

The ten largest customers of the business area lease 29,000 square metres (30,000), representing total annual rent of SEK 236 million (272). The business area has 108 customers, primarily Swedish and international retail tenants with high standards for store design and marketplace.

NK RETAIL

AB Nordiska Kompaniet reached an agreement on January 27, 2021 with RNB Retail and Brands to acquire the NK business within their subsidiary Departments & Stores Europe AB. The business was acquired by NK Retail AB, a wholly owned subsidiary of NK. The acquisition closed on February 3, 2021.

NK Retail runs about 40 departments within fashion, cosmetics and jewellery at NK Stockholm and NK Gothenburg, together comprising around 25 per cent of the total number of departments in the two stores. The business has around 400 employees, who have all been offered employment by NK Retail.



NK BUSINESS AREA

PROPERTY HOLDINGS

	31 December, 2020	31 December, 2019
Number of properties	3	3
Rentable space, sq m	91,829	92,000
– Of which offices	16,200	16,200
– Of which retail and restaurants	37,787	37,865
Annual rent, SEK m	472	521
Rental vacancy level, %	10.5	4.7
Floor space vacancy level, %	9.0	4.9
Number of rentable parking spaces	660	800

LARGEST TENANTS

Offices	sq m
Starbreeze	2,800
AG Advokat	2,500
Forsman & Bodenfors	1,600
UBS	800
Arctic	800
Retail & Restaurant	sq m
Departments & Stores Europe	12,300
North Retail Sport	1,600
Rizzo	1,600
Cervera	1,600
Harjak & Månsson	1,300

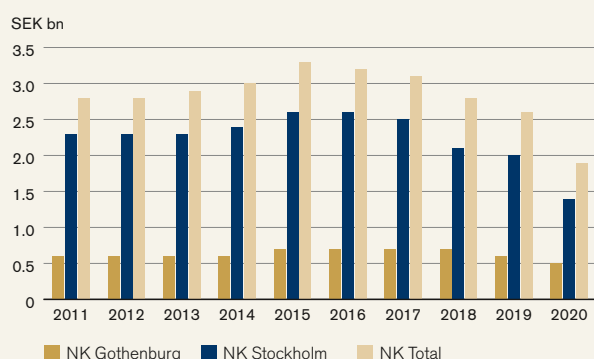
PROFIT FROM PROPERTY MANAGEMENT

SEK m	2020	2019
Net revenue	376.0	487.9
Maintenance	-6.7	-6.3
Operations and administration	-130.7	-116.6
Other costs	-51.2	-51.6
Total costs	-188.6	-174.5
Gross profit	187.4	313.4

NK DEPARTMENT STORES

Stockholm	2020	2019
Rentable retail space, sq m	25,370	25,448
Rentable storage space, sq m	6,148	6,248
Total	31,518	31,696
Number of departments	103	109
Number of restaurants	11	11
Sales including VAT, SEK m	1,432	1,992
Gothenburg	2020	2019
Rentable retail space, sq m	10,646	10,542
Rentable storage space, sq m	1,019	1,012
Total	11,665	11,554
Number of departments	44	48
Number of restaurants	3	4
Sales including VAT, SEK m	476	613

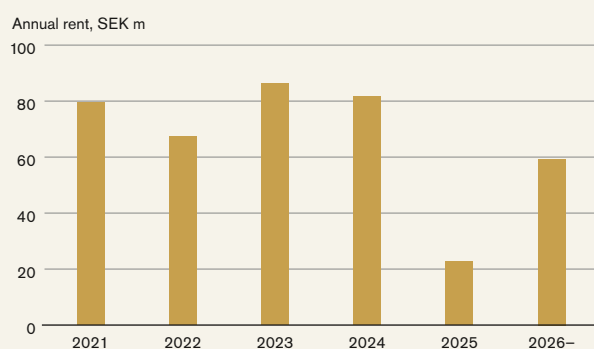
SALES NK DEPARTMENT STORES



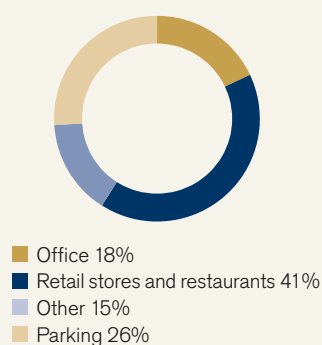
NEW LEASES & RENEGOTIATIONS

	2020	2019
New leases, sq m	2,800	4,900
New leases, annual rent, SEK m	21	43
Renegotiated leases, sq m	8,100	7,800
Renegotiated annual rent, SEK m	74	48

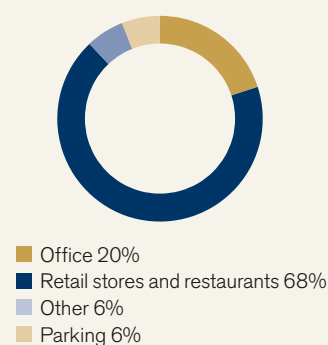
LEASE TERM ANALYSIS



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



AB Nordiska Kompaniet

The NK properties in Stockholm and Gothenburg and the NK brand are owned by the wholly owned subsidiary NK Nordiska Kompaniet, which is part of the NK business area.

Substantial digital development initiatives continued during the year. In September, the launch of the NK e-commerce platform, aimed at responding to changed consumer behaviours and offering NK customers a digital alternative to the department store. The launch is continuing in stages as departments join.

The NK Gala was held for the fifth year running, aimed at strengthening NK's fashion status. To reduce transmission of Covid-19 this year's gala was held digitally in the department stores, which was very popular among NK customers.

The year ended with a somewhat unusual Christmas at NK. The traditional NK Christmas was adapted to the prevailing restrictions, including Santa accepting children's wishes in a safe way. This year's theme for the Christmas display windows was "A More Sustainable Winter's Tale" and the decorations were made of recycled materials from the department store.

The NK brand

NK is one of the strongest and most recognisable brands in Sweden among both Swedish and international consumers. NK's ability to support shopping in the department stores and thus generate higher rental income and increased property values depends on nurturing and building the brand. Success is based, for example, on close partnership between property owners and entrepreneurs through an entrepreneurs' association. The partnership is being further developed through the right mix of entrepreneurs, a vibrant and attractive marketplace and ongoing marketing initiatives aimed at NK's target groups.

Parking operations

The wholly owned subsidiary Parkaden AB runs parking operations in two of Hufvudstaden properties in Stockholm. NK Parking at Hästskon 10 now offers 660 parking spaces. This is a reduction from 800 spaces due to the redevelopment of the upper roof level into a padel sports and fitness centre. Continentalgaraget in the property Orgelpipan 7, which belongs to the Stockholm business area, offers 435 spaces.

The demand for parking in the city has fallen due to the Covid restrictions. Both parking facilities have had fewer short-term customers, while the number of contract customers has increased slightly. The number of electric cars is still rising, which is leading to a greater need for charging points in parking facilities. To meet this demand, the number of charging points has been increased to 163 at NK Parking. With that accomplished, NK Parking now has the most charging points in central Stockholm.

→
A comprehensive redevelopment project was completed during the year at the NK department store in Stockholm, where large parts of the store have been upgraded, several luxury brands have been established and the level of customer service has been elevated.





Cooperation for the development of central Gothenburg

Hufvudstaden properties in the Gothenburg business area are located in the CBD and are divided into two areas, Fredstan and Nordstan. The property holdings in Fredstan comprise the Inom Vallgraven 12 block and the development property Inom Vallgraven 3:2. The property in Nordstan comprises two units: Fyran, a shopping centre opposite Östra Hamngatan, and Femman, a shopping centre opposite the Central Station.

Portfolio development

Hufvudstaden is one of the largest individual partners in the Nordstan Cooperative, which owns and manages the Nordstan parking facility as well as the adjoining stores, squares and pedestrianised streets. Nordstan is one of the largest and busiest shopping centres in Sweden, with a wide variety of stores, restaurants and parking facilities, as well as modern offices in the best location in Gothenburg.

The Cooperative Association and property owners continued their joint planning during the year for how the shopping centre and parking structure can be developed to incorporate the planned West Link entrance at Central Station. The work also includes a long-term plan to revitalise the existing marketplace, where the first step was to replace large parts of the shopping centre floor with Bohus granite.

Retail trade in central Gothenburg is closely linked to tourism and the hospitality industry during the summer months and to the large number of centrally located workplaces during the rest of the year. The Covid restrictions implemented during the year had severe impact on tourism and the hospitality industry in Gothenburg and strong official recommendations to work from home meant that workplaces were empty across much of the city. As a result, footfall at Nordstan fell markedly in 2020 compared to 2019. The drop was steepest during Easter week, when footfall declined by around 60 per cent. Thereafter, visitor numbers recovered gradually until new restrictions were implemented in late October.

The Femman shopping centre comprises approximately 16,000 square metres of retail space on three floors. Several new stores opened at Femman during the year despite the pandemic, including fashion brand MQ MARQET's only store in Gothenburg. Lyko and Godisbanken are other tenants who have opened new stores. Around 8 million shoppers visited Femman in 2020, a decrease by 35 per cent compare to 2019. Retail turnover in Nordstan was around SEK 3 billion, of which Femman accounted for around SEK 640 million and Fyran for almost SEK 220 million.

Hufvudstaden has partnered with the City of Gothenburg and other property owners to establish the name "Fredstan" for the area surrounding the Fredsgatan shopping district. The ambition is for the area to offer unique stores and restaurants, attractive meeting places, arts and culture, and modern offices. The city's renovation of Brunnsparken, which functions as the entrance to Fredstan, was finished in 2020 during the spring and has made the surroundings in the park much more pleasant. Property owners have also continued their efforts to add greenery and install new lighting on Fredsgatan, further enhancing the attractiveness of the marketplace.

Planning for the development of the Inom Vallgraven 12 block in Fredstan has continued. The local plan calls for expanded building permissions within the block of approximately 15,000 square metres in gross area and project design and planning are in progress. The work to convert the Inom



GOTHENBURG BUSINESS AREA

PROPERTY HOLDINGS

	31 December, 2020	31 December, 2019
Number of properties	4	4
Rentable space, sq m	88,703	88,697
– Of which offices	50,518	50,599
– Of which retail and restaurants	31,261	31,178
Annual rent, SEK m	345	359
Rental vacancy level, %	13.7	4.0
Floor space vacancy level, %	17.9	6.0
Number of rentable garage spaces	51	51

LARGEST TENANTS

Offices	sq m
Alektum Group	5,200
Folksam	3,800
Advokatfirman Vinge	3,500
Grant Thornton	2,800
Intrum	2,500
Retail & Restaurant	sq m
H&M	2,100
Lidl	2,100
Lager 157	1,800
KappAhl	1,800
Stadium Outlet	1,700

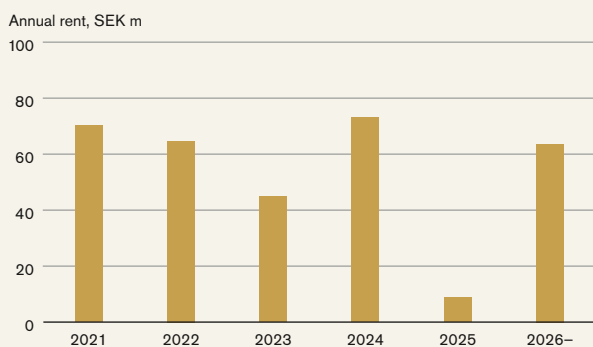
PROFIT FROM PROPERTY MANAGEMENT

SEK m	2020	2019
Net revenue	339.3	352.1
Maintenance	-5.9	-5.8
Operations and administration	-58.4	-61.1
Other costs	-37.1	-37.1
Total costs	-101.4	-104.0
Gross profit	237.9	248.1

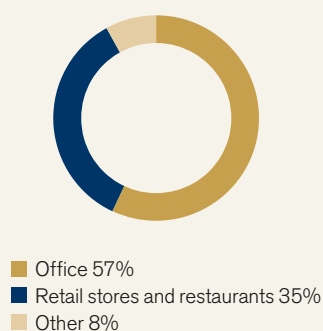
NEW LEASES & RENEGOTIATIONS

	2020	2019
New leases, sq m	5,400	4,100
New leases, annual rent, SEK m	20	13
Renegotiated leases, sq m	8,100	8,200
Renegotiated annual rent, SEK m	34	41

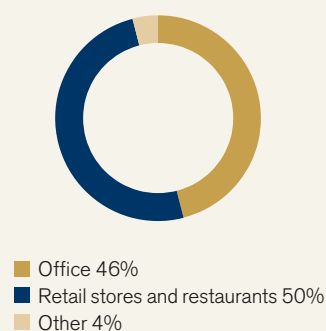
LEASE TERM ANALYSIS



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



← Fredstan in central Gothenburg offers unique stores and restaurants, attractive meeting places, a variety of arts and culture venues, and modern offices.

Vallgraven 3:2 property to residential use began in the autumn as part of the project.

Premises were adapted for several office tenants in 2020 in conjunction with new and renegotiated leases. The premises have thus been adapted to the needs and preferences of customers. Feelgood, a health company, has moved into new offices in Fyran, for example.

Swedish Customs moved out of relatively large leased premises in Femman at the end of the year. Parts of these premises have already been leased to new tenants that will move in during 2021. The rental vacancy rate excluding ongoing development projects was 11.1 per cent for the business area at year-end 2020.

Rental market

The rental market for office space in the Gothenburg CBD was stable during the year. Vacancies rose slightly from previously very low levels. Market rents for modern offices in prime locations ranged from SEK 2,900 to 3,800 per square metre and year, excluding the property tax surcharge. Market rent levels for retail premises were difficult to assess, but are assumed to have declined, at least temporarily, compared to the beginning of 2020. The assessment is that market rents in prime commercial locations were in the range of SEK 5,000–14,000 per square metre and year, excluding the property tax supplement.

Customers

Gothenburg is a market with customers who work locally, across Sweden and internationally. The business area's office customers prefer high-quality premises in prime locations. The predominant sectors are law firms, accountancy firms and finance companies, as well as public authorities and organisations. Retail customers appreciate attractive marketplaces and shopping centres in prime locations. Retail trade is changing, which is putting increasingly high demands on property owners and retail entrepreneurs. Strong and unique marketplaces like Femman, Nordstan and Fredstan are expected to remain attractive in the future. The business area has a total of 145 customers. The ten largest customers lease 28,000 (33,000) square metres and generate total annual rent of SEK 111 million (128).

Brands in the business area

Femman. The Femman galleria is one of the most popular marketplaces for shopping, food and social interaction, as well as centrally located, high-quality offices.

Fredstan. Fredstan comprises the blocks surrounding Fredsgatan between Brunnsparken and Trädgårdsföreningen. Hufvudstaden, Vasakronan and Balder have partnered with the City of Gothenburg to prepare a plan for creating a vibrant and attractive city district here.

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





The Femman Galleria is one of the most popular market-places in Gothenburg for shopping, dining and social interaction. Several new retail stores opened during the year, despite the pandemic.

Intense year with projects in both Stockholm and Gothenburg

The main market demand is for modern, flexible and high-quality office and retail space in attractive locations. Hufvudstaden is working actively to develop existing properties and increase rentable space. We are also working to improve the areas surrounding our properties to create vibrant and attractive shopping and meeting places, often in partnership with other property owners and local authorities. Development lays the foundation for good long-term value growth for the company.

Business development

The Business Development Department identifies, develops and runs commercial and digital projects regarding offices and retail stores.

Rapid advances in digitalisation in all areas of society are continuing and customer needs, behaviours and expectations are changing ever more rapidly. Hufvudstaden's transformational efforts aimed at raising the company's capacity to adapt its methods, operations and business processes are ongoing. We are continuously engaged in horizon scanning (monitoring the external business environment). The insights gained from this work are taken further in a change management group, which evaluates new thoughts and ideas. Thereafter, prioritised change and development projects are carried out to respond to social changes and the needs of our tenants. Some projects are at the pre-study or implementation stage and others were completed during the year.

There is growing demand among office tenants for a higher level of service and greater flexibility. In response to this trend, Hufvudstaden has for several years been offering the REDO concept: turnkey office premises with flexible leases. Efforts were ongoing during the year to complete Hufvudstaden's Cecil coworking facility, which opened in the Skären 9 property during the first quarter of 2021.

Property development

The Property Development department runs renovation and development projects in Hufvudstaden's properties. Operations are divided into two main segments, maintenance projects and adaptations and major development projects based on existing or new building permissions.

Development projects are carried out in close cooperation with the business development and property management

organisation. Sustainability is a constant theme in all development work and great emphasis is placed on improved environmental performance, higher technical standards, efficient and flexible floor plans and a long-term approach to choosing materials and technology that will stand the test of time. Hufvudstaden is committed to reducing environmental impact over the long term, inspecting built-in materials, recycling waste and selecting technical solutions to reduce energy consumption. Focus is also on creating a product that is easy to maintain from a long-term management perspective. As a whole, this produces the high quality that instils the perception of the properties as attractive now and well into the future. This is a prerequisite for meeting Hufvudstaden's rigorous demands for quality, flexibility and a long-term approach. Hufvudstaden's own project managers procure and manage development project implementation jointly with our partners. The project managers are involved in all phases of the project and on a daily basis in matters related to project management, coordination with tenants and health and safety.

Hufvudstaden has invested approximately SEK 750 million per year in projects for the past five years. Investments in projects in 2020 amounted to around SEK 950 million (900). Large-scale development projects account for almost 70 per cent, adaptations of premises for around 20 per cent and maintenance projects around 10 per cent.

Current major projects NK Stockholm

Under recent years, a major redevelopment project at the NK department store in Stockholm has commenced to develop and strengthen NK's position as a world-class department store. Several international premium brands has opened at NK,

amongst others Hermès, Loewe and Saint Laurent. Most of the project has been completed and NK's padel sports venture, NK Padel & Social, will open on the roof of NK Parkaden in the spring of 2021. The total investment, including the parts remaining, amounted to approximately SEK 680 million. Development of the NK department store will continue in response to changes in consumer behaviour. NK e-commerce, launched on a limited basis in the autumn of 2020, is a key aspect of NK's ongoing journey of change.

NK Parkering has also increased the number of full-power charging points for electric cars and is now the most well-developed parking structure in central Stockholm for fossil-free car traffic. There is high demand for charging points for electric cars and further expansion is planned for 2021.

NK Gothenburg

The work has begun at the NK property in Gothenburg to prepare a new local plan in partnership with the City of Gothenburg. Four architectural firms have been selected to carry out a parallel commission in the next few years. Thereafter, one of the firms will be selected prior to the process of adopting the new local plan.

Design and planning also began during the year for a comprehensive redevelopment of the women's floor of the department store, with the aim to improve customer flows and create more attractive department areas.

Inom Vallgraven 12, Gothenburg

A new local plan took effect for the Inom Vallgraven 12 block at the end of 2019. Design and planning were ongoing during the year in preparation for the planned development project. Efforts have focused on utilising the extended building permission for approximately

15,000 square metres in gross floor space and developing new overall concept for the block, where the new total building permissions could be up to 45,000 square metres in gross floor space. The development is being carried out in close and productive collaboration with the City of Gothenburg.

Inom Vallgraven 3:2, Gothenburg

The work to convert the property from offices to residential units commenced. The conversion is being implemented to replace existing residential units in the Inom Vallgraven 12 block. The project is estimated to be completed around the turn of the year 2021/2022.

Bibliotekstan, Stockholm

Much of the major expansion and redevelopment project at Skären 9 was completed at the end of the year. Existing parts of the property have been comprehensively renovated and two new floors have been added to the building. In total, around 3,100 square metres have been added to the building. There has been considerable focus on sustainability and the property's energy performance has been improved significantly. The goal is for the building to be environmentally certified during 2021.

Vildmannen 7 was heavily damaged by fire in late 2017 and large parts of the building were totally destroyed. The demolition work was ongoing during the year in parallel with the work to stabilise the existing and unique street façades. The complex work to lay new foundations, including the lowering of basement floors, began at the end of the year. The new building, with the original façades facing the street preserved, is expected to be completed in 2023.

Adaptations

Hufvudstaden adapts premises for new and existing tenants. When premises become vacant, they are assessed to determine whether renovations are needed. Following the initial renovation, premises are adapted to meet the needs of new tenants. Tenants are increasingly demanding open floor plans for more efficient use of space, which increases the need for ventilation and cooling. Older technical systems often need to be replaced with the latest technology to achieve an optimal indoor climate. Hufvudstaden owns many properties that are adjacent to each other, which facilitates integration of premises with adjoining spaces and provides a great deal of flexibility. In all renovation projects, there is

considerable emphasis on preserving the character and architectural value of the building. Hufvudstaden takes responsibility for building and developing in a sustainable, long-term and eco-friendly way.

Work was ongoing with approximately 50 adaptations of premises of about 25,000 square metres during the year. The adaptations were carried out for both new and existing tenants.

A major adaptation was carried out in the Oxhuvudet 18 property in Stockholm for De Lage Landen after the previous tenant moved out. The adaptation covered approximately 1,300 square metres of space. A comprehensive adaptation of around 600 square metres was also carried out at the Grönlandet Södra 11 property when the premises, a former embassy, were converted to offices for the current tenant, Sirocco. A former large retail store in the Kåkenhusen 40 property was converted for two new businesses, the Fightbox fitness concept and the flagship store of Chimi Eyewear.

Comprehensive adaptation of around 1,100 square metres was carried out at Fyran in Gothenburg for the office tenant Feelgood. The premises have been adapted for both office workspaces and occupational health care services.

MAJOR CURRENT AND PLANNED PROJECTS AT THE END OF THE YEAR

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

¹⁾ Includes estimated costs for rent losses and financing that are continuously charged to the income statement as well as costs for evacuation.

”

We are aiming to reduce emissions from our building and renovation projects and our energy usage in line with the Paris Agreement within a decade.



A complex, bordering on the spectacular, project is in progress to lay the foundations for the new property that will be built behind the preserved stone façades of the Vildmannen 7 property that was destroyed in a fire. The basement level is below the water table, which means construction divers will have to cast the concrete underwater.



Value-driven corporate culture

Hufvudstaden's company culture is one of deep employee commitment and support for our distinct values and philosophy, which are reflected in everything we do. The values are our most important tool for leading and guiding the business towards the company's vision and objectives. They are also a prerequisite for driving operations towards responsible business. Our core values are quality, honesty, attentiveness and commitment.

QUALITY

“We think long-term”

The right quality is important to us. That means providing the quality our customers expect within the framework of our business concept. It applies equally to our property holdings and service offering, customer relationships and in-house cooperation. We nurture a long-term perspective to promote quality. Aimed at developing the business and preventing problems, we act rather than react. We work to exceed expectations by means of sustainable solutions in every aspect of operations.

HONESTY

“We build long-term trust by keeping our word”

We always act professionally and reliably. That means we keep our word and abide by our agreements. As we see it, honest intent is the foundation of successful business and long-term relationships. We are honest and straightforward with our colleagues and we believe everyone should be able to express their opinions and stand by their thoughts and ideas.

ATTENTIVENESS

“We listen and learn”

We are attentive and open to impressions from outside the company and from our colleagues, and we actively embrace and evaluate new ideas. We endeavour to recognise our colleagues' needs for support and concern and we stand up for each other. We are attentive to the needs of our customers and always strive to be one step ahead. Our stakeholders inspire us to nurture and develop our business and our relationships.

COMMITMENT

“We are passionate about the business”

We are proud of our history and our success and are committed to the business as a whole. We regard ourselves as a key partner for our customers, and we show an active interest in their businesses and their success. We are interested in our colleagues, celebrate their progress and help each other develop and succeed. Pride, a willing attitude and keen interest are the foundations of our organisation.

WINNER – CUSTOMER SATISFACTION INDEX 2020



The industry's most satisfied office tenants can be found at Hufvudstaden. We have for the third year in a row placed us in first place in Fastighetsbarometern Customer Satisfaction Survey among large

companies*. The ranking is a proof that our focus, to have the customer in the center, is a winning concept and a receipt that we keep a high service level towards our customers, regardless of the economic

situation. Fastighetsbarometern was started in 1997 and Hufvudstaden has been in the top three ever since.

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

Skilled and committed employees

Skilled and committed employees are the key to Hufvudstaden's strong company culture. The ambition is to attract, develop and retain employees who with high competence, great sense of service and customer focus contribute to the continued development of the company.



Our objective is to have the most skilled and professional employees in the industry. To achieve this, we work actively with skills development and issues related to health, well-being, leadership and culture. Our values – quality, honesty, attentiveness and commitment – guide us in our endeavours and are integrated in everything we do. This has been an unusual year as the majority of our employees, in accordance with the corona recommendations issued by the Public Health Agency of Sweden, have been working mainly at home since mid-March. This situation has created additional challenges and have meant that leadership and self-leadership have become even more important. One positive consequence of the situation is that we have, at the company level, become more digital in our work and in our processes. We have carried out a digital survey within the HR department to actively review and improve the efficiency of our processes. The results include the implementation of e-filing and e-signatures.

Recruitment and introduction

A long-term approach is essential when we recruit new employees. Diversity and equal opportunities are aspects that are always included in our recruitment processes. All new employees are offered a thorough, individualised induction programme adapted to their role. They also complete digital introduction training that includes general information that is important to getting to know the company.

In the main, recruitment takes place in-house. This gives us control over the process and we can ensure that recruitments are based on skills and governed by our values. In doing so, we build up a candidate base of the people who are interested in our company. New roles in areas including e-commerce and digital channels, combined with our recently started business venture Cecil Coworking have also meant that we have further expanded our candidate base, towards the service industry, for example. Most interviews during the year were conducted digitally via Teams.

In order to meet future recruitment needs, we also build relationships via LinkedIn, where we market ourselves by

Our culture is characterised by strong employee commitment and clear values. Our employees appreciate working in a values-governed culture with stimulating tasks and good career development opportunities.

CONTRIBUTIONS TO GLOBAL GOALS



- 3.4. Reduce the number of mortality from non-communicable diseases and promote mental health.
- 5.1. End all forms of discrimination against all women and girls everywhere.

EMPLOYEES

telling what is happening at Hufvudstaden and publish job ads. This is one of our strategies to find the most professional employees in the industry while simultaneously building our brand.

Leadership

Our four leadership criteria are the basis of our view on leadership and act as in the day-to-day work of our managers. We strive for leadership that is courageous, inspirational, forward-thinking and exemplary. These criteria also act as a starting point for managerial development and performance. Hufvudstaden focuses deliberately on giving young employees the opportunity to grow into the role of manager. Continuously identifying and developing employees who demonstrate leadership qualities is a priority and we provide ongoing leadership training.

We have also invested in further developing situational leadership throughout the organisation. The aim is to enhance self-management and drive, which create the right conditions for succeeding in a rapidly changing world.

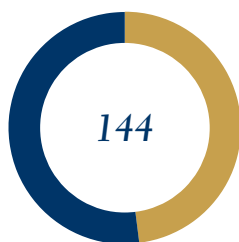
A management conference is arranged every year, where we share lessons learnt and discuss leadership issues. This year's management conference was held digitally and focused on leadership at a distance in turbulent times. This has since been followed up with regular, digital managerial meetings during the year. Managers always have access to a digital managers' handbook, where they are also offered web-based trainings in areas including labour law.

Skills and learning

Internal recruitment is a key aspect of our company culture and we make every effort to fill as many open positions as possible by developing our employees and encouraging them to assume greater responsibility. This applies at the staff and managerial level. To succeed at this, we work continuously to monitor the skills requirement within the company. New challenges give employees opportunities to grow within the company while gaining wider understanding and knowledge of our various areas of operations.

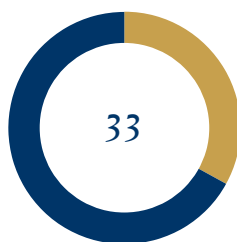
We continued our work to develop leadership and employeeship towards a more situational approach. This is reflected in employee performance and career development reviews where we discuss goals, goal attainment, values and skills development. An individual

EMPLOYEES



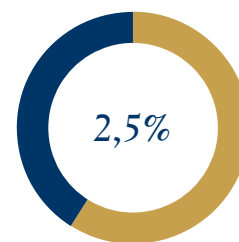
■ Percentage women, 48%
■ Percentage men, 52%

MANAGERS



■ Percentage women, 33%
■ Percentage men, 67%

ABSENTEEISM DUE TO ILLNESS



■ Percentage women, 59%
■ Percentage men, 41%

AGE



■ <30 years 15%
■ 30–39 years 28%
■ 40–49 years 26%
■ >50 years 31%

DURATION OF EMPLOYMENT



■ < 1 years 15%
■ 1–3 years 33%
■ 4–6 years 20%
■ 7–10 years 12%
■ > 10 years 20%

As of 31 December 2020. Absenteeism due to illness refers to the full year of 2020.

action plan is drawn up for each employee thereafter. Hufvudstadens' objectives is that all employees will have yearly performance and career development reviews.

A pleasant work environment

Without the skills, commitment and involvement of our employees, we would not be able to run our business in a long-term and high-quality manner. We invest in health, wellness and workplace satisfaction to create a good working environment in which employees are happy and thriving.

We have focused extensively during the year on managing the consequences of the corona pandemic in various ways. Executive management has arranged regular digital information meetings, at which all employees have been informed about our internal guidelines on work and how to manage potential spread of the virus at Hufvudstaden. A special coronavirus group has been appointed to monitor developments, gather information and provide support in adapting our internal guidelines. We carried out two pulse surveys during the year focused on well-being, job satisfaction, health and safety and Hufvudstaden's response to the corona pandemic. Both checks returned high scores, despite the prevailing circumstances. A majority of our employees think we have handled the crisis well, that we have clear guidelines and that cooperation between managers and employees and colleague-to-colleague has been smooth. Many employees also feel they are serving a useful purpose and are an important part in a wider context. One area where the scores fell between the first and second pulse surveys is how employees perceive the work environment at home. We have instead offered to lend equipment that improves the work environment to all employees working from home. We are aware of the challenges and are working steadily to find good ways to support our employees in the current circumstances.

We take a preventative approach to health by offering massage and access to chiropractic care in the workplace. These services have unfortunately had to be paused since March due to the risk of



Skilled and committed employees are the key to Hufvudstaden's strong company culture.

spreading the virus. All employees are offered health checks and an annual health and fitness allowance. We are making a concerted effort to maintain low absenteeism due to illness by encouraging physical activity and arranging group activities to promote better health and workplace satisfaction. For that purpose we have a workplace satisfaction group that organises both health and fitness activities and social activities. The focus during the year, when we have not been able to meet face-to-face, has been on digital activities such as chocolate tasting, after work drinks and nibbles and virtual "pub quizzes" via Teams. Our annual employee conference was cancelled this year due to the current situation.

Health and safety work is carried out in a health and safety group made up of representatives of various parts of the organisation. The health and safety group identifies risks, recommends actions and works with continuous improvement. We expanded the work of the health and safety group in collaboration with the occupational health service.

Attractive employer

Hufvudstaden shall always be an attractive employer and our employees should be proud to work for us. Employees should be happy, enjoy their work and feel

motivated. We carry out employee surveys to evaluate how we are perceived as an employer.

Diversity and equal opportunities are key perspectives in everything from recruitment to the day-to-day work. To support this work, we have our Diversity and Equal Treatment Policy, which helps us create an equal opportunity workplace that encourages differences. We work according to an equal treatment plan with set goals in each area: health and safety, parenthood, harassment, recruitment, skills development, promotion and equal pay for equal work. The goal is to achieve an even gender structure with at least 40/60 per cent proportion between women and men at the corporate level as well as among managers and in all departments.

Our culture is characterised by strong employee commitment and clear values. Our employees appreciate working in a values-governed culture with stimulating tasks and good career development opportunities.

Vibrant and sustainable environments for people in the heart of the city

Hufvudstaden is working actively and for the long term to ensure economic, environmental and social sustainability. We are accomplishing this by minimising our negative footprint, future-proofing our business and partnering with customers and suppliers. We have prepared strategies and set targets for our work aligned with the UN Sustainable Development Goals.



Hufvudstaden was awarded five stars in the annual GRESB ranking of Sustainability performance in the real estate sector. In addition, Hufvudstaden placed first in the “Office and Retail” category in Europe and was thus recognised as an Sector Leader, acknowledging Hufvudstaden as a sector leader in sustainability.

We develop attractive and sustainable urban environments where people thrive and are happy.

Sustainability for Hufvudstaden

Sustainability is a cornerstone of everything we do and our business depends on carefully planned and ambitious sustainability work. We take economic and social responsibility and develop long-term, environmentally and climate-smart solutions.

Hufvudstaden owns and manages properties and creates services for a vibrant city. In a world of accelerating change and development, we think long-term and preserve what is worthwhile. We see the value in the details of our façades and the painted ceilings in our entrances, but most of all we understand the value of the lively hustle and

bustle that is the heart of our cities. Hufvudstaden has been developing city centres for people and commerce for more than 100 years and we are looking forward to another century.

The city will change ever more rapidly over the next century and Hufvudstaden will be involved in its development. Climate change is one of the greatest challenges of our time. The city and its environments hold many of the keys to a successful transition to a more sustainable world. This involves adapting buildings to a changed climate and developing solutions that reduce or minimise climate impact. We are future-proofing our business by managing our buildings

and our operations from a long-term perspective. This is being accomplished in partnership with our customers and the businesses they operate in our buildings. We intend to reduce emissions from our building and renovation projects and our energy usage in line with the Paris Agreement within a decade.

Our investments are long-term and our properties are exclusive. Our customers, meanwhile, are dynamic and constantly changing. Where those two streams meet, we are working together to create vibrant, sustainable environments in the heart of the city.

HUFVUDSTADEN'S SUSTAINABILITY PLAN

Hufvudstaden adopted a new sustainability plan during the year. It establishes guidelines for our sustainability work and for how Hufvudstaden should act as a responsible actor. The sustainability plan was prepared on the basis of analysis, conversation and discussion with

internal and external parties. It proceeds from internal values and policies as well as external regulations and initiatives, all in the context of our business environment. Turn to page 110–111 for more information.

The sustainability plan defines our main contribution to sustainability. The plan covers three focus areas: minimise, future-proof and collaborate.

WE ARE DEVELOPING VIBRANT AND SUSTAINABLE ENVIRONMENTS FOR PEOPLE IN THE HEART OF THE CITY

MINIMISE

“We will minimise our footprint to achieve climate-neutral property management by 2025.”

FUTURE-PROOF

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

COLLABORATE

“We will collaborate with others to create vibrant and sustainable environments that promote sustainable urban development.”

ACTIVITIES

- Reduce energy consumption
- Reduce climate emissions from operations
- Reduce climate emissions from construction
- Reduce waste

- Develop long-term, flexible solutions that stand the test of time
- Certify our buildings
- Adapt our properties against future climate changes

- Actively collaborate in sustainability and urban development
- Work towards a more sustainable supply chain
- Ensure a good and safe work environment
- Ensure that our properties and business models contribute to attractive, more sustainable cities



UN Sustainable Development Goals

Hufvudstaden's sustainability work has been further developed to align with the UN Sustainable Development Goals. Of the 17 SDGs, we have identified goals 3, 5, 7, 8, 11, 12 and 13 as those where Hufvudstaden has the greatest potential to have a positive impact, and have thus chosen to focus on these goals in particular.

MINIMISE

Doing more with less is the formula for doing business successfully in the transition to sustainable development. For Hufvudstaden, this means everything from more efficient use of energy with less climate impact to smarter waste management flows. We know that our use of resources, particularly consumption of energy and materials, accounts for a significant part of our climate impact and that of society overall. To be a successful force for change, we will not only participate, we will help drive the sustainable transformation of the construction and property sector.

Climate-neutral property management by 2025

Energy used in the management of our properties is one of our biggest environmental and climate impact factors. Changes in energy use must be instituted to minimise the negative impact. Aimed at picking up the pace in this area, we set more ambitious targets during the year. The outcome was a decision that our property management must be climate-neutral by 2025. The target applies to the emissions generated within the framework of our own operations. To achieve the goal, the company will continue the transition to climate-neutral operation of our properties by means including more investments in climate-smart technology and actions to improve energy efficiency. A prerequisite for reaching the target is that local energy producers must become more fossil-free. Turn to page 113 for more information.

Our climate emissions from property management decreased in 2020 compared to preceding year. We have reduced these emissions by 90 per cent since 2010. The main changes behind the reduction are that we have switched to 100 per cent green electricity, reduced energy consumption and are buying district heating and district cooling produced with a lower share of fossil fuels.

Ongoing efforts to reduce the climate load of our building projects

The construction and real estate sector is facing a challenge to become climate-neutral in every respect. Transforming the sector is a vast endeavour that will require joint initiatives. All the solutions for achieving climate neutrality in the sector do not yet exist. For Hufvudstaden to remain a successful player in the industry, we must work to reduce the climate emissions that we can affect. There is huge potential to transition to sustainable development in our building projects.

Hufvudstaden decided a new target for our climate emissions from construction activities, effective from 2021. We will reduce climate emissions from construction activities in half during the

period of 2019–2030. Hufvudstaden set the target based on current technology and information that is consistent with the construction and civil engineering sectors' roadmap to achieving net zero emissions by 2045.

We continued the effort to calculate our indirect emissions from building activities during the year, although the lack of available and reliable data presents a challenge. There is potential for improvement here, above all by improving access to credible data and sector-wide rules for how data should be calculated to make it comparable. There is a project ongoing in the sector to assure and produce data, which is essential to making wise decisions in connection with construction.

More efficient use of energy

Ensuring the efficient use of energy is one of the keys to more sustainable property management. The construction and property sector accounts for around 40 per cent of energy use in Sweden, which is why we aim to make smarter energy and environmental choices in everything we do. Efforts are ongoing to modernise systems and energy projects to improve energy efficiency in our property holdings. This includes everything from replacing windows and lighting to installing service-on-demand escalators and upgrading heating and ventilation systems.

The electricity we buy is 100 per cent renewable, origin-labelled hydropower. Energy use was reduced by 14 per cent in 2020 compared to the preceding year. The decrease is primarily an effect of the relatively warm year and a effect of corona, which involved shorter opening hours in our department stores and retail stores and lower utilization in our properties as many tenants have worked from home. In total, energy use has decreased by 34 per cent since 2010. The main explanations are energy efficiency improvements and the investments we have made in recent years. The energy we use for heating is about 70 per cent lower than the average according to SCB statistics on commercial premises.

CONTRIBUTIONS TO GLOBAL GOALS



- 7.2. Increase substantially the share of renewable energy in the global energy mix.
- 7.3. Double the global rate of improvement in energy efficiency.
- 12.2. Achieve the sustainable management and efficient use of natural resources.
- 12.5. Substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Recycling of waste

Improved and increased recycling is a high-priority aspect for Hufvudstaden and our tenants. There are waste disposal rooms in all Hufvudstaden properties with facilities to recycle waste in several categories. This makes it possible for our tenants to work together to improve the efficiency of recycling as well as to coordinate - and thus reduce - waste removals from the properties. There is also a staffed recycling station with containers for more than 20 categories at the Femman property in Gothenburg.

Large quantities of waste are often produced in connection with redevelopment and renovation of premises. Hufvudstaden imposes strict standards on suppliers concerning recycling levels and waste management. We monitor the categorisation of construction and demolition waste regularly over the course of the project. We began an improvement project during the year to compile data on the total quantity of construction waste produced in our projects in order to improve conditions for increasing circular flows of materials.

FUTURE-PROOF

Like our investments, decisions must be made from a long-term perspective. By ensuring that our employees have the knowledge and the conditions required for sustainable development, we are ensuring the future-proofing of our organisation and our properties.

Build correctly from the start

Quality and the long-term approach are success factors in our objective to be perceived as, and prove to be, the most attractive property company in Sweden. Building correct from the start by using high-quality materials is a key factor. As the vision is that whatever we are building should last through several tenants, we are careful to make the right choices from the beginning. Our solutions must be flexible and adaptable - but also stand the test of time. It must be possible to alter and adapt our solutions to new needs with minimal use of resources. Materials are selected based on design, functionality and quality to reduce the risk that materials will need to be replaced when tenants change. We prioritise innovation and energy-efficient technology when we choose products to reduce our energy consumption. Hufvudstaden assesses building products using the Byggarbedömningen, which is the property industry's database for environmental assessments of building materials.

To achieve this, we must do things right from the beginning, which requires a particular approach. Towards that end and to help our employees, we have produced a guide to "future-proofed business".

Environmentally certified properties

Offering attractive, healthier and safer environments is important to Hufvudstaden. The people who work, visit, shop or live in our properties should feel they are safe and secure in a good building. To ensure this, we are working towards goals including environmentally certifying our properties. Hufvudstaden's target is for all of our properties to be environmentally certified by 2025. Environmental certification gives us an independent assessment of the properties from a sustainability perspective and tells us how the building measures up to standards in areas including energy, the indoor environment and building materials. Certification also provides a good indication of the direction of our work and a solid basis for continued improvement. The Kåkenhusen 40 property in Stockholm and the NK building in Gothenburg were certified during the year under BREEAM In-Use. As of the end of the

year, 62 per cent of our holdings were environmentally certified.

Identification of climate risks

Hufvudstaden performs regular risk assessments of the property holdings in relation to climate change. It is important to us to identify the climate risks and opportunities that exist to future-proof our properties, so that we can understand, assess and enable the management of future risks and opportunities. In the area of climate risks, we have mainly assessed the physical risks that can arise when the climate changes. Based on the locations of our properties, we have identified torrential rains and floods as two of the most serious future risks.

We carried out a torrential rain and flooding analysis of all of our properties in 2020. In this process, an independent external firm performed on-site visits to all of our properties to identify those at higher risk of flooding after heavy precipitation or rising water levels. The aim is to reduce the consequences of flooding on the properties and to compile a basis for preparing action plans that include proactive measures.

Examples of observed risks:

Low thresholds, courtyards, low entrances, clogged drains, under-dimensioned municipal sewerage systems.

Examples of actions to reduce climate risks:

Maintenance of drains, improved roof run-off, access to temporary flood barriers.

Examples of opportunities:

Greater knowledge about our buildings provides an opportunity to plan and prevent, properties that are resilient and adapted to future climate changes make Hufvudstaden a more attractive property owner.



*We will **FUTURE-PROOF** our properties and operations for a 100-year perspective.*

CONTRIBUTIONS TO GLOBAL GOALS



- 5.1. End all forms of discrimination against all women and girls everywhere. Turn to page 43 for information about our work with gender equality and equal opportunity.
- 12.2. Achieve sustainable management and efficient use of natural resources.
- 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- 13.3. Improve education, awareness-raising and human and institutional capacity in climate change mitigation, adaptation, impact reduction and early warning.

OUR GUIDE TO FUTURE-PROOF BUSINESS

The right approach is essential to achieve successful transition to sustainable development. Our guide to future-proof business contains a checklist of questions that our employees have with them in every situation they encounter. The questions are meant to inspire ideas and creativity, where the goal is that the sustainability perspective should be a constant theme in all decisions we make. Areas covered by the guide:

- Quality, adaptability and timelessness in all of our solutions.
- Reduced climate footprint and waste.
- Innovative excellence with focus on sustainability.
- Partnerships that promote sustainability.
- Health and safety for employees and tenants.
- Sustainable urban development.

COLLABORATE

Collaboration with partners, customers, suppliers and other stakeholders is a prerequisite for sustainable development. Together, we can further develop everything from green leases to good working conditions and, by extension, a sustainable society.

Greener partnerships with our tenants

Our close relationships with our tenants are one of Hufvudstaden's strengths. Our green leases are an example of how we are working closely with our tenants in the transition to sustainable development. These leases are based on Hufvudstaden and the tenant working together to set up a concrete action plan covering measures designed to contribute to a more sustainable city. As of the end of the year, green leases covered 34 per cent of rentable office space.

Closer monitoring of suppliers

Our suppliers are a key aspect of ensuring that we can run our business sustainably. They must fully understand and comply with our requirements and methods. An improvement process related to Hufvudstadens internal monitoring of suppliers began during the year, covering aspects including working conditions, health and safety and communication of our requirements to subcontractors. In addition to our regular on-site audits and financial analyses, our suppliers will now be required to undergo a sustainability assessment. The assessment will be used as the basis for Hufvudstaden's supplier risk assessment. Hufvudstaden's target from 2021 is that our main suppliers to our property management and building operations will undergo annual sustainability assessment. Read more about our requirements and supplier monitoring on pages 113–114.

Safer environments in our cities

Hufvudstaden is partnering with other property owners and organisations as well as the cities of Stockholm and Gothenburg in several different projects aimed at creating safer experiences in city centres. A change process meant to improve safety in the city centre is ongoing in the inner city district of Gothenburg. The change process is a collaborative project based on the Purple Flag model in which Hufvudstaden is participating for the Fredstan and Nordstan districts

in Gothenburg. Purple Flag certifies cities and city centres based on factors such as safety, accessibility and range of attractions during the evening and night-time. The work is aimed at establishing an even better and safer city centre in the evenings and involves local authorities, property owners, the police and numerous other stakeholders.

Hufvudstaden is participating in a multi-year project to beautify Vasagatan in Stockholm that has been in progress since 2018. The improvements to Vasagatan will include wider pavements, new lighting, improved cycle paths and the planting of trees and flowers.

Rooftop oasis for biodiversity in the city

Hufvudstaden endeavours constantly to create green spaces in the inner city whenever possible. In April 2020, we worked with a company called Bee Urban to establish a roof meadow at Skären 9 in Stockholm. The meadow is an initiative aimed at increasing biodiversity in the city and contributing to a greener inner city. Hufvudstaden's tenant on the top floor of the building will be able to see the meadow from their large conference room.

Partnerships with local aid organisations

2020 was an unusual year to say the least, with a pandemic that impacted us all, especially people who were already vulnerable. Hufvudstaden has been partnering for several years with Stadsmissionen in Stockholm and Gothenburg in the service of a more humane society and to promote empowerment and prevent social exclusion in our cities. Stadsmissionen needs for support increased in 2020 and our partnership was intensified. We have contributed by providing breakfasts and coffee and refreshments for people who were especially disadvantaged during the year. Hufvudstaden also allowed free use of our LED screen at the intersection of Sveavägen/Kungsgatan to Stads-

missionen in Stockholm. Before Christmas 2020, we also decided to donate an extra Christmas gift to help give more children and adults the opportunity to celebrate Christmas in warmth and fellowship during this special time, in addition to our annual donation.

CONTRIBUTIONS TO GLOBAL GOALS



- 3.4. Reduce mortality from non-communicable diseases and promote mental health. Read more about our efforts to promote mental health on page 43.
- 8.8. Protect labour rights and promote safe and secure working environments for all workers.
- 11.6. Reduce the adverse per capita environmental impact of cities.
- 11.7. Provide universal access to safe, inclusive and accessible green and public spaces.



We COLLABORATE to create vibrant and sustainable environments that promote sustainable urban development.



A rooftop meadow is not only beautiful, it helps strengthen biodiversity and create a greener inner city.

FUTURE-PROOFING SKÄREN 9

The comprehensive renovation of the Skären 9 property at Norrmalmstorg was completed during the year. Long-term sustainability was a key perspective in the project, where the goal was to create a flexible property that is attractive now and will remain so in the future. For that reason, we have chosen high-quality materials that will stand the test of time and focused on classic design and flexible floor plans that can be relatively easily adapted to new tenants and their needs.

New and more sustainable energy solutions have significantly improved energy performance and the building's energy use is expected to decrease by around 30 per cent. Concrete actions that contributed to the reduction in energy use included upgraded windows, an entirely new ventilation, heating and cooling system with smarter controls and more efficient lighting. We have also installed solar panels and a solar battery energy-storage system.

INVESTMENTS IN TECHNOLOGY AND DEVELOPMENT FOR SUSTAINABILITY

Solar panels on more roofs

We installed additional solar panels at our properties during the year to increase the production of our own electricity to supply the buildings. Solar panels have been installed on the roofs of the Skären 9 and Kåkenhusen 40 properties in Stockholm, each of which are estimated to produce energy equal to the energy use of three to four single-family homes per year. Solar panels were previously installed on the roof of the NK department store in Stockholm.

Geoenergy

Geoenergy has previously been installed in Kåkenhusen 40 to create a more sustainable

energy solution. During the first year with the new facility, energy use has been halved compared to previous years. The new energy system can, in addition to producing heat, also be used to cool and store energy.

Cycle commuting and electric cars in the city

We have been offering cycle parking and changing rooms at many of our properties for several years, aimed at promoting more sustainable travel. This has been popular among our tenants, especially this year when people have been encouraged to practice social distancing. We have worked together with local firms during the year to offer cycle

service to our tenants for a few days to further extend the season.

We also improved opportunities to park chargeable cars in our garages and parking structures in 2020. Several tenants have had electric car charging points installed at our leased private parking spaces. Our public garage NK Parkering offers a total of 163 charging points, 52 of which were installed in 2020. There are also 46 charging points at our Continentalgaraget parking structure and 142 at the jointly owned parking structure in Nordstan.

Increased value through buy-backs of shares

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million and 6,000 shares with a par value of SEK 100. At year-end 2020, share capital amounted to SEK 1,056.4 million with a quotient value of SEK 5 per share.

Share structure

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

The Articles of Association include a conversion clause, by which owners of series C shares have the right to request conversion of their shares to series A shares. During the year, 3,178 C shares were converted into A shares.

At year-end, the total number of shares outstanding was 202,306,933 of which 194,035,047 were series A shares and 8,271,886 were series C shares. In addition, Hufvudstaden held 8,965,000 series A shares.

Ownership structure

The number of shareholders at the year-end was 45,171. The largest shareholder was L E Lundbergföretagen AB with 46.2 per cent of the total number of

shares outstanding and 88.4 per cent of the votes. State Street Bank and Trust was the second largest shareholder with 5.1 per cent of shares outstanding and 1.0 per cent of the votes.

Institutions and companies with holdings of 100,000 shares or more owned a combined total of 171,612,294 shares as of 31 December 2020, equivalent to 84.8 per cent of total shares outstanding and 96.1 per cent of the votes. Of these, 61 were Swedish institutions and companies, who had a combined holding of 118,778,205 shares equivalent to 58.7 per cent of shares outstanding and 90.9 per cent of the votes. There were 61 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 52,834,089 shares equivalent to 26.1 per cent of shares outstanding and 5.2 per cent of the votes. In addition, ten Swedish private individuals who each owned 100,000 shares or more. The number of shareholders increased during the year by 17,971. The proportion of foreign ownership increased during the year from 28.4 to 28.0 per cent of shares outstanding.

Buy-back of shares

The Annual General Meeting held in 2003 authorised the Board to buy back series A shares to a maximum of 10 per cent of all shares in the Company. The authorisation was renewed at the 2020 Annual Meeting. During 2020, repurchases were made on an ongoing basis to 3,959,000 Class A shares. At the end of the year, Hufvudstaden held 8,965,000

series A shares, equivalent to 4.2 per cent of all issued shares.

Market capitalization and trading

At year-end 2020, Hufvudstaden's total market capitalization was SEK 28,775 million based on the price of series A shares. The yield was 1.8 per cent based on the market price for the series A share as of 31 December 2020. In total, 301 million shares were traded during the year, equivalent to 149 per cent (76) of total shares outstanding. The turnover rate calculated in relation to shares available for trading (free float) was 276 per cent (138). On average, 1,210,000 (630,000) shares in Hufvudstaden were traded on each trading day. Swedish shares are being traded to an increasing extent in marketplaces other than Nasdaq Stockholm. In 2020, 47 per cent (58) of trading in Hufvudstaden's shares took place in marketplaces other than Nasdaq Stockholm, such as Cboe 34 per cent, LSE 4 per cent and Turquoise 2 per cent.

Dividend

Unless a deviation is justified by investments or the Company's financial position in other respects, Hufvudstaden shares will deliver good dividend growth over time and the distribution will amount to more than half of the net profit from current operations. The board is proposing a dividend of 2.50 (3.90) per share 2020. The reduction takes place against the background of completed share buy-backs, future investments and lower results in 2020

OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2020

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of issued shares	Proportion of shares, %
1-999	40,293	89.2	5,759,176	2.7
1,000-9,999	4,268	9.4	9,341,320	4.4
10,000-99,999	478	1.1	12,607,070	6.0
100,000	132	0.3	174,599,367	82.7
Shares outstanding	45,171	100.0	202,306,933	95.8
Hufvudstaden			8,965,000	4.2
All issued shares			211,271,933	100.0

Source: Euroclear Sweden

OWNERSHIP STRUCTURE



■ Lundbergs, 46%
 ■ Swedish shareholders, 26%
 ■ Foreign shareholders, 28%

SHARES AND SHAREHOLDERS

THE LARGEST SHAREHOLDER GROUPS AS OF 31 DECEMBER 2020

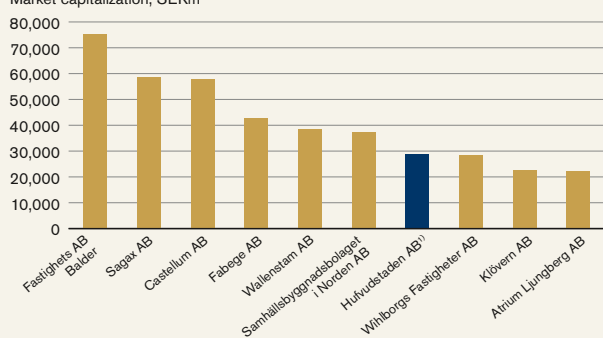
	Number of series A shares	Number of series C shares	Total number of Shares	Shares outstanding, %		Issued shares, %	
				Capital	Votes	Capital	Votes
L E Lundbergföretagen	85,200,000	8,177,680	93,377,680	46.2	88.4	44.2	87.7
State Street Bank and Trust	10,246,327	0	10,246,327	5.1	1.0	4.8	1.0
JP Morgan Funds	9,795,068	0	9,795,068	4.8	1.0	4.6	0.9
BNY Mellon Funds	9,286,828	0	9,286,828	4.6	0.9	4.4	0.9
Citibank	7,729,487	1	7,729,488	3.8	0.8	3.7	0.8
BNP Paribas	3,965,995	0	3,965,995	2.0	0.4	1.9	0.4
RBC Investor Services	2,520,062	0	2,520,062	1.2	0.2	1.2	0.2
Fourth Swedish National Pension Fund	2,460,319	0	2,460,319	1.2	0.2	1.2	0.2
The Northern Trust Company	2,258,782	0	2,258,782	1.1	0.2	1.1	0.2
Other shareholders	60,572,179	94,205	60,666,384	30.0	6.9	28.7	6.8
Shares outstanding	194,035,047	8,271,886	202,306,933	100.0	100.0	95.8	99.1
Hufvudstaden	8,965,000		8,965,000			4.2	0.9
All issued shares	203,000,047	8,271,886	211,271,933			100.0	100.0
Votes (excluding treasury shares)	194,035,047	827,188,600	1,021,223,647				
Votes (including treasury shares)	203,000,047	827,188,600	1,030,188,647				

Source: Euroclear Sweden

LARGEST LISTED PROPERTY COMPANIES

As of 31 December 2020

Market capitalization, SEKm

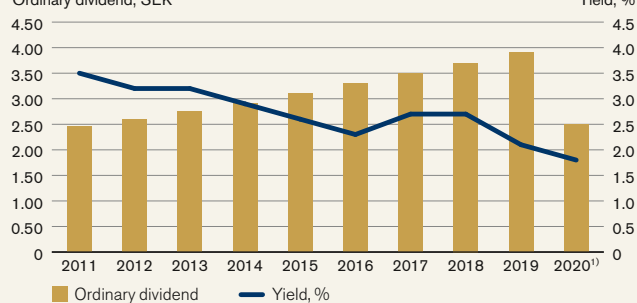


¹⁾ Based on the price per series A share. Source: Nasdaq Stockholm

DIVIDEND AND YIELD

Ordinary dividend, SEK

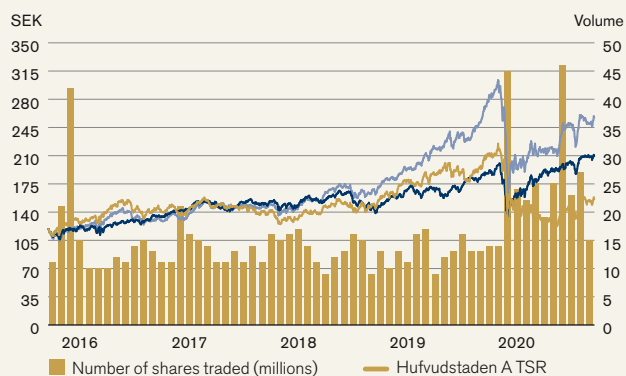
Yield, %



¹⁾ Proposal by the Board

SHARE PRICE PERFORMANCE AND TURNOVER

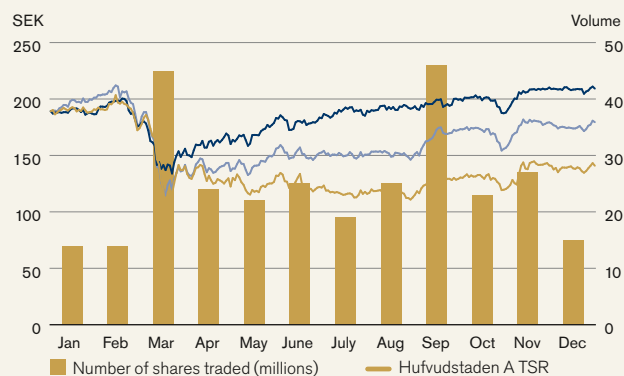
Including dividend in relation to index



Source: Nasdaq Stockholm, Fragulator

SHARE PRICE PERFORMANCE AND TURNOVER 2020

Including dividend in relation to index



Source: Nasdaq Stockholm, Fragulator



We offer successful businesses central locations, sustainable premises and the potential to expand in our properties.

Administration Report

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

Hufvudstaden is listed on Nasdaq Stockholm Large Cap. LE Lundberg-företagen 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 25, 2021.

The Corporate Governance Report is part of the Administration Report and is presented on pages 92–95.

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 year began with stable economic development. The outbreak of Covid-19

that developed into a pandemic caused an economic slowdown due to restrictions and, in several countries, total lockdowns. The impact was severe for certain sectors, primarily entertainment, arts and culture, tourism, segments of the retail and the restaurant industry. Aimed at increasing social distancing, people were encouraged to work from home to reduce the spread of the virus and relieve the burden on the healthcare system. Central city areas in Stockholm and Gothenburg were affected to an even greater extent because the areas are home to fewer residents and the flow of commuters to the city significantly decreased.

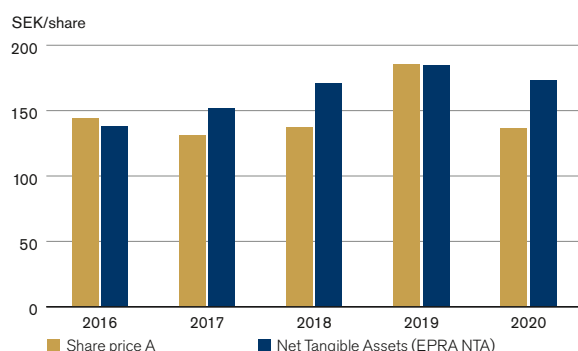
Several stimulus and support packages were launched and key interest rates remained very low all over the world. The office rental market was stable during the year and demand was somewhat tentative. The switch to working from home resulted in faster changes in working methods with increased use of digital communication. The situation also illustrated the importance and value of the physical workplace. The vacancy rate in the Stockholm CBD rose slightly and market rents were mainly stable in the range of SEK 6,300–8,700 per square metre per year, excluding the property tax supplement. The same trend was noted in the Gothenburg CBD, with

market rents between SEK 2,900–3,800 per square metre per year, excluding the property tax supplement.

The Covid-19 pandemic has accelerated the digital transformation in the retail sector. New consumer groups quickly switched to online shopping while other groups have reinforced these trends. The impact of the pandemic has varied among retail segments. The same applies to certain external trading areas and suburban town centres. The loss in sales was greatest for clothing and footwear in city locations. Market rent levels were difficult to assess, but are assumed to have declined, at least temporarily, compared to the beginning of 2020.

Planned and ongoing projects progressed as planned despite the pandemic. Most of the redevelopment project at the NK department store in Stockholm has been completed and NK's padel sports venture NK Padel & Social will open on the roof of NK Parkaden in spring 2021. NK e-commerce was launched and additional departments will be joining in stages. Much of the expansion and redevelopment project at the Skären 9 property in Bibliotekstan was completed and the tenant, Advokatfirman Vinge, has moved back into its attractive new offices. Foundation work was in progress at Vildmannen 7 before rebuilding. The new building is expected to be complete in 2023.

SHARE PRICE AND NET ASSET VALUE, DECEMBER 31



NET ASSET VALUE, DECEMBER 31, 2020

	SEK m	SEK/share
Equity according to the balance sheet	28,616.5	141
<i>Reversal</i>		
Deferred tax ¹⁾	8,615.8	43
Long-term EPRA NRV	37,232.3	184
<i>Deduction</i>		
Intangible assets	-126.7	-1
Estimated fair liability, deferred tax 5%	-2,091.2	-10
EPRA NTA	35,014.4	173
<i>Reversal</i>		
Intangible assets as above	126.7	1
Deferred tax in its entirety	-6,524.6	-33
EPRA NDV	28,616.5	141

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

Design and planning continued for a major redevelopment project at the Inom Vallgraven 12 block in Gothenburg.

Payment capacity was weaker during Q2–Q4 for many of our retail and restaurant tenants. Temporary rent rebates and increased rent and customer losses resulted in lower operating profits. Hufvudstaden's financial position continues to be sound. The net loan-to-value ratio was 19 per cent, the equity ratio was 60 per cent, and the interest coverage multiple was 9.1.

Property holdings

At the end of the year, Hufvudstaden owned 29 properties (29). Rentable floor space was 281,400 square metres in Stockholm and 105,400 square metres in Gothenburg, making a total of 386,800 square metres (384,200).

The total rental vacancy level in the Group as at December 31, 2020 was 8.2 per cent (5.0), and the floor space vacancy level was 9.8 per cent (6.7). Excluding current development projects, the rental vacancy level was 6.7 per cent (1.7). In Stockholm, the rental vacancy level was 6.9 per cent and in Gothenburg 13.0 per cent. Excluding current projects, the figures were 5.8 per cent and 10.2 per cent.

During the year, 38,400 square metres (37,700) were renegotiated at a total value of SEK 242 million per year, and new leases were signed for 26,700 square metres (16,200).

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, 2020. To assure the valuation, external valuations were commissioned from three independent valuation companies. The external valuations made at the turn of the year were equivalent to 56 per cent of the fair value. The corresponding proportions were 44 per cent at mid-year and 18 per cent during the first quarter of the year.

The fair value of the property holdings as at December 31, 2020 was set at SEK 45.6 billion (47.7). The unrealized change in value was SEK -2,929.9 million (2,726.9). The decrease is attributable mainly to properties with a significant proportion of retail and restaurant premises.

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.

The table below shows the key factors that influence the valuation and the consequent impact on profit or loss before tax. A presentation of the valuation methods 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 NRV) was SEK 37.2 billion or SEK 184 per share. Net tangible assets value (EPRA NTA) was SEK 35.0 billion or SEK 173 per share following a deduction for assessed deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The assessed deferred tax has been set at 5 per cent.

Financing

Hufvudstaden's financing potential has been guaranteed through, among other things, loan assurances. The framework is SEK 4,500 million, of which SEK 3,500 million was unutilized. SEK 1,450 million of this sum is reserved to cover outstanding commercial paper. The Company has satisfactory margins regarding the lenders' covenants relating to the loan agreements. The interest risk has been handled by borrowings of SEK 5,200 million carrying a long-term fixed rate of interest. The fixed interest period was 1.8 years and the average annual equivalent rate was 1.3 per cent. The Company has financing options through an MTN programme with a limit of SEK 8,000 million, and a commercial paper programme for short-term borrowing totalling SEK 3,000 million.

Guidelines for remuneration to senior executives

Guidelines for remuneration to senior executives were adopted by the 2020 Annual Meeting to take effect at the close of the meeting. The complete guidelines are presented in Note 8.

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 in the table below.

The reported impact on profit in conjunction with changes in the rent level, vacancy level, operating and maintenance costs, property tax, and interest rates,

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change +/-	Effects on pre-tax profit, SEKm
Rental revenue	SEK 100 per sq m	+/- 1,060
Property costs	SEK 50 per sq m	-/+ 530
Vacancy rate	1.0 percentage point	-/+ 590
Yield requirement	0,25 percentage point	-/+ 3,100

¹⁾ Valuation date 31 December, 2020.

refers to the effects that would have occurred, calculated using current information at the end of the financial year.

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

CSR Report

Corporate social responsibility, both internally and externally, is key element in the Company's operations. 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 their day-to-day work. The Company's CSR Report is included in the Annual Report on pages 10–13, 40–49, 57, 110 and 112.

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.

Hufvudstaden applied for delisting of the company's Class C shares in early 2020 at the request of Nasdaq Stockholm. The stock exchange subsequently decided to delist Hufvudstaden's Class C shares from Nasdaq Stockholm at the end of January 2020.

The future

Heading into 2021, we will maintain focus on bridging the effects of the ongoing pandemic.

The change in the retail sector has been accelerated and growth is occurring mainly in e-commerce. The development of our physical and digital marketplaces will continue, particularly within NK. In early 2021, Hufvudstaden acquired the NK business within Departments & Stores Europe AB. The acquisition creates opportunities to accelerate the pace of development within both NK department stores and NK e-commerce.

Interest in high flexibility and a high level of service is growing in the office market. To meet this demand, we opened Cecil Coworking in Bibliotekstan in early 2021. The number of turnkey REDO offices in both Stockholm and Gothenburg is successively increasing.

The pandemic has in all likelihood accelerated social changes, but we believe that people will still want to meet and interact in their personal and professional lives in the future. Face-to-face encounters create opportunities to exchange ideas, innovate and do busi-

ness, as well as arts and culture and experiences. Offices, stores and restaurants are a prerequisite for all of this.

Hufvudstaden's property holdings are located in the most central areas of the two largest cities in Sweden. Regardless of the pandemic, the regions are considered attractive, with dynamic business communities, major infrastructure projects and population growth, as well as popular tourist destinations. Our financial position remains strong and conditions are favourable for the continued development of our properties and marketplaces. We have prioritized projects aimed at increasing profitability and property value. The focus on sustainability, with quality and a long-term approach to property management will be retained. We are convinced that our business model will create the conditions for good financial performance upon a return to more normal conditions.

Dividend and allocation of unappropriated earnings

The Board of Directors is proposing a dividend of SEK 2.50 per share, for a total dividend of SEK 505.8 million. The proposed dividend was reduced compared to the preceding year in the light of the executed share buyback, forthcoming investments and lower operating results in 2020. The Board of Directors' proposed allocation of unappropriated earnings is presented in full in Note 25 and on page 87.

The Board of Directors' reasoned statement concerning the dividend proposal is available on the Company's website and will be appended to the Annual Meeting documentation. The statement is also available from the Company upon request.

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change+/-	Impact on profit, excluding changes in value before tax, SEK million	
Rent level	SEK 100 per sq m	+/-	39
Vacancy rate ¹⁾	1 percentage point	-/+	22
Maintenance, operating costs and depreciation	10 per cent	-/+	15
Property tax ²⁾	1 percentage point	-/+	29
Interest level	1 percentage point	-23	+16

¹⁾ Estimated vacant floor space at SEK 5,600 per sq m

²⁾ A large share of the cost is billed onwards to tenants within the framework of signed leases, which is taken into account in the calculation.

Risks and risk management

Our value-controlled corporate culture involves identifying operating risks and opportunities and continuously assessing the Company's financial risks. Hufvudstaden's potential to influence the financial outcome of current operations in the short term is limited. Revenue flows are governed by relatively long leases, normally 3–5 years, and operating costs are difficult to change in the short term without impacting on service and quality. Successful management of risks and opportunities within a property company requires the adoption of a long-term approach and clear strategies.

Area	Risk	Opportunity	Approach
Marketing and business risks			
Change in the value of properties	Increased direct yield requirements, lower market rents, increased vacant space, and higher property costs lead to reduced property values.	Lower property values on the market lead to increased acquisition potential.	Hufvudstaden has focused on acquiring and developing properties in prime commercial locations in the largest cities in Sweden – Stockholm and Gothenburg – which is considered to limit the risk over time.
Political decisions	A decision to increase property tax constitutes a risk. Other political decisions that have repercussions include increases in energy tax and corporation tax.	Reducing property tax and corporation tax, or more beneficial conditions for meeting Hufvudstaden's energy requirements.	The cost of property tax is mainly passed on to Hufvudstaden's tenants. Energy costs are also passed on. Hufvudstaden has adopted a focused, long-term approach to reducing energy consumption.
A change in the economy could affect consumer purchasing power	Hufvudstaden's commercial properties house mainly offices and retail. Stores are subject to fluctuations in consumer purchasing power, with a resulting impact on Hufvudstaden's earnings.	Increased purchasing power among consumers is resulting in a higher turnover for stores, which is making rent increases possible.	Hufvudstaden is striving to secure longer leases for retail operators with a high guaranteed minimum rent, thus limiting the risk of loss of rental revenue, supplemented by the revenue-generating potential of applying a turnover-based rent supplement.
E-commerce	E-commerce is leading to changes in consumer behaviour, which could affect demand for retail premises and payment capability.	Operators have identified e-commerce as an effective means of supplementing physical store sales, particularly in strong marketplaces.	Continuous development aimed at offering consumers attractive meeting points and marketplaces with unique purchasing experiences. Reinforce the Company's presence in the digital sphere.
Health and society	A rapidly changing society in a connected world where events can have local, national and global effects, such as diseases, political unrest, IT, the economy and energy.	A solid financial foundation makes it possible to adapt the Company's operations to changes, whether for the short or long term.	Allocating resources for horizon scanning (business intelligence), maintaining a good company culture, geographical concentration and a long-term approach creates the prerequisites for rapidly managing and changing course to respond to events that occur.
Operating risks			
Development of properties	Incorrect assessments in the calculation process. Greater complexity leads to higher costs. Time schedules put under pressure.	Higher yield on the property holdings.	Hufvudstaden is running expansion and redevelopment projects under its own auspices. It employs its own project managers who procure and control implementation together with its partners.
Rent trend	Reduced rent revenue as a result of falling market rents leads to lower earnings and reduced cash flow, which has a negative impact on property values.	Positive growth in rent revenue as a result of rising market rents leads to higher earnings and improved cash flow, which has a positive impact on property values.	Hufvudstaden's concentration on properties in prime commercial locations limits the rental risk. The rent for premises with lease terms of three years or longer is linked to the consumer price index and many agreements also have a minimum indexation level. Changes in rent take place when a lease is renegotiated or when a new lease is signed.
Rent losses on vacant premises	An increase in vacant space due to a fall in demand results in a fall in earnings and reduced cash flow and has a negative impact on property values.	A decrease in vacant space due to a rise in demand results in higher earnings and improved cash flow and has a positive impact on property values.	There should always be a certain level of vacant office space to offer customers the potential to expand, to facilitate redevelopment, and to test the market's willingness to accept higher rent levels. Hufvudstaden works in close ongoing dialogue with tenants to meet their demands.
Property costs	Property costs are affected significantly by changes in energy costs and other current operating costs.	Improvements in efficiency and procurement result in unchanged or lower property costs.	Hufvudstaden is working actively to optimize its property operations. Procurement of electricity takes place with the aid of forward agreements to reduce sensitivity to fluctuations in energy prices. The property holdings are well maintained, which reduces the risk of unforeseen cost increases.
Human resources	Not being perceived as and acting as an attractive, modern employer, thus reducing the ability to retain and recruit the desired level of expertise.	Capitalize on the pride and commitment of employees to the benefit of both the properties and Hufvudstaden as a company.	Hufvudstaden is a value-governed company that, among other things, works with competence development and equality. We offer centrally located offices and a work environment in which people are satisfied and where focus is on well-being and health.
Tax	There is a risk that incorrect handling of VAT and income tax will have consequences.	Correct and responsible management will have positive effect on the brand.	Procedures, processes and in-house personnel with operational experience minimise the risk of errors.

RISKS AND RISK MANAGEMENT

Area	Risk	Opportunity	Approach
Financial risks and regulatory compliance			
Financing	The financing risk is reflected in the form of difficulty obtaining funding for operations at a given point in time.		Hufvudstaden has a low loan-to-value ratio and is in a strong position financially. In combination with a stable ownership structure, this reduces the refinancing risk. The aim is to secure financing from at least three of the major banks and with a loan portfolio with long terms and a spread of renewal dates.
Interest risk	Interest risk refers to the negative effect on earnings that a permanent change in the interest rate would have on the Group's net financial income and expense.	A permanent reduction in the interest rate would have a positive effect on the Group's net financial income and expense.	One of the overall aims is to ensure the renewal structure in the leases is taken into account when determining the interest period, and that a balance is struck between the assessed current cost of borrowing and the risk of a sudden major change in the interest rate having a significant negative effect on earnings. The Group's fixed interest term for net debt should normally be 1–4 years.
Credit risk	The credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral provided does not cover the Group's claims.		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. A bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rents are invoiced in advance.
Financial statements	Hufvudstaden's financial statements form the basis for a whole series of decisions, both in-house and externally, and their reliability and accuracy are vital.		Structured processes and good internal control ensure the reliability and accuracy of the financial statements.
Sustainability risks			
Construction and management of properties	The risk of workplace accidents among our own employees and among external contractors working on our properties.	A workplace without personal injuries is mandatory to create positive brand value.	Hufvudstaden works systematically and in line with our work environment plan and it carries out ongoing audits of the work environment and natural environment. Our project managers procure and supervise implementation together with our partners. We have processes in place for allocation of duties and responsibility throughout the whole project.
Corruption	Risk of corruption in the purchasing process and the supply chain.	To be and be perceived to be a responsible, attractive partner. Positive impact on the brand.	Hufvudstaden works according to a Code of Conduct. Our expectations are clear, and we impose strict demands on contractors. Procurement takes place according to clearly defined processes. Inconsistencies and irregularities can be reported anonymously and securely through our whistleblower system. Any anomalies that affect Hufvudstaden are brought to its attention and investigated as soon as possible.
Negative environmental impact	The construction and property industry is responsible for a large proportion of energy use and emissions in society and it generates a great deal of waste.	Properties do not produce a negative climate footprint and offer optimal environmental performance.	Hufvudstaden has strategies and goals in place to reduce its environmental impact. Our environmental programme sets out our goals and demands, ensuring environmental impact is minimized. Contractors and suppliers that work for Hufvudstaden also work in accordance with the environmental programme. The aim is to environmentally certify our properties.
Climate change	The risk of a change in precipitation and temperature patterns resulting in deluges and drought.	Long-term property ownership and knowledge of our buildings offer the opportunity to plan and prevent.	Hufvudstaden makes climate change risk assessments of its property holdings. Climate change events include extreme precipitation and changes in water level. Assessments are made to understand, assess, and facilitate the management of future risks. Read more about our work to assess and analyze sustainability risks and related opportunities on page 47.

Income Statements – Group

SEK m	Note	2020	2019
Net revenue	3–5		
Property management		1,767.9	1,896.4
Other operations		71.7	84.8
		1,839.6	1,981.2
Property management expenses			
– Maintenance		-27.0	-28.9
– Operation and administration		-298.1	-287.0
– Property tax		-200.3	-200.7
– Depreciation	6	-5.1	-6.8
Property management expenses		-530.5	-523.4
Other operations, expenses		-69.2	-52.5
Operating expenses	6–10	-599.7	-575.9
Gross profit		1,239.9	1,405.3
– of which Property management		1,237.4	1,373.0
– of which Other operations		2.5	32.3
Central administration	6–10	-47.4	-49.2
Operating profit before items affecting comparability and changes in value		1,192.5	1,356.1
Items affecting comparability	11	35.9	–
Changes in value, investment properties		-2,929.9	2,726.9
Changes in value, interest rate derivatives		–	3.7
Operating profit or loss		-1,701.5	4,086.7
Financial income and expense			
Financial income	12	0.0	0.4
Financial expense	13	-131.7	-119.1
		-131.7	-118.7
Profit or loss before tax		-1,833.2	3,968.0
Tax	15	371.5	-821.6
PROFIT OR LOSS FOR THE YEAR		-1,461.7	3,146.4
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME OR LOSS FOR THE YEAR		-1,461.7	3,146.4
Net earnings per share for the year, before and after dilution, SEK	25	-7.13	15.25
Dividend per share, SEK (proposed)		2.50	3.90

COMMENTS

Property management

Net revenue from property management during the period amounted to SEK 1,767.9 million (1,896.4), corresponding to a 7 per cent decrease. The decrease is attributable mainly to temporary rent reductions and higher rental and bad debt losses for retail stores and restaurants due to Covid-19. This is offset to a certain extent by higher gross rents in conjunction with renegotiated and new leases, and indexation. Temporary rent reductions related to Covid-19 amounted to around SEK 163 million in 2020. Adjusted for government compensation of around SEK 40 million under the commercial rent support scheme in Q2, the net cost was around SEK 123 million.

Hufvudstaden renegotiated leases during the year corresponding to around SEK 242 million in annual rental revenue. The outcome of renegotiations was negative for retail premises and positive for offices. On average, the renegotiations resulted in a rent increase of approximately 5 per cent.

The rental vacancy level was 8.2 per cent (5.0). Excluding current development projects, the rental vacancy level was 6.7 per cent (1.7).

The turnover-based rent supplement was SEK 4.6 million (11.1), of which the NK department stores accounted for SEK 3.3 million (8.9). Turnover in the NK department stores totalled SEK 1,908 million (2,605). Apart from the turnover-based supplement, there are no other material seasonal variations in rents.

Maintenance costs amounted to SEK -27.0 million (-28.9). Operating costs were SEK -196.8 million (-192.8). Administrative costs amounted to SEK -101.3 million (-94.2). Property tax totalled SEK -200.3 million (-200.7) and has mainly been passed on to tenants. Depreciation, referring primarily to depreciation of right-of-use assets, amounted to SEK -5.1 million (-6.8). The total costs for property management amounted to SEK -530.5 million (-523.4).

Gross profit for the year amounted to SEK 1,237.4 million (1,373.0).

Other operations

Other operations comprise the parking business in Parkaden AB, NK e-commerce and Cecil Coworking.

Net revenues for Parkaden AB were SEK 71.4 million (84.8). The decrease can be attributed mainly to reduced revenue from short-term parking. Costs totalled SEK -52.2 million (-52.5) and gross profit amounted to SEK 19.2 million (32.3). NK e-commerce and Cecil Coworking are operations in the start-up phase. The gross profit or loss was SEK -12.8 million for NK e-commerce and SEK -3.9 million for Cecil Coworking.

Changes in value

Unrealised changes in the value of investment properties amounted to SEK -2,929.9 (2,726.9). The unrealised decrease in value is due to the effects of lower market rents, primarily for sto-

res, and to slightly rising yield requirements, primarily for properties with a significant share of stores and restaurants. The average yield requirement has increased by 6 points and was, as of the valuation above, 3.7 per cent (3.6).

Financial items

Financial income amounted to SEK 0.0 million (0.4). Financial expenses amounted to SEK -131.7 million (-119.1). Of which SEK -109.3 million (-96.7) refers to the cost of borrowing and SEK -22.4 million (-22.4) refers to interest expenses related to leases in accordance with IFRS 16. The increase in financial expenses related to borrowing can be attributed to a higher average rate of interest on loans and increased borrowing.

Tax

The Group's tax for the year was SEK 371.5 million (-821.6), of which SEK -99.3 million (-142.3) in current tax and SEK 470.8 million (-679.3) in deferred tax.

Profit or loss for the year

The consolidated net loss for the year was SEK -1,461.7 million (3,146.4). The decrease can be attributed mainly to negative unrealised changes in the value of the property holdings regarding properties with a significant proportion of stores and restaurants.

Balance Sheets – Group

SEK m	Note	December 31, 2020	December 31, 2019
ASSETS			
Fixed assets			
Intangible fixed assets	16	126.7	70.5
Investment properties	17	45,636.5	47,680.6
Tangible fixed assets	18	9.2	10.0
Right-of-use assets	20	716.6	760.0
Non-current receivables	21	21.0	20.6
Total fixed assets		46,510.0	48,541.7
Current assets			
Accounts receivable	22	36.6	12.2
Income tax receivables		0.3	–
Other receivables		15.5	2.8
Prepaid expense and accrued income	23	51.1	78.8
Cash and bank holdings	24	783.6	1,706.1
Total current assets		887.1	1,799.9
TOTAL ASSETS		47,397.1	50,341.6
EQUITY AND LIABILITIES			
Equity			
	25		
Share capital		1,056.4	1,056.4
Other contributed capital		628.1	628.1
Profit brought forward, including profit or loss for the year		26,932.0	29,698.2
Total equity		28,616.5	31,382.7
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	26	6,200.0	6,700.0
Deferred tax liabilities	27	8,501.5	8,972.3
Non-current lease liabilities	26	709.6	719.0
Other non-current liabilities		84.3	61.0
Other provisions	28	26.2	25.7
Total non-current liabilities		15,521.6	16,478.0
<i>Current liabilities</i>			
Current interest-bearing liabilities	26	2,450.0	1,650.0
Current lease liabilities	26	10.2	41.4
Accounts payable		165.0	126.0
Income tax liabilities		–	14.0
Other liabilities	29	92.4	105.5
Accrued expenses and prepaid income	31	541.4	544.0
Total current liabilities		3,259.0	2,480.9
Total liabilities		18,780.6	18,958.9
TOTAL EQUITY AND LIABILITIES		47,397.1	50,341.6

COMMENTS

Investment properties

The carrying amounts of investment properties in the Group amounted to SEK 45,636.5 million (47,680.6). The decrease in the fair value of the properties is attributable to unrealised changes in value of SEK -2,929.9 million (2,726.9). Investments in properties during 2020 amounted to SEK 885.9 million (865.2). Investment properties in the Group are recognised at fair value according to IAS 40, which means there is no depreciation. The valuation method is described in Note 17. The properties' fiscal residual value was SEK 3.2 billion (3.3).

Right-of-use assets

Right-of-use assets amounted to SEK 716.6 million (760.0) and comprise mainly site leaseholds recognised at fair value with the corresponding lease liability. Site leaseholds are considered as perpetual leases and there is no depreciation.

Cash and cash equivalents

Cash and bank holdings amounted to SEK 783.6 million (1,706.1). Rents are paid mainly at the turn of the quarter, whereupon temporary surpluses may arise. The surplus liquidity is normally used for amortization of loans or is placed in short-term instruments with high liquidity and low risk. There are no restrictions regarding the right to use cash and cash equivalents.

Lease liabilities

Lease liabilities totalled SEK 719.8 million (760.4) and consisted primarily of site leaseholds recognised at fair value.

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 1,000.0 million (1,000.0). At the year-end, Hufvudstaden's commercial paper amounted to SEK 1,450.0 million

(1,150.0) and bond loans to SEK 6,200.0 million (6,200.0). Total borrowings amounted to SEK 8,650.0 million (8,350.0). The average fixed interest period was 1.8 years (2.6), the capital tie-up period was 2.6 years (3.3) and the average annual equivalent interest rate at year-end was 1.3 per cent (1.2). Lease liabilities are regarded as interest-bearing liabilities but are reported separately on the balance sheet. Interest-bearing net debt amounted to SEK 7,866.4 million (6,643.9) and net debt, which includes the lease liability, amounted to SEK 8,586.2 million (7,404.3).

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 8,501.5 million (8,972.3). The decrease is mainly attributable to negative unrealised changes in the value of the property holdings in 2020.

Changes in Equity – Group

SEK m	Share capital	Other contributed capital	Retained earnings, including profit or loss for the year	Total
Opening equity January 1, 2019	1,056.4	628.1	27,315.0	28,999.5
Profit for the year			3,146.4	3,146.4
Other comprehensive income for the year			–	–
Comprehensive income or loss for the year			3,146.4	3,146.4
Dividend			-763.2	-763.2
Closing equity December 31, 2019	1,056.4	628.1	29,698.2	31,382.7
Opening equity January 1, 2020	1,056.4	628.1	29,698.2	31,382.7
Profit for the year			-1,461.7	-1,461.7
Other comprehensive income or loss for the year			–	–
Comprehensive income or loss for the year			-1,461.7	-1,461.7
Share buyback			-500.0	-500.0
Dividend			-804.4	-804.4
Closing equity December 31, 2020	1,056.4	628.1	26,932.0	28,616.5

The annual meeting held March 19, 2020 granted renewed authorisation to the board of directors to acquire series A shares up to 10 per cent of all issued shares. The purpose is to enable the board of directors to adjust the capital structure in order to create increased value for the company's shareholders and/or to make it possible to use treasury shares as liquidity in conjunction with or to finance acquisitions of businesses or properties.

The board of directors decided on September 10, 2020 to utilise the authorisation. Hufvudstaden repurchased 3,959,000 series A shares in September 2020 for SEK 500,0 million, corresponding to an average price of SEK 126.29 per share. Thereafter, Hufvudstaden's total holdings of treasury shares amount to 8,965,000 series A shares, corresponding to 4.2 per cent of all issued shares.

A dividend of SEK 3.90 per share was paid to the Company's shareholders for 2020, totalling SEK 804,437,139.

The proposed dividend according to the proposed allocation of unappropriated earnings amounts to SEK 505.8 million.



We devote tremendous care to the whole and to the details when designing our office premises to meet the high expectations of our tenants.



Cash Flow Statements – Group

SEK m	Note	2020	2019
Current operations			
Profit or loss before tax		-1,833.2	3,968.0
Depreciation and impairment of assets		78.6	52.8
Unrealized change in value, investment properties		2,929.9	-2,726.9
Unrealized change in value, interest derivatives		-	-3.7
Other changes		0.5	6.0
Income tax paid		-99.3	-138.0
Cash flow from current operations before changes in working capital		1,076.5	1,158.2
Cash flow from changes in working capital:			
Decrease (+) / Increase (-) in operating receivables		-36.8	72.1
Increase (+) / Decrease (-) in operating liabilities		32.5	136.8
Cash flow from current operations		1,072.2	1,367.1
Investment activities			
Investment in intangible fixed assets		-59.9	-58.6
Investment in properties		-885.9	-865.2
Investment in equipment		-3.1	-4.4
Cash flow from investment activities		-948.9	-928.2
Financing activities			
Share buyback	25	-500.0	-
Borrowings	26	3,450.0	5,350.0
Amortization of loan debt	26	-3,150.0	-4,350.0
Amortization of lease debt	26	-41.4	-40.3
Dividend paid	25	-804.4	-763.2
Cash flow from financing activities		-1,045.8	196.5
Cash flow for the year		-922.5	635.4
Cash and cash equivalents at the beginning of the year		1,706.1	1,070.7
Cash and cash equivalents at the year-end	24	783.6	1,706.1
Supplementary disclosures, cash flow statements			
Interest received		0.7	0.8
Interest paid		-125.2	-116.8

COMMENTS

Cash flow from current operations

Cash flow from current operations before changes in working capital decreased by SEK 81.7 million to SEK 1,076.5 million (1,158.2). Changes in working capital reduced cash flow by SEK -4.3 million (208.9). Cash flow from current operations thus totalled SEK 1,072.2 million (1,367.1).

Cash flow from investments

Cash flow from investments amounted to SEK -948.9 million (-928.2) and refers to investments in existing property holdings, intangible fixed assets and equipment.

Cash flow from financing

Cash flow from financing amounted to SEK -1,045.8 million (196.5).

Net borrowing increased by SEK 300.0 million compared to SEK 1,000.0 million the previous year. Treasury shares were repurchased during the year for a total of SEK 500.0 million, corresponding to 3,959,000 series A shares.

Cash flow for the year amounted to SEK -922.5 million (635.4).

Cash and cash equivalents

The Group's cash and cash equivalents totalled SEK 783.6 million (1,706.1) and comprised cash and bank holdings. As at December 31,

2020, Hufvudstaden had loan assurances of SEK 4,500.0 million. At year-end, SEK 3,500.0 million was unutilised, of which SEK 1,450.0 million was reserved to cover outstanding commercial paper. The commercial paper programme totalled SEK 3,000.0 million, of which SEK 1,450.0 million was outstanding at year-end. The unutilised amount was SEK 1,550.0 million. The company's MTN programme has a limit of SEK 8,000.0 million, of which SEK 6,200.0 million has been issued. The unutilised amount was SEK 1,800.0 million.

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

Parent Company

INCOME STATEMENTS

SEK m	Note	2020	2019
Net revenue	5	1,267.9	1,282.7
Operating expenses	6–10	-857.7	-802.7
Gross profit		410.2	480.0
Central administration	6–10	-47.4	-49.2
Items affecting comparability	11	35.9	–
Changes in value derivatives		–	3.7
Operating profit		398.7	434.5
Result from financial items			
Impairment of shares in Group companies		-10.8	–
Financial income	12	2,453.7	163.3
Financial expense	13	-109.2	-96.7
		2,333.7	66.6
Profit after financial items		2,732.4	501.1
Appropriations	14	69.3	174.5
Profit before tax		2,801.7	675.6
Tax	15	-102.2	-145.0
PROFIT FOR THE YEAR		2,699.5	530.6

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2020	2019
Profit for the year		2,699.5	530.6
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		2,699.5	530.6

BALANCE SHEETS

SEK m	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Fixed assets			
Intangible fixed assets	16	20.7	2.6
<i>Tangible fixed assets</i>			
Investment properties	17	8,263.8	8,066.7
Equipment	18	4.8	4.7
Total tangible fixed assets		8,268.6	8,071.4
<i>Financial fixed assets</i>			
Participations in Group companies	19	2,649.7	2,886.9
Non-current receivables	21	20.9	20.5
Total financial fixed assets		2,670.6	2,907.4
Total fixed assets		10,959.9	10,981.4

SEK m	Note	Dec 31, 2020	Dec 31, 2019
Current assets			
<i>Current receivables</i>			
Accounts receivable	22	9.2	1.3
Receivables from Group companies		3,233.4	615.3
Income tax receivables		16.6	–
Other receivables		3.7	1.9
Prepaid expenses and accrued income	23	24.8	53.6
Total current receivables		3,287.7	672.1
Cash and bank holdings	24	749.6	1,681.2
Total current assets		4,037.3	2,353.3
TOTAL ASSETS		14,997.2	13,334.7

EQUITY AND LIABILITIES

Equity	25		
<i>Restricted equity</i>			
Share capital		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
Total restricted equity		1,978.7	1,978.7
<i>Non-restricted equity</i>			
Retained earnings		55.5	829.3
Profit for the year		2,699.5	530.6
Total non-restricted equity		2,755.0	1,359.9
Total equity		4,733.7	3,338.6
Untaxed reserves	30	38.7	161.6
<i>Provisions</i>			
Pension provisions	28	26.0	25.6
Provisions for taxes	27	874.2	871.1
Total provisions		900.2	896.7
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	26	6,200.0	6,700.0
Liabilities to Group companies		0.7	0.7
Other liabilities		76.5	53.7
Total non-current liabilities		6,277.2	6,754.4
<i>Current liabilities</i>			
Current interest-bearing liabilities	26	2,450.0	1,650.0
Accounts payable		109.0	74.6
Liabilities to Group companies		15.5	6.8
Income tax liability		–	4.4
Other liabilities	29	17.2	32.7
Accrued expenses and prepaid income	31	455.7	414.9
Total current liabilities		3,047.4	2,183.4
TOTAL EQUITY AND LIABILITIES		14,997.2	13,334.7

FINANCIAL STATEMENTS – PARENT COMPANY

CHANGES IN EQUITY

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings including profit for the year	Total
Opening equity January 1, 2019	1,056.4	124.2	798.1	1,592.5	3,571.2
Profit for the year				530.6	530.6
Other comprehensive income for the year				–	–
Comprehensive income for the year				530.6	530.6
Dividend				-763.2	-763.2
Closing equity December 31, 2019	1,056.4	124.2	798.1	1,359.9	3,338.6
Opening equity January 1, 2020	1,056.4	124.2	798.1	1,359.9	3,338.6
Profit for the year				2,699.5	2,699.5
Other comprehensive income for the year				–	–
Comprehensive income for the year				2,699.5	2,699.5
Dividend				-804.4	-804.4
Share buyback				-500.0	-500.0
Closing equity December 31, 2020	1,056.4	124.2	798.1	2,755.0	4,733.7

CASH FLOW STATEMENTS

SEK m	Note	2020	2019
Current operations			
Profit after financial items		2,732.4	501.1
Anticipated dividend from subsidiaries		-2,350.0	–
Depreciation and impairment of assets		182.7	188.0
Unrealized changes in value, interest derivatives		–	-3.7
Group contributions		-103.7	-162.9
Other changes		0.5	6.1
Income tax paid		-99.1	-144.3
Cash flow from current operations before changes in working capital		362.8	384.3
Cash flow from changes in working capital			
Decrease (+) / Increase (–) in operating receivables		-168.8	134.5
Increase (+) / Decrease (–) in operating liabilities		31.3	138.7
Cash flow from current operations		225.3	657.5
Investment activities			
Investment in Group companies		-0.1	–
Paid shareholders' contribution		-5.0	–
Disposal of shares in Group companies		231.5	–
Investment in intangible fixed assets		-18.2	-2.1
Investment in properties		-358.2	-269.1
Investment in equipment		-2.5	-1.9
Cash flow from investment activities		-152.5	-273.1
Financing activities			
Share buyback	25	-500.0	–
Loans raised	26	3,450.0	5,350.0
Amortization of loans	26	-3,150.0	-4,350.0
Dividend paid	25	-804.4	-763.2
Cash flow from financing activities		-1,004.4	236.8
Cash flow for the year		-931.6	621.2
Cash and cash equivalents at the beginning of the year		1,681.2	1,060.0
Cash and cash equivalents at the year-end	24	749.6	1,681.2

SUPPLEMENTARY DISCLOSURES, CASH FLOW STATEMENTS

SEK m	2020	2019
Interest received	0.2	0.7
Interest paid	-102.7	-94.3

Comments

Net revenue amounted to SEK 1,267.9 million (1,282.7). The decrease can be attributed mainly to temporary rent rebates and increased rent and bad debt losses, primarily for stores and restaurants, due to Covid-19. This is offset almost entirely by higher gross rents in conjunction with renegotiated and new leases, and indexation. Rental revenue totalled SEK 1,224.1 million (1,239.0) and service revenue amounted to SEK 43.8 million (43.7).

Maintenance costs totalled SEK -365.5 million (-283.7). The increase is attributable mainly to major current development projects. Operating costs totalled SEK -857.7 million (-802.7). Gross profit was SEK 410.2 million (480.0).

Net financial income was SEK 2,333.7 million (66.6). Financial items include group contributions received from subsidiaries of SEK 103.7 million (162.9) and anticipated dividends from subsidiaries of SEK 2,350.0 million (0.0).

Investments in existing property holdings, intangible assets, equipment and shares in subsidiaries totalled SEK 384.0 million (273.1). The company formed a new subsidiary during the period, Cecil Coworking AB, and executed an intragroup sale of the subsidiary AB Hamngatgaraget in the amount of SEK 231.5 million.

Cash and cash equivalents at the end of the period amounted to SEK 749.6 million (1,681.2).

Notes

NOTE 1. ACCOUNTING PRINCIPLES

General information

Hufvudstaden AB (publ), company registration number 556012-8240, 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. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Consolidated Financial Statements for Hufvudstaden AB (publ) for 2020 have been approved for publication according to a decision reached by the Board on February 18, 2021. It is proposed that the Annual Report and Consolidated Financial Statements be adopted at the Annual Meeting on March 25, 2021.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as well as those adopted by the European Union (EU). In addition, the Swedish Financial 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 heading '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.

Judgements and estimates

Preparing the financial reports in compliance with IFRS requires group management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenues and costs recognised in the accounts. Estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period when the change is made if the change affects only that period,

or in the period the change is made and future periods if the change affects both the current period and future periods. Judgements made by group management in applying IFRS that have material effect on the financial reports as well as estimates that could result in material adjustments to the financial statements in subsequent years are described in greater detail below.

Investment properties

The value of a property can only be determined with certainty when payment has been received following its sale. In the final accounts, an estimate is made of the market value, which in accounting terms is known as the fair value. The fair value is determined based on a valuation according to a variation on the location price method, known as the net 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 rent revenue, long-term rental vacancy level, and normalized operating and maintenance costs. In the case of other project properties and undeveloped land, the value is determined based on weighing up the location price method and a development calculation where the net capitalization method is used for a completed property with a deduction for construction costs, a profit for the developer that is line with the market, as well as financial costs and rental vacancy costs during the construction period. Hufvudstaden's internal property valuation is checked with independent external valuation companies, where an uncertainty range of +/-5 per cent of the assessed fair value is given.

If 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.

New accounting principles

The group has applied IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in 2020. This refers mainly to government assistance received in the form of compensation for rent reductions ("commercial rent support"). The assistance was paid by the Swedish state in the form of government grants and has thus been assessed as meeting the criteria set forth in IAS 20. Government grants are recognised when there is reasonable assurance that the company will comply with any conditions attached to the grant and that the grant will be received. Government assistance related to rent reductions is recognised in the income statement under Net revenue from property management in the same period as the reduced rental revenue. Rent reductions associated to Covid-19 are recognised in the rental period to which the reduction applies. Apart from that specified above, accounting policies and calculation methods are unchanged compared to the 2019 annual report.

Electronic reporting of the annual and consolidated financial reports

The European Securities and Markets Authority (ESMA) has developed a technical standard for a European Single Electronic Format (ESEF) for preparing annual financial reports. It has been adopted by the European Commission as a delegated regulation (the ESEF Regulation) and took effect on June 18, 2019. The regulation was to have become mandatory for annual and consolidated financial reports containing financial statements for annual reporting periods beginning on or after January 1, 2020. A decision has been made by the EU, however, to give Member States the right to postpone reporting according to ESEF for one year. A legislative

amendment is proposed to take effect on March 15, 2021, with retroactive effect from January 1, 2021, by which reporting according to ESEF will occur for the first time for annual and consolidated reports for 2021. For that reason, Hufvudstaden will not prepare an annual report for 2020 according to ESEF.

New standards that will come into effect in 2021 onwards

New and amended IFRS that will be applied in the future are not expected to have any material impact on the Consolidated Financial Statements.

Changes in Swedish regulations governing financial statements

Changes during 2020 have not had any material impact on Hufvudstaden's 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 have elapsed, 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 sale and are reported according to IFRS 5.

Consolidated Financial Statements

The Consolidated Financial Statements cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued at fair value according to the acquisition analysis. If the acquisition does not refer to business operations that are normal in conjunction with the acquisition of properties, the acquisition costs are divided among the individually identifiable assets and liabilities according to their fair value at the time of acquisition without any reporting of goodwill and a deferred tax receivable/liability in conjunction with the acquisition. 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 financial statements. 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 revenue and costs

Rent revenue and service revenue

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

Income from property sales

Income from property sales is normally reported on the completion date unless control has passed to the purchaser previously. 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.

Government grants

Government grants are accounted for in the statement of financial position as accrued income when there is reasonable assurance that the group will comply with any conditions attached to the grant and that the grant will be received. Grants are recognised in profit and loss for the year on a systematic basis in the same way and across the same periods as the related costs for which the grants are intended to compensate. In these cases, the grants are recognised in the period during which the company secures a claim on the government.

Administration costs

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

Financial income and expense

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

Leases

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

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease agreement. An agreement is, or contains, a lease agreement if the agreement conveys the right to control an identified asset during a specified period in return for payment.

At the beginning of the lease agreement, or following a review of a lease agreement that contains several components – both lease and non-lease components – the Group allocates the payment made under the agreement to each component based on the independent price.

Lease agreements where the Group is the lessee

The Group recognizes a right-of-use asset and a lease liability on the date the lease agreement came into effect. The right-of-use asset is valued initially at acquisition value, which comprises the initial value of the lease liability with the addition of lease costs paid on or before the commencement date plus any initial direct charges. The right-of-use asset is depreciated on a straight-line basis from the date of commencement to the end of the right-of-use period of the asset or the end of the lease period, whichever comes first. For the Group this is normally the end of the lease period. In rarer cases, when the acquisition value of the right-of-use asset reflects the fact that the Group will utilize an option to purchase the underlying asset, the asset is impaired at the end of the right-of-use period.

The lease liability – which is divided into a non-current and current part – is valued initially at the current value of the remaining lease charges during the assessed lease period. The lease period comprises the non-terminable period with the addition of further periods in the agreement if, on the commencement date, it is considered to be reasonably certain that this option will be utilized.

The lease charges are normally discounted at the Group's average marginal rate of interest on borrowings. In those cases where the implicit rate of interest in the lease agreement can be easily set, this interest rate is used instead. The Group's average marginal rate of interest on borrowings during 2020 and as at December 31, 2020, was 1.50 per cent, and this will continue to be the case throughout the whole of the financial year.

The lease liability covers the present value of the following charges during an assessed lease period:

NOTES

- Fixed charges, including what are in substance fixed charges.
- Variable lease charges, index-linked or price-linked, initially valued using the index or price that applied on the commencement date.

The value of the liability increases with the interest cost for each period and is reduced by the lease payments made. The interest cost is calculated as the value of the liability multiplied by the discount rate.

The lease liability for the Group's commercial premises with index-linked rent are calculated on the rent payable at the end of each reporting period. At this point in time, the liability is adjusted to the same extent as the recognized value of the right-of-use asset. The liability and the value of the asset are adjusted correspondingly in conjunction with a reassessment of the lease period.

Certain lease agreements contain extension options or termination options which the Group can exercise or not exercise for up to a year before the end of the non-terminable lease period. The options can be exercised by both the lessor and the Group as lessee. Whether it is reasonably certain that an extension option will be exercised is determined on the commencement date of the lease agreement. The Group examines whether it is reasonably certain that an extension option will be exercised if there are material changes in circumstances that are within the control of the Group.

The Group's agreements for commercial premises and land, not site leasehold agreements, comprise mainly non-terminable terms of several years, which are extended by a further number of years if the Group or the lessor does not terminate the agreement by giving 9–24 months' notice. For the majority of these agreements, the Group assessment is that it is not reasonably certain that the agreements will be extended beyond the first term, i.e. the lease period is normally assessed to be just one term.

In its capacity as lessee, Hufvudstaden has identified site leasehold agreements to be the most material. The lease liability as at December 31, 2020 was SEK 720 million, of which site leasehold agreements totalled SEK 676 million. According to IFRS 16, site leasehold rights are considered to be perpetual lease agreements recognized at fair value and will thus not be depreciated. The value of the right-of-use asset remains until the next renegotiation of the ground rent. The lease liability is not amortized, and the value remains unchanged until the ground rent is renegotiated. Ground rent costs are recognized in their entirety as a financial expense.

The Group presents right-of-use assets and lease liabilities as separate items in the Consolidated Financial Statement.

For lease agreements where the lease term is 12 months or less, or which have an underlying low-value asset, i.e. below SEK 50,000, no right-of-use asset and lease liability are recognized. Lease charges for these lease agreements are recognized as a cost on a straight-line basis over the term of the lease.

Remuneration to employees

Remuneration to employees, such as salaries, paid holidays and social insurance costs, are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported at the year-end.

As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO contractual pension plan. During the 2020 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 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 tax assets in respect of deductible temporary differences and a carryforward of unused tax losses are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

Financial assets are classified and valued based on the purpose for which the assets are held for as well as the characteristics of the contractual cash flows. The Group classifies the financial assets valued at the accrued acquisition value or fair value through profit or loss. The financial liabilities are classified at the accrued acquisition value or the fair value through profit or loss.

Financial instruments is valued initially at fair value with additions for eventual transaction costs except for assets and liabilities valued at fair value through profit or loss which initially is valued without addition for transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to an agreement. An account receivable is recorded in the Balance Sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. 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.

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

This category comprises financial assets and liabilities when held for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term. 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.

Financial assets and liabilities valued at accrued cost

Financial assets which is held for the purpose of obtaining the contractual cash flows and the contractual cash flows only refers to payments of capital amounts as interest on outstanding capital is reported at accrued acquisition value. Receivables are valued at accrued cost. The accrued cost is determined based on the effective annual interest rate calculated at the time of acquisition. The expected term of the accounts receivable is short and consequently the values are reported at the nominal amount without discounting. Accounts receivable and loan receivables are reported at the amounts at which they are expected to accrue, i.e. following a deduction for bad debts.

Cash and bank holdings are reported at the nominal value. Overdraft facilities categorized as loan liabilities are reported under current liabilities.

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

Financial assets that are included in this category are rent receivables and accounts receivable, cash and bank holdings, loan receivables, and other receivables.

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All loans are reported at the accrued cost, which means that the value is adjusted by any discounts or premiums paid when the loan was raised or repaid, and costs in conjunction with the raising of loans are allocated to a specific period throughout the term of the loan. Period allocation is calculated on the basis of the effective annual interest rate on the loan. Any profit or loss that arises when the loan is repaid is reported in the Income Statement.

Liabilities are initially reported at fair value and thereafter at the accrued cost. Financial liabilities that are included in this category are loans and other financial liabilities, such as account payables.

Impairment of financial assets

The Group reports as principle expected credit losses for all financial assets that are recognized at accrued cost. In terms of bank holdings and equivalents where the Group has borrowed a liquidity surplus, no such amounts are reported as the deposits are repayable on demand and deposits are only made to credit institutions with good creditworthiness.

For rent and tradereceivables, the expected credit losses are valued based on the based on the entire remaining contractual term of the receivables. The Group applies a matrix to calculate these expected credit losses with different expected loss rates based on how long the receivables are late in their payments. The loss rate have been calculated based on historical experiences which are supplemented with adjustments for the specifics conditions prevailing as of the period end and expected changes in customers' payment capacity

For non-current receivables, a loss reserve is reported at the initial recognition with an amount corresponding to the statistically expected credit loss over the next 12 months. If a significant increase in credit risk has occurred, the valuation of expected credit losses will exceed to be calculated for the entire remaining term.

The Group is considering a 90-day delay in contractual payments as a significant increase in the credit risk and with that criteria the receivable is considered to be credit impaired and the loss reserve is calculated as the present value of the expected cash flows discounted with the receivables original effective interest rate.

The loss reserves are reported in the balance sheet as a reduction of the net carrying amount of receivables and the changes in the loss reserve reported on the same disclosure in the income statement as the corresponding income.

Intangible assets

Intangible assets acquired by the group consist of e-commerce platform and other IT-systems and are recognised at cost less accumulated amortisation and any impairment losses.

Additional expenditures

Additional expenditures for capitalised intangible assets are recognised as an asset in the statement of financial position only when they increase the future economic benefits of the specific asset to which they refer. All other expenditures are expensed when they are incurred.

Principles for depreciations

Amortisation is recognised in profit and loss for the year on a straight-line basis across the estimated useful lives of intangible assets. Useful lives are reviewed at least annually. Intangible assets with finite useful lives are amortised from the date the assets are available for use. The estimated useful life of intangible assets is 5 years.

Tangible fixed assets

Tangible fixed assets are reported as an asset in the Balance Sheet if it is probable that there will be future economic 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 added to the asset value 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, Other Operations

Depreciation of tangible fixed assets is included in the cost of Other 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 rent revenue and/or an increase in value. Initially, investment properties are recognized at the acquisition cost, which includes expenses directly attributable to the acquisition. After the initial recognition, investment properties are reported in the Balance Sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations take place each quarter. To assure the quality of the valuation, independent external valuations are obtained from valuation companies at least once a year. The external valuations normally cover 30–40 per cent of the internally assessed fair value of the property holdings and the selection of properties represents different property categories, towns, locations, technical standards and construction standards. There is a continuous update during the year of the internal valuation of the properties to take account of purchases, sales and investments. 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 economic benefits that are associated with the asset will accrue to the Group, that the cost can be calculated reliably, and that measures refer to replacement of an existing component or the inclusion of a new, identified component. Other repair and maintenance costs are expensed continuously during the period in which they arise.

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 sale, financial assets, and deferred tax assets – 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 the section 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 outstanding shares

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during the year. The profit is attributable in its entirety to the shareholders in the Parent Company and there are no dilution effects.

Fixed assets held for sale and discontinued operations

Assets that are to be disposed of are classified as assets held for sale. Operations that are to be disposed of are classified as assets, liabilities and the 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 Other Operations. Other operations comprise the parking business in Parkaden AB, NK e-commerce and Cecil Coworking. 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 Appropriations.

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

Changed accounting policies

Apart from the application of IAS 20 (refer to the information about new accounting policies for the Group on page 68), parent company accounting policies have not changed compared to the 2019 annual report.

Subsidiaries

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

statements, transaction costs attributable to subsidiaries are reported directly in profit or loss as the costs arise.

Anticipated dividends

Anticipated dividends from subsidiaries are reported in cases where the parent company alone has the right to decide on the size of the dividend and the parent company has made such a decision before the parent company published its financial reports.

Investment properties

The Parent Company investment properties are reported according to the Group principles for tangible fixed assets although without the opportunity to apply the fair value method. Instead, the cost method is applied with depreciation over the assessed useful life of the buildings. The acquisition value comprises the acquisition price, cost of title deeds, and value-enhancing improvements. Only charges that generate a permanent increase in the value of the properties are capitalized. Development costs of a maintenance nature are charged to profit or loss. Loan charges are not capitalized in the Parent Company. In accordance with the special provisions for investment properties in RFR2, buildings are reported as a single impairment unit without a division into components.

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. The revaluation is depreciated over the remaining depreciation period of the underlying asset. Depreciation percentages are reported in Note 17.

Leased assets

The Parent Company does not apply IFRS 16 in accordance with the exception in RFR 2. As a lessee, lease charges are recognised as a cost on a straight-line basis over the term of the lease and consequently rights of use and lease liabilities are not reported in the Balance Sheet. As in the Consolidated Financial Statements, no distinction is made between lease and non-lease components for buildings and land. Instead, lease and non-lease components are recognised as one single lease component for these types of underlying assets.

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NOTE 2. FINANCIAL RISKS

Hufvudstaden is mainly exposed to financing risks, interest risks and credit risk. The Group endeavours to have a loan portfolio with a diverse credit maturity 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 both with short and long fixed interest periods.

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 allocations of duties to achieve good internal control and follow-up of operations. Major financing solutions should be approved by the Chairman of the Board, and the Board is informed at each Board meeting about financial development and planning.

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 26.

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 have loan assurances that cover the rescheduling of loans and investments. In addition, the Company has a commercial paper programme and a MTN programme. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. Rolling forecasts for the Group's liquidity are prepared on the basis of expected cash flows. At year-end, Hufvudstaden's borrowings amounted to SEK 8,650 million (8,350). The average fixed interest period was 1.8 years (2.6), the average capital tie-up period was 2.6 years (3.3) and the average annual equivalent interest rate was 1.3 per cent (1.2). Interest-bearing net debt was SEK 7,866 million (6,644). In addition, there is a lease liability in accordance with IFRS 16 totalling SEK 720 million (760). Total net debt was SEK 8,586 million compared to SEK 7,404 million at the end of 2019. As at December 31, 2020, the Group had long-term loan assurances of SEK 3.5 billion, of which SEK 2.5 billion was unutilised. In addition, the company also has an unutilised short-term loan assurance of SEK 1.0 billion. There is also a commercial paper programme of SEK 3 billion, of which SEK 1.55 billion was unutilised, and a MTN programme of SEK 8 billion, of which SEK 1.8 billion was unutilised. The company has satisfactory margins with regard to the lenders' covenants in the loan agreements.

DUE DATE STRUCTURE, INTEREST AND CAPITAL, DECEMBER 31, 2020

Year due	Interest payments, SEK m	Nominal amount, SEK m ¹⁾	Proportion, %
2020, Q1	34.7	500	6
2020, Q2	17.9	–	–
2020, Q3	23.0	–	–
2020, Q4	15.7	500	6
2022	73.5	1,700	19
2023	44.7	2,500	29
2024	21.6	2,450	28
2025	1.5	1,000	12
Total	232.6	8,650	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.

Interest risk

Interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income and expense. Hufvudstaden's financing sources are primarily equity, cash flow from current operations and the raising of loans.

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 period for net debt should normally be 1–4 years. Borrowing takes place both with a short fixed interest period, normally 3–6 months, and a long fixed interest period, normally 5–7 years. As at December 31, 2020, the Group's fixed interest period was 1.8 years. Of long-term borrowing, SEK 5,200 million accrues interest at a fixed rate. A change in the market interest rate of +1 percentage point, assuming an unchanged loan volume and fixed interest period, would increase Hufvudstaden's interest expense in 2021 by SEK 23 million (18), while a change in the market interest rate of -1 percentage point would reduce Hufvudstaden's interest expenses by SEK 16 million (10). The difference between the resulting interest expenses is due to that some loan agreements stipulate a minimum rate of interest.

FIXED INTEREST STRUCTURE, DECEMBER 31, 2020

Year due	Credit, SEK m	AER, % ¹⁾
2021	3,450	1.2
2022	1,200	1.5
2023	2,000	1.3
2024	1,000	1.4
2025	1,000	1.0
Total	8,650	1.3

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

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, as well as cash and cash equivalents, which as at the year-end had a carrying value of SEK 37 million and SEK 784 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 further, the financial position of the 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 security in the form of a deposit, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rents are invoiced in advance.

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CONCENTRATION OF CREDIT RISK, DECEMBER 31, 2020^{1) 2)}

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0 – 99	77	2,476	0.1
100 – 499	62	18,484	1.0
500 – 999	68	52,313	2.9
1,000 – 2,499	164	266,891	14.9
2,500 – 4,999	85	296,979	16.5
5,000 – 9,999	58	400,228	22.3
10,000 –	32	758,879	42.3
Total	546	1,796,250	100.0

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

²⁾ Annual rent as at December 31, 2020.

The Group's ten largest tenants represent 25 per cent of the total contracted rent, and the single largest customer accounts for 7 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited.

Fair value

The fair value of financial instruments 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 account receivables, account payables and so on, which are reported at amortized cost with a deduction for possible impairment, the fair value was considered to be in line with the carrying value as these instruments have a very short term. The assessment is that the fair value is essentially in line with the carrying value.

INFORMATION REGARDING FAIR VALUES, FINANCIAL INSTRUMENTS

SEK m	Reported at fair value through profit or loss		Fair value information	
	2020	2019	2020	2019
GROUP				
Non-current receivables	21.0	20.6	21.0	20.6
Current receivables	53.5	16.1	53.5	16.1
Cash and cash equivalents	783.6	1,706.1	783.6	1,706.1
Non-current liabilities	6,226.2	6,725.7	6,164.0	6,694.7
Current liabilities	2,664.8	1,817.5	2,663.5	1,817.5
PARENT COMPANY				
Non-current receivables	20.9	20.5	20.9	20.5
Current receivables	14.3	4.3	14.3	4.3
Cash and cash equivalents	749.6	1,681.2	749.6	1,681.2
Non-current liabilities	6,226.0	6,725.6	6,163.8	6,694.6
Current liabilities	2,608.8	1,766.1	2,607.5	1,766.1

For bond loans with a fixed rate of interest the undervalue is SEK -63.5 million (-31.0). These values has been calculated on the basis according to level 2 in IFRS 13, i.e. the value has been calculated based on official market listings.

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NOTE 3. SEGMENT INFORMATION

The Group's operations are divided into two segments, Property Management and Other Operations. The segments is divided into business areas that follow the operative control of the Company's business. This generally falls into line with the Company's geographical sub-markets. In the Parent

Company, there is only one operating segment – Property Management. The following presentation shows income and costs as well as assets and investments for the different business areas in 2020 and the comparison year 2019.

SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
GROUP								
Property Management								
Income and costs ¹⁾								
Rent revenue	1,028.1	1,032.7	338.1	445.6	319.2	331.3	1,685.4	1,809.6
(of which turnover-based rent)	(1.2)	(2.2)	(3.3)	(8.9)	(0.1)	(0.0)	(4.6)	(11.1)
Service revenue	24.5	23.7	37.9	42.3	20.1	20.8	82.5	86.8
Maintenance	-14.4	-16.8	-6.7	-6.3	-5.9	-5.8	-27.0	-28.9
Operation and administration	-109.0	-109.3	-130.7	-116.6	-58.4	-61.1	-298.1	-287.0
Property tax	-116.8	-116.8	-46.7	-47.1	-36.8	-36.8	-200.3	-200.7
Depreciation	-0.3	-2.0	-4.5	-4.5	-0.3	-0.3	-5.1	-6.8
Gross profit, property management	812.1	811.5	187.4	313.4	237.9	248.1	1,237.4	1,373.0
Other operations, net	-3.9		6.4	32.3			2.5	32.3
Central administration							-47.4	-49.2
Items affecting comparability							35.9	-
Changes in value, investment properties							-2,929.9	2,726.9
Changes in value, interest derivatives							-	3.7
Operating profit or loss							-1,701.5	4,086.7
Financial income and expense							-131.7	-118.7
Profit or loss before tax							-1,833.2	3,968.0
Assets								
Investment properties	30,204.5	30,322.7	9,008.0	10,437.8	6,424.0	6,920.1	45,636.5	47,680.6
Rent receivables	4.8	0.4	23.7	0.9	3.5	0.2	32.0	1.5
Investments								
Investment properties and equipment	623.4	367.9	120.8	311.5	144.8	190.2	889.0	869.6

¹⁾ For comparable holdings, see Business Areas in figures, page 104.

Other operations

Other operations refers to Cecil Coworking, NK e-commerce and the parking operations in Parkaden AB. Cecil Coworking is organised under the Stockholm Business Area and will open in early 2021. NK e-commerce began limited operations in the autumn of 2020. Cecil Coworking and NK e-commerce primarily incurred start-up costs in 2020.

Parking Operations

SEK m	2020	2019
GROUP		
Net revenue	71.4	84.8
Rental costs	-43.9	-43.3
Operation and administration	-7.7	-8.6
Depreciation	-0.6	-0.6
Gross profit	19.2	32.3

Total assets amounted to SEK 19.2 million (19.2).

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NOTE 4. PROFIT TREND – SUMMARY

SEK m	Jan – Mar		Apr – Jun		Jul – Sept		Okt – Dec		Jan – Dec	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
GROUP										
Property management										
Rent revenue	458.5	450.6	380.6	442.5	406.1	447.9	440.2	468.6	1,685.4	1,809.6
Service revenue	23.7	21.4	23.2	23.6	21.9	21.6	13.7	20.2	82.5	86.8
Property management revenue	482.2	472.0	403.8	466.1	428.0	469.5	453.9	488.8	1,767.9	1,896.4
Maintenance	-6.4	-5.3	-6.2	-7.3	-6.8	-7.7	-7.6	-8.6	-27.0	-28.9
Operation and administration	-74.3	-72.3	-70.2	-68.1	-65.9	-63.8	-87.7	-82.8	-298.1	-287.0
Other costs	-51.4	-51.5	-51.4	-51.7	-51.4	-51.0	-51.2	-53.3	-205.4	-207.5
Property management costs	-132.1	-129.1	-127.8	-127.1	-124.1	-122.5	-146.5	-144.7	-530.5	-523.4
Other operations, net	6.2	7.9	2.5	7.8	2.4	6.6	-8.6	10.0	2.5	32.3
Gross profit	356.3	350.8	278.5	346.8	306.3	353.6	298.8	354.1	1,239.9	1,405.3
Central administration	-11.5	-10.8	-11.9	-11.4	-11.1	-11.4	-12.9	-15.6	-47.4	-49.2
Items affecting comparability	-	-	34.7	-	-	-	1.2	-	35.9	-
Changes in value, investment properties	-929.4	331.8	-985.3	960.1	-155.5	408.0	-859.7	1,027.0	-2,929.9	2,726.9
Changes in value, interest derivatives	-	2.2	-	1.1	-	0.4	-	-	-	3.7
Financial income and expense	-32.0	-28.6	-34.0	-30.7	-32.9	-29.5	-32.8	-29.9	-131.7	-118.7
Tax	118.1	-145.9	135.0	-284.2	-28.1	-157.6	146.5	-233.9	371.5	-821.6
Profit or loss for the period after tax	-498.5	499.5	-583.0	981.7	78.7	563.5	-458.9	1,101.7	-1,461.7	3,146.4

NOTE 5. OPERATIONAL LEASE AGREEMENTS – GROUP AS LESSOR

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

associated with ownership of the underlying asset. See table below for a maturity analysis of charges where the remaining term is 1 and 16 years.

RENEWAL STRUCTURE ^{1) 2) 3)}

	2021	2022	2023	2024	2025	2026–	Total
Number of agreements							
Offices	78	72	62	30	23	23	288
Retail	105	60	65	47	23	20	320
Other	472	189	152	68	54	41	976
Total, Group	655	321	279	145	100	84	1,584
Proportion, %	41.3	20.3	17.6	9.2	6.3	5.3	100.0
Total, Parent Company	521	237	196	89	79	63	1,185
Annual rent, SEK m							
Offices	176.2	207.6	199.0	176.0	84.5	211.1	1,054.4
Retail	141.0	104.2	163.3	132.7	65.2	101.5	707.9
Other	31.6	24.1	19.9	23.2	12.5	18.9	130.2
Total, Group	348.8	335.9	382.2	331.9	162.2	331.5	1,892.5
Proportion, %	18.4	17.8	20.2	17.5	8.6	17.5	100.0
Total, Parent Company	268.9	264.2	287.7	167.7	138.0	247.3	1,373.8

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.

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NOTE 6. DEPRECIATION

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Depreciation per type of asset				
Capitalised expenditures for programs	3.7	–	0.1	–
Investment properties	– ¹⁾	– ¹⁾	161.2	183.2
Equipment	3.9	3.9	2.3	2.5
Right-of-use assets	5.4	7.1	–	–
Total	13.0	11.0	163.6	185.7
Depreciation per function				
<i>Property management</i>				
Operation and administration	3.3	3.3	2.3	2.5
Depreciation	5.1	6.8	161.3	183.2
<i>Other operations</i>				
Other operations, costs	4.2	0.6	–	–
Central administration	0.4	0.3	–	–
Total	13.0	11.0	163.6	185.7

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

NOTE 7. AVERAGE NUMBER OF EMPLOYEES

Average number of employees	2020		2019	
		Of which men,%		Of which men,%
Parent Company	136	54	132	56
(of which executives)	8	75	8	75
Wholly owned subsidiaries				
Parkaden AB	3	67	3	67
Cecil Coworking AB	1	0	–	–
Total, Group	140	54	135	56
(of which executives)	8	75	8	75

Of the Group's 33 managers (30) 11 are women (11) or 33 per cent (37). The Board of the Parent Company comprised 6 men (6) and 3 women (3). 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			
	2020	Of which bonus	2019	Of which bonus	2020	Of which bonus	2019	Of which bonus
Salaries and other remuneration								
Fee to the Chairman of the Board	498		485		498		485	
Fee to other Board members	1,771		1,728		1,741		1,698	
Remuneration and benefits to:								
– President Ivo Stopner ¹⁾	4,375	172	5,302	345	4,375	172	5,302	345
– Vice President Bo Wikare ²⁾	4,111	252	2,413	164	4,111	252	2,413	164
– Vice President Anders Nygren ³⁾	563	35	–	–	563	35	–	–
– Other executives	10,663	726	11,056	997	10,663	726	11,056	997
– Other employees	78,633	1,839	77,167	4,671	77,690	1,820	76,264	4,645
Total	100,614	3,024	98,151	6,177	99,641⁴⁾	3,005	97,218⁴⁾	6,151
National insurance expenses, including special employer's contribution								
Chairman of the Board	51		72		51		72	
Other Board members	497		498		494		493	
President Ivo Stopner ¹⁾	2,006		2,421		2,006		2,421	
Vice President Bo Wikare ²⁾	1,487		888		1,487		888	
Vice President Anders Nygren ³⁾	213		–		213		–	
Other executives	4,140		4,297		4,140		4,297	
Other employees	26,768		26,728		26,502		26,429	
Total	35,162		34,904		34,893		34,600	
Pension expenses								
President Ivo Stopner ¹⁾	2,336		3,073		2,336		3,073	
Vice President Bo Wikare ²⁾	805		537		805		537	
Vice President Anders Nygren ³⁾	150		–		150		–	
Other executives	3,341		3,446		3,341		3,446	
Other employees	11,504		12,190		11,433		12,107	
Total	18,136		19,246		18,065		19,163	

¹⁾ Ivo Stopner was on sick leave from October 1, 2019 to June 30, 2020.

²⁾ Bo Wikare was Acting President from October 1, 2019 to June 30, 2020. Salary, other remuneration and other expenses are reported in their entirety under the item "Vice President Bo Wikare".

³⁾ Anders Nygren was appointed Vice President on October 1, 2020. Salary, other remuneration and other expenses are reported up to September 30, 2020 under the item "Other executives".

⁴⁾ Salary and other remuneration also include non-monetary benefits.

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An expensed director's fee of SEK 497,500 was paid to the Chairman of the Board Fredrik Lundberg for 2020, and Board members Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Persson, Sten Peterson and Anna-Greta Sjöberg were each paid SEK 248,750. The President, Ivo Stopner, does not receive any remuneration for his work on the Board. The Group management also includes Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 30,000.

Guidelines on salary, bonuses and other remuneration to executives are decided by the Annual Meeting. The company has followed the guidelines adopted by the 2020 Annual Meeting, see separate section below, and the board of directors has exercised the option to depart from the guidelines in relation to the weighting of bonus criteria. According to the guidelines, the criteria for bonuses should be allocated among financial targets related to operating results at 70 per cent, operational targets related to customer satisfaction at 15 per cent and individual targets at 15 per cent. Aimed at increasing incentives to take the company through the corona pandemic in the manner that is best for the business, the board decided that the criteria for 2020 should instead be weighted as follows: financial targets related to operating results at 55 per cent, operational targets related to customer satisfaction at 15 per cent and individual targets at 30 per cent.

Other permanent employees of the Group were covered by a bonus programme during the year. Bonuses are paid according to the criteria of operating results, customer satisfaction and personal assessment. The change in the weighting of the criteria that applied to executives also applied to other employees. The bonus for managers is capped at two months' salary. For other employees, bonuses are capped at one month's salary.

Under the bonus programme, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the company shows a positive operating result before any unrealised changes in value and other items affecting comparability. In the closing accounts, bonuses have been reserved for attaining operating results targets, customer satisfaction and personal targets.

The bonus outcome for 2020 was affected by a negative effect of SEK 29,696 relating to 2019.

Pensions for Group employees are covered by the respective collective agreements. These are the ITP plan for white-collar workers and the SAF-LO occupational pension agreement for blue-collar workers. The ITP plan includes both a defined benefit pension and a defined contribution pension. Some 80 employees are covered by a defined benefit pension. Alecta's surplus in the form of the collective consolidation level as of December had not been confirmed at the time of the signing of this Annual Report. Alecta's consolidation level, as at December 31, 2020, amounted to 148 per cent (148). 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 concur with IAS 19.

Guidelines for remuneration to senior executives

The 2020 Annual Meeting resolved that the following guidelines for remuneration to senior executives shall come into effect from the 2020 Annual Meeting.

It is Hufvudstaden's vision to always be perceived as, and prove to be, the most attractive property company in Sweden. One of the Company's operating goals in its endeavour to realise this vision is to have the most professional employees in the industry, with firm commitment to the customer, good business acumen, and professional know-how. For further information about the Company's business concept and strategies, reference can be made to the Company's website.

Successful implementation of the Company's business concept and safeguarding of the Company's long-term interests, including sustainability, presuppose that the Company can recruit, develop and retain qualified employees. To achieve this, the Company must be able to offer competitive remuneration.

These guidelines make it possible to offer senior executives a competitive remuneration package.

The guidelines cover the President and other members of the Senior Executives, shall apply to remuneration that is agreed and changes to remuneration that has already been agreed and which are made after the guidelines have been adopted at the Annual Meeting 2020. The guidelines do not cover remuneration decided at the Annual Meeting.

Remuneration to senior executives shall comprise a fixed basic salary, pension benefits, the possibility of variable remuneration in the form of a bonus, and other benefits. Remuneration shall be in line with market conditions and with an incentive in the form of a bonus that is payable only if the Company reports a positive financial result without taking into account unrealised changes in the value of the property holdings.

Any bonus of this nature shall be linked to pre-set, quantifiable criteria, the fulfillment of which will be measured annually. A bonus to the President is subject to a maximum of three months' fixed salary per year, and for other senior executives a maximum of the higher of three months' fixed salary or SEK 250,000 per person per year. 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. The criteria for bonus should be designed to promote the Company's business concept and long-term interests, including sustainability. In total, 70 per cent of the criteria shall refer to financial goals related to operating results, 15 per cent to operating goals related to customer satisfaction, and 15 per cent to individual goals. The operating result is defined as the operating profit or loss excluding special projects, adaptation of premises, changes in the value of the property holdings, and other items affecting comparability. When the measurement period for fulfillment of criteria for payment of a variable cash payment comes to an end, the extent to which the criteria have been fulfilled is assessed/confirmed. The Board of Directors are responsible for the assessment with regard to variable cash remuneration to the President. As regards variable cash remuneration to other senior executives, responsibility for assessment rests with the President. As regards financial goals, the assessment shall be based on the most recent Annual Report published by the Company.

The retirement age for the President shall be 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. The pensionable age for other senior executives shall be in accordance with statutory stipulations or a collective agreement. Pensions payable to the Executive Management, including the pension paid to the President, shall be covered by the ITP plan. In cases where the ITP plan means that a senior executive's pension is a defined contribution pension, the pension premiums shall amount to a maximum of 30 per cent of the fixed annual salary. Variable remuneration (bonus) shall be pensionable.

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

The President can also, within the framework of remuneration determined on market terms, receive a direct pension (retirement and survivor's pension) secured via endowment insurance, whereupon premiums for the endowment insurance shall be invested in shares in Hufvudstaden. The premiums for a direct pension of this nature shall amount to a maximum of 25 per cent of the fixed annual cash salary.

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

On cessation of employment, the period of notice can be a maximum of 12 months. A fixed annual salary during the period of notice and severance pay shall not exceed an amount equivalent to two years' fixed annual salary in the case of the President and one year in the case of the Vice President and other senior executives. In the case of notice of termination given by the President or other senior executives, the period of notice

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shall be a maximum of six months with no entitlement to severance pay. In all cases, there shall be a set-off against any payment received from a new employer.

When formulating the Board of Directors' proposal for these remuneration guidelines, account has been taken of salary and terms and conditions of employment for the Company's employees in that information about the employees' total remuneration, the components that make up the remuneration, and the increase in remuneration and rate of increase over time have been used by the Board of Directors when evaluating and deciding on the reasonableness of the guidelines and the limitations that ensue from the guidelines. The gap between the remuneration paid to senior executives and remuneration received by other employees will be included in the Remuneration Report.

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

The Board of Directors has examined the matter of establishing a Remuneration Committee but has opted not to appoint such a committee and will instead handle remuneration matters as part of the regular work of the Board of Directors. The entire Board of Directors, apart from the President, shall carry out the duties that rest with a Remuneration Committee, including following up and evaluating programmes for variable remuneration for senior executives, the application of guidelines for remuneration to senior executives, as well as general remuneration structures and remuneration levels within the Company. When the Board of Directors discusses and decides on remuneration-related issues, the President shall not be present and nor shall other senior executives to the extent they are affected by the issues under discussion. The Board of Directors shall draw up proposals for new guidelines at least every fourth year and shall present their proposal for a decision at the Annual Meeting. The guidelines shall apply up to the point at which new guidelines are adopted at the Annual Meeting.

NOTE 9. FEES AND COST REIMBURSEMENTS TO AUDITORS

SEK m	Group		Parent Company	
	2020	2019	2020	2019
KPMG AB				
Audit work	1.5	1.2	1.5	1.2
Other assignments	0.0	0.2	0.0	0.2
Total	1.5	1.4	1.5	1.4

NOTE 10. OPERATING COSTS PER COST CATEGORY

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Maintenance	26.7	28.3	365.5	283.7
Operation and administration	246.7	225.7	63.9	71.6
Ground rent	–	–	13.0	13.0
Property tax	200.3	200.7	140.3	140.3
Depreciation and impairment	13.0	11.0	163.6	185.7
Personnel costs	160.4	159.4	158.8	157.6
Total	647.1	625.1	905.1	851.9

NOTE 11. ITEMS AFFECTING COMPARABILITY

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Insurance compensation	35.9	–	35.9	–
Total	35.9	–	35.9	–

Refers to insurance compensation for rent losses and emergency response costs after the fire 2017 at the Vildmannen 7 property.

NOTE 12. FINANCIAL INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Interest income on short-term placements	0.0	0.4	0.0	0.4
Group contributions received, subsidiaries			103.7	162.9
Anticipated dividends, subsidiaries			2,350.0	–
Total	0.0	0.4	2,453.7	163.3

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

NOTE 13. OTHER FINANCIAL EXPENSES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Interest expense to – credit institutions	97.3	81.0	97.3	81.0
– interest expense, swap	–	3.7	–	3.7
– lease liability	22.4	22.4	–	–
Other financial expenses	12.0	12.0	11.9	12.0
Total	131.7	119.1	109.2	96.7

Of the financial expense, SEK 109.3 million (93.1) refers to financial instruments not valued at fair value.

NOTE 14. APPROPRIATIONS

SEK m	Parent Company	
	2020	2019
Change in accumulated additional depreciation	6.9	28.9
Change in tax allocation reserve	116.0	150.0
Group contribution granted	-53.6	-4.4
Total	69.3	174.5

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NOTE 15. INCOME TAXES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Current tax expense				
Tax expense for the year	-98.2	-142.2	-98.1	-142.2
Tax attributable to previous years	-1.1	-0.1	-1.0	0.0
Deferred tax expense/tax income				
Difference between fiscal and accounting depreciation of properties	-2.8	-2.8	-3.2	-3.2
Unrealized change in value, properties	457.6	-715.9	-	-
Unrealized change in value, interest derivatives	-	-0.8	-	-0.8
Effect, allocation to untaxed reserves	15.3	38.9	-	-
Effect, pension provision	0.1	1.2	0.1	1.2
Right-of-use assets	9.3	-156.9	-	-
Lease liability	-8.7	157.0	-	-
Total tax	371.5	-821.6	-102.2	-145.0
Profit or loss before tax	-1,833.2	3,968.0	2,801.8	675.6
Tax according to the current tax rate of 21.4% (21,4%)	392.3	-849.2	-599.6	-144.6
Effect of other tax rates	-18.0	26.7	-	0.9
Tax attributable to previous years	-1.1	-0.1	-1.0	0.0
Non-taxable income	0.1	0.1	503.0	0.1
Non-deductible expenses	-1.8	-1.8	-4.8	-0.9
Standard income, tax allocation reserve	-0.1	-0.3	-0.1	-0.3
Other	0.1	3.0	0.3	-0.2
Total tax	371.5	-821.6	-102.2	-145.0

As at the year-end, there were no deficit deduction in the Group.

In June 2018, the Swedish Parliament decided to reduce the Swedish corporation tax rate in two stages, from 22.0 per cent to 21.4 per cent in 2019, and to 20.6 per cent in 2021.

NOTE 16. INTANGIBLE FIXED ASSETS

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Opening acquisition value	70.5	11.9	2.6	0.5
Investments for the year	59.9	58.6	18.2	2.1
Closing acquisition values	130.4	70.5	20.8	2.6
Opening depreciation	-	-	-	-
Depreciation for the year	-3.7	-	-0.1	-
Closing accumulated depreciation	-3.7	-	-0.1	-
Closing residual value according to plan	126.7	70.5	20.7	2.6

Refers to acquired intangible fixed assets which comprise development costs for digital systems.

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NOTE 17. INVESTMENT PROPERTIES

GROUP

Investment properties were reported according to the fair value method.

SEK m	Group	
	2020	2019
Investment properties, Group	45,636.5	47,680.6

Information about changes in the carrying amounts of investment properties.

SEK m	2020	2019
Opening fair value	47,680.6	44,088.5
Investment in properties	885.9	865.2
Unrealized change in value	-2,929.9	2,726.9
Closing fair value	45,636.5	47,680.6

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, Land and Development in Progress. Investment properties are valued according to level 3 in the fair value hierarchy in IFRS 13. The property holdings include commercial properties that mainly comprise office and retail space and are treated as one single asset category. Fair value is based on an internal valuation.

Valuation method

Valuation of the property holdings 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. In the case of other project properties and undeveloped land, an assessment has been made of the value according to a total appraisal of the location price method and a development calculation where the net capitalization method is used for a completed property with a deduction for construction costs, profit for the developer in line with market conditions, as well as financial expenses and the loss of rent revenue on vacant space that arose during the construction period.

The assessment of the yield requirements is based on information gathered on the market yield 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. Transactions not yet concluded also provide guidance on the market yield requirements. Account is also taken of the property type, technical standard building construction and major investment requirements. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with independent valuation and advisory companies. Hufvudstaden's average yield requirement since December 31, 2015 has varied between 3.6 per cent and 4.1 per cent, and as at December 31, 2020 the figure was 3.7 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold.

THE FOLLOWING INFORMATION HAS BEEN USED IN THE VALUATION

Office and retail	Range (weighted average)			
	2020-12-31		2019-12-31	
Net operating income (SEK/sq m)	1,430–7,180	(4,540)	1,440–7,280	(4,670)
Vacancy level (%)	2–5	(4)	2–5	(4)
Yield requirement, Stockholm (%)	3.3–3.7	(3.4)	3.2–3.6	(3.4)
Yield requirement, Gothenburg (%)	4.2–4.8	(4.5)	4.1–4.8	(4.3)
Yield requirement, total (%)	3.7		3.6	

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

Revenue has been reduced 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 2011–2020 varied between 3 and 8 per cent, and as at December 31, 2020, the figure was 8.2 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, 2020 was on the same level.

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

External valuation

To assure the valuation, external valuations were obtained from three independent valuation companies: Cushman and Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuations cover 12 properties and are equivalent to 56 per cent of the internally assessed fair value, and the corresponding figure at the mid-year point was 44 per cent. The basis for the selection of the properties was that they should represent variations in property category, town, location, technical standard and construction standard. The properties valued externally were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Järnplåten 28, Kungliga Trädgården 5, Kåkenhusen 40 (part of), Orgelpipan 7, Packarhuset 4, Pumpstocken 10 (part of), Rännilen 8 and Skären 9 in Stockholm and Inom Vallgraven 10:9 (NK Gothenburg) and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value of SEK 26.6 billion. Hufvudstaden's internal valuation of the same properties was SEK 25.8 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 an external 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 45.6 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- 2.3 billion.

NOTES

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change, +/-	Impact on value, +/-
Rent revenue	SEK 100 per sq m	SEK 1,060 m
Property costs	SEK 50 per sq m	SEK 530 m
Rental vacancy level	1.0 percentage points	SEK 590 m
Yield requirement	0.25 percentage points	SEK 3,100 m

¹⁾ Valuation date December 31, 2020.

TAX VALUES, INVESTMENT PROPERTIES, GROUP

SEK m	2020	2019
Tax values, buildings	9,392.0	9,392.0
Tax values, land	11,107.6	11,107.6
	20,499.6	20,499.6

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	2020	2019
Investment properties	8,263.8	8,066.7

INVESTMENT PROPERTIES, EXCLUDING LAND

SEK m	2020	2019
Opening acquisition values	4,532.3	4,263.2
Investments for the year	358.2	269.1
Closing acquisition values	4,890.5	4,532.3
Opening depreciation	-1,713.0	-1,543.5
Depreciation for the year	-147.5	-169.5
Closing depreciation	-1,860.5	-1,713.0
Opening revaluation according to the adopted Balance Sheet for the previous year	998.6	1,012.2
Depreciation for the year	-13.6	-13.6
Closing revaluation	985.0	998.6
Closing residual value according to plan	4,015.0	3,817.9

NOTE 18. EQUIPMENT

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Opening acquisition value	40.0	38.0	17.0	17.1
Investments for the year	3.1	4.5	2.5	2.0
Sales and disposals	-2.7	-2.5	-2.7	-2.1
Closing acquisition value	40.4	40.0	16.8	17.0
Opening depreciation	-30.0	-28.5	-12.3	-11.8
Depreciation for the year	-3.9	-3.9	-2.3	-2.5
Sales and disposals	2.7	2.4	2.7	2.0
Closing accumulated depreciation	-31.2	-30.0	-11.9	-12.3
Closing residual value according to plan	9.2	10.0	4.8	4.7

SEK m	2020	2019
Opening acquisition value	1,207.4	1,207.4
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 – 20 per cent
- Land improvements: 3.75 – 5 per cent

INFORMATION ABOUT THE FAIR VALUE OF INVESTMENT PROPERTIES

SEK m	2020	2019
Investment properties	33,191.9	33,702.0

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	2020	2019
Tax values, buildings	6,385.0	6,385.0
Tax values, land	7,790.5	7,790.5
	14,175.5	14,175.5

NOTES

NOTE 19. PARTICIPATION IN GROUP COMPANIES

	Company reg. no.	Reg. office	Capital (votes) %	Number	Nominal value, SEK 1,000	Carrying amount 2020, SEK m
PARENT COMPANY						
Shares in subsidiaries						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.3
Gbg Inom Vallgraven 3-2 AB	556724-2531	Stockholm	100	1,000	100	51.3
Cecil Coworking AB	559242-1506	Stockholm	100	1,000	50	5.1
						2,649.4
Shares in dormant companies						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	-
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	-
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	-
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
Moderbolaget totalt						2,649.7
OTHER GROUP COMPANIES						
Owned by AB Citypalatset						
Aktiebolaget Hamngatgaraget	556068-6601	Stockholm	100	3,000	300	231.5
Owned by Förvaltnings AB Norrmalmstorg Nr 1						
Fastighetsaktiebolaget Stockholm City	556019-4358	Stockholm	100	7,776	7,776	2,800.0
Owned by Fastighetsaktiebolaget Stockholms City						
Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4
Owned by AB Nordiska Kompaniet						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
						0.5
Other Group companies, total						3,035.4

There are no foreign subsidiaries in the Group. Intra-group revenue refers to rents, which amounted to SEK 74.4 (73.7) million during the year.

CHANGE IN THE PARENT COMPANY'S HOLDINGS IN GROUP COMPANIES

SEK m	Parent Company	
	2020	2019
Opening carrying amount	2,886.9	2,886.9
Purchase of subsidiaries	0.1	-
Shareholder contribution provided	5.0	-
Sale of subsidiaries	-231.5	-
Impairment of shares in Group companies	-10.8	-
Closing carrying amount	2,649.7	2,886.9

The company formed a new subsidiary during the period, Cecil Coworking AB, and executed an intragroup sale of the subsidiary AB Hamngatgaraget in the amount of SEK 231.5 million.

NOTE 20. RIGHT-OF-USE ASSETS

Group	SEK m	Site lease- hold rights	Commercial premises	Other	Total
Additional right-of-use assets	-	-	-	-	-
Depreciation during the year	-	-41.3	-2.9	-44.2	-
Revaluation	-	0.8	-	0.8	-
Closing balance 2020	675.8	35.5	5.3	716.6	-
Opening balance 2019	675.8	108.1	4.2	788.1	-
Additional right-of-use assets	-	5.4	6.7	12.1	-
Depreciation during the year	-	-38.0	-2.7	-40.7	-
Revaluation	-	0.5	-	0.5	-
Closing balance 2019	675.8	76.0	8.2	760.0	-

Additional right-of-use assets during 2020 totalled SEK 0.8 million. This amount includes the acquisition value of newly acquired right-of-use assets during the year as well as additional amounts arising in conjunction with a revaluation of lease liabilities.

For a maturity analysis of the lease liabilities and the effects of IFRS 16 on the outgoing cash flow, see Note 26 Interest-bearing liabilities.

NOTES

Effect of IFRS 16

Group 2020	2020			2019		
	Income Statement	Balance Sheet	Total	Income Statement	Balance Sheet	Total
SEK m						
Depreciation of right-of-use assets	-5.4	-38.8	-44.2	-7.1	-33.6	-40.7
Interest on lease liabilities	-22.4	-0.7	-23.1	-22.4	-1.0	-23.4
Variable charges not included in the valuation of the lease liability	-0.7	-5.0	-5.7	-0.6	-4.9	-5.5
Income from right-of-use assets	4.5	28.6	33.1	8.0	38.2	46.2
Costs for short-term leases/low-value leases	-3.1	-	-3.1	-1.6	-	-1.6
Net effect	-27.1	-15.9	-43.0	-23.7	-1.3	-25.0

NOTE 21. NON-CURRENT RECEIVABLES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Opening carrying amount	20.6	15.7	20.5	15.7
Change for the year	0.4	4.9	0.4	4.8
Closing carrying amount	21.0	20.6	20.9	20.5

NOTE 22. ACCOUNTS RECEIVABLE

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Accounts receivable	4.6	10.7	0.4	0.6
Rent receivables	32.0	1.5	8.8	0.7
Total	36.6	12.2	9.2	1.3

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 40.4 million (7.7). Impairment is based on an assessment of expected credit losses. Accounts receivable and rent receivables that have fallen due, but have not been impaired, amounted to SEK 35.0 million (5.5).

NOTE 23. PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Accrued rent revenue	15.5	22.8	15.2	20.0
Accrued revenue	7.2	29.8	0.5	26.9
Prepaid expenses	27.0	25.1	7.7	5.6
Prepaid interest expense	1.4	1.1	1.4	1.1
Total	51.1	78.8	24.8	53.6

NOTE 24. CASH AND BANK HOLDINGS

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Cash and cash equivalents	783.6	1,706.1	749.6	1,681.2
Total	783.6	1,706.1	749.6	1,681.2

Interest according to a variable rate of interest is calculated for cash and cash equivalents. The variable rate of interest is based on the current daily investment rate.

NOTE 25. EQUITY

GROUP

SHARE CAPITAL

SEK m	2020-12-31
Breakdown of share series	
A 203,000,047 shares, par value SEK 5	1,015.0
C 8,271,886 shares, par value SEK 5	41.4
Total	1,056.4

SEK m	2019-12-31
Breakdown of share series	
A 202,996,869 shares, par value SEK 5	1,015.0
C 8,275,064 shares, par value SEK 5	41.4
Total	1,056.4

Hufvudstaden AB (publ) has two share series, A and C. Series A shares carry one vote per share and series C shares carry 100 votes per share. All shares carry equal rights to a share in the company's assets and liabilities. The series A shares were listed on what was historically the Stockholm Fondbörs (Stock Exchange) in 1938 and are now quoted on the Large Cap list of Nasdaq Stockholm. Series C shares were listed in 1998 and delisted in late January 2020 upon request by Nasdaq Stockholm. Shareholders have the right to request conversion of series C shares into series A shares. During the year, 3,178 series C shares were converted to series A shares. Hufvudstaden owns 8,965,000 series A treasury shares. Share buybacks were executed in 2003 and 2020. The average number of outstanding shares is 205,130,742. There are no potentially dilutive instruments.

Other contributed capital

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

Retained earnings, including profit for the year

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

A total dividend of SEK 804,437,139 corresponding to SEK 3.90 per share was distributed to shareholders in the company in 2020. The Board of Directors is proposing a dividend of SEK 2.50 per share for 2020, corresponding to a total dividend of SEK 505,767,333.

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.

NOTES

Profit per share

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

	2020	2019
Total profit for the year, SEK m	-1,461.7	3,146.4
Outstanding shares	205,130,742	206,265,933
Profit per share, SEK	-7.13	15.25

PARENT COMPANY

Restricted funds

Restricted funds may not be reduced through a dividend.

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

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

Non-restricted equity

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

NOTE 26. INTEREST-BEARING LIABILITIES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Non-current liabilities				
Bank loans	1,000	500	1,000	500
Bond loans	5,200	6,200	5,200	6,200
Lease liabilities	710	719	–	–
Total	6,910	7,419	6,200	6,700
Current liabilities				
Bank loans	–	500	–	500
Bond loans	1,000	–	1,000	–
Commercial paper loans	1,450	1,150	1,450	1,150
Lease liabilities	10	41	–	–
Total	2,460	1,691	2,450	1,650
Credit facility granted	–	40	–	40
Loan assurances	4,500	4,000	4,500	4,000

Bank 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.

CAPITAL TIE-UP STRUCTURE, LOAN TERMS AND ANNUAL EQUIVALENT RATE OF INTEREST 2020-12-31

GROUP AND PARENT COMPANY

Year due	AER, % ¹⁾	Nominal amount, SEK m		
		Bank loans ²⁾	Bonds ³⁾	Commercial paper ⁴⁾
		2021	1.5	–
2022	1.3	500	1,200	–
2023	1.3	500	2,000	–
2024	0.8	–	1,000	1,450
2025	1.0	–	1,000	–
Total		1,000	6,200	1,450

¹⁾ All loans are denominated in SEK.

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

³⁾ 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. Capital tie-up is calculated based on underlying loan assurances.

RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING

GROUP AND PARENT COMPANY

SEK m	Closing balance 2019	Cash flow	Closing balance 2020
Bank loans	1,000	0	1,000
Bond loans	6,200	0	6,200
Commercial paper	1,150	300	1,450
Total	8,350	300	8,650

Lessee

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

Lease liabilities	Group		
	SEK m	Dec 31, 2020	Dec 31, 2019
Current		10.2	41.4
Non-current		709.6	719.0
Lease liabilities included in the Statement of Financial Position		719.8	760.4

Amounts recognized in the Cash Flow Statement

SEK m	Group	
	Dec 31, 2020	Dec 31, 2019
Total cash outflows attributable to lease agreements	67.6	65.3

The above cash flow includes amounts in respect of lease agreements recognized as a lease liability, and amounts in respect of variable lease charges, short-term leases and low-value leases.

Below is a maturity analysis of lease charges:

IFRS 16	Group	
SEK m	Dec 31, 2020	Dec 31, 2019
< 1 year	10.2	41.4
1 year – 2 years	6.7	10.2
2 years – 3 years	4.4	6.4
3 years – 4 years	4.2	4.2
4 years – 5 years	1.4	4.0
> 5 years ¹⁾	692.9	694.2
Total discounted lease charges	719.8	760.4

¹⁾ Discounted ground rent of SEK 675.8 million is included in discounted lease charges that fall due later than five years from the reporting date. The group has four leasehold agreements whose annual undiscounted ground rent totals SEK 21.9 million. From the Group's perspective, these lease agreements are considered to be perpetual leases as the Group does not have any right to terminate the leases. All site leasehold leases will be renegotiated within 1–5 years, which will have an effect on the total of the site leasehold agreement.

SEK m	Parent Company	
	Dec 31, 2020	Dec 31, 2019
< 1 year	19.0	55.7
1 year – 5 years	40.3	58.9
5 years >	–	–
Total undiscounted lease charges	59.3	114.6

NOTES

NOTE 27. DEFERRED TAX LIABILITY

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Investment properties	8,476.6	8,931.4	879.6	876.3
Untaxed reserves	31.0	46.2	–	–
Pension provision	-5.4	-5.2	-5.4	-5.2
Right-of-use assets	147.6	156.9	–	–
Lease liability	-148.3	-157.0	–	–
Total	8,501.5	8,972.3	874.2	871.1

There were no loss carry-forwards at the year-end.

CHANGES IN DEFERRED TAX LIABILITY

SEK m	Balance at January 1	Reported within profit or loss	Balance at December 31
GROUP			
2020			
Investment properties	8,931.4	-454.8	8,476.6
Untaxed reserves	46.2	-15.2	31.0
Pension provision	-5.2	-0.2	-5.4
Right-of-use assets	156.9	-9.3	147.6
Lease liability	-157.0	8.7	-148.3
	8,972.3	-470.8	8,501.5
2019			
Investment properties	8,212.7	718.7	8,931.4
Untaxed reserves	85.1	-38.9	46.2
Interest derivatives	-0.8	0.8	–
Pension provision	-4.0	-1.2	-5.2
Right-of-use assets	–	156.9	156.9
Lease liability	–	-157.0	-157.0
	8,293.0	679.3	8,972.3

SEK m	Balance at January 1	Reported within profit or loss	Balance at December 31
PARENT COMPANY			
2020			
Investment properties	876.3	3.3	879.6
Pension provision	-5.2	-0.2	-5.4
	871.1	3.1	874.2
2019			
Investment properties	873.1	3.2	876.3
Interest derivatives	-0.8	0.8	–
Pension provision	-4.0	-1.2	-5.2
	868.3	2.8	871.2

NOTE 28. OTHER PROVISIONS

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

NOTE 29. OTHER LIABILITIES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
VAT	–	20.2	–	24.5
Other	92.4	85.3	17.2	8.2
Total	92.4	105.5	17.2	32.7

NOTE 30. UNTAXED RESERVES

SEK m	Parent Company	
	2020	2019
Accumulated depreciation in excess of plan		
Opening balance	45.6	74.5
Depreciation for the year	-6.9	-28.9
Closing balance	38.7	45.6
Tax allocation reserves	–	116.0
Total	–	116.0
Total untaxed reserves	38.7	161.6

NOTE 31. ACCRUED EXPENSES AND PREPAID INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Advance rent payments	227.7	302.0	174.1	198.9
Accrued interest expense	49.8	41.5	49.8	41.5
Other accrued expenses	263.9	200.5	231.8	174.5
Total	541.4	544.0	455.7	414.9

NOTE 32. PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Property mortgages for liabilities at credit institutions	1,251.6	507.5	1,251.6	507.5
(of which mortgages on subsidiaries' properties)			(–)	(156.0)
Other non-current receivables	20.9	20.5	20.9	20.5
Total	1,272.5	528.0	1,272.5	528.0

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

NOTE 33. AFFILIATIONS

Hufvudstaden AB is under the controlling influence of L E Lundberg-företagen AB and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen AB. Fredrik Lundberg's director's fee for 2020 was SEK 497,500. Details of payments to Board members and executives can be found in Note 8.

In addition to the affiliations 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 34. EVENTS AFTER THE YEAR-END

AB Nordiska Kompaniet reached an agreement on January 27, 2021 with RNB Retail and Brands to acquire the NK business within their subsidiary Departments & Stores Europe DSE. The business was acquired by NK Retail AB, a wholly owned subsidiary of NK. The acquisition closed on February 3, 2021. The purchase consideration was SEK 58 million and corresponds to the value of inventory. In all, NK Retail runs about 40 departments in fashion, cosmetics and jewellery at NK Stockholm and NK Gothenburg, together comprising around 25 per cent of the total number of departments in the department stores. Turnover for the business amounted to around SEK 770 million for the 2019/2020 financial year.

Proposed Allocation 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.

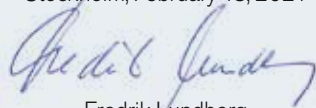
A statement explaining the proposed distribution of earnings is available on the Company's website, www.hufvudstaden.se, or can be obtained free of charge from the Company upon request.

Retained earnings	SEK 55,428,055
Profit for the year	SEK 2,699,513,328
	SEK 2,754,941,383
Dividend to the shareholders	
SEK 2.50 per share	SEK 505,767,333 ¹⁾
To be carried forward	SEK 2,249,174,050
	SEK 2,754,941,383

¹⁾ See Definitions, page 119, 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 18, 2021



Fredrik Lundberg
Chairman



Claes Boustedt
Board Member



Peter Egardt
Board Member



Liv Forhaug
Board Member



Louise Lindh
Board Member



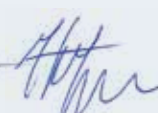
Fredrik Persson
Board Member



Sten Peterson
Board Member

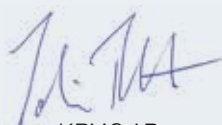


Anna-Greta Sjöberg
Board Member



Ivo Stopner
*President
Board Member*

Our audit report was submitted on February 19, 2021



KPMG AB
Joakim Thilstedt
Authorized Public Accountant



Office tenants thrive in our properties. In this year's customer satisfaction survey, we came out in top in the Large Company category.

Auditor's Report

To the general meeting of the shareholders of Hufvudstaden AB (publ.), corp. id 556012-8240

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hufvudstaden AB (publ.) for the year 2020, except for the pages 10-13, 40-49, 110 and 112 in the sustainability report. The annual accounts and consolidated accounts of the company are included on pages 10-13, 40-49, 53-87, 92-95, 110 and 112 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the pages 10-13, 40-49, 110 and 112 in the sustainability report.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Valuation of investment properties

See administration report page 54, note 17 and the accounting principles on pages 71 and 72 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Investment properties are accounted for at fair value in the consolidated accounts. The carrying value amounts to SEK 45,637 million as of 31 December 2020, which represents 96 % of the Group's total assets and is based on internal valuations of each of the Group's properties. These valuations are based on assumptions such as investment yield, future

occupancy rates and expected rentals. To assure the valuations management has additionally obtained property valuations carried out by independent external experts for a subset of the properties.

With regards to the valuation of investments in existing properties, it is also necessary to consider the group's processes for project management, in particular the monitoring of construction costs and any economic obligations in relation to these projects.

There is a risk that the underlying assumptions used to determine the carrying value of investment properties are proven to have been inappropriate and may need to be adjusted, which would directly affect the reported results for the period.

Response in the audit

We have assessed the internal valuation process and have selected samples for recalculating the completed property valuations. Particular attention has been given to valuations of properties with retail stores and restaurants as a consequence of the ongoing Covid-19 pandemic.

Assumptions about investment yield, rentals and vacancies have been evaluated against external data in terms of transactions involving similar properties, rent levels in newly subscribed rental agreements regarding the Group's properties and long term vacancies according to external valuation reports.

We have assessed whether the applied internal valuation methods seem reasonable by comparing them to methods that are, from our experience, used by other property companies and valuation experts. Additionally, we have made comparisons to the property valuations carried out by independent external experts, which the Group has obtained for a subset of its properties.

With regards to investments in existing properties, we have for a sample of projects had review meetings with the relevant project managers within the Group. We have evaluated the Group's internal controls for property development projects through procedures such as selecting samples for testing authorizations of investment calculations, contracting property development and maintenance

AUDITOR'S REPORT

work and current expenses. Moreover, we have taken part of prepared forecasts and analysis of potential deviations from original investment calculation in order to evaluate the accuracy of the forecasts in relation to our previous experience of projects that have already been completed.

Furthermore, we have considered the completeness of the underlying data and circumstances that are disclosed in the notes to the Annual Report and evaluated whether the information provided is sufficient to understand management's judgement and the key assumptions used.

Other Information than the annual accounts and consolidated accounts

Other information than the annual accounts and consolidated accounts will be published together with the annual accounts and consolidated accounts in a printed document. This other information will be found on pages 1–9, 14–39, 50–52, 96–109, 111 and 113–121 in the printed document. The other information comprises also the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

AUDITOR'S REPORT

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hufvudstaden AB (publ.) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's

type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the

audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor's opinion regarding the statutory sustainability report

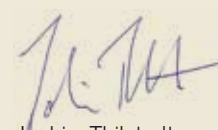
The Board of Directors is responsible for the sustainability report on pages 10–13, 40–49, 57, 110 and 112, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Hufvudstaden AB (publ.) by the general meeting of the shareholders on the 19 March 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 1999.

Stockholm 19 February 2021
KPMG AB



Joakim Thilstedt
Authorized Public Accountant

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, Nordic Main Market Rulebook for Issuers of Shares from Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), Rules on Remuneration of the Board and Executive Management and on Incentive Programmes ("the Remuneration Rules") from The Swedish Corporate Governance Board 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. 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 series A shares are listed on NASDAQ Stockholm. The Company's series C shares were delisted upon request by NASDAQ Stockholm in January, 2020. Share capital in the Company at year-end amounted to SEK 1,056,359,665, divided among 211,271,933 shares, giving a par value of SEK 5 per share. Of the shares, 203,000,047 are series A shares, carrying one vote per share, and 8,271,886 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is LE Lundbergföretagen AB, with a total of 46.2 per cent of outstanding shares and 88.4 per cent of the votes. Apart from LE Lundbergföretagen AB, there is no shareholder in the Company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the Company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request conversion of their series C shares into series A shares. During the year, 3,178 series C shares were converted to 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.

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 2020 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. In September 2020, 3,959,000 series A shares were bought back for SEK 500 million, corresponding to an average price of SEK 126.29 per share. As at December 31, 2020, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent of the total number of issued shares. No shares were bought back after the end of the reporting period (up to and including February 18, 2021).

Annual Meeting

Shareholders' right to decide in Hufvudstadens matters are exercised at the Annual General Meeting. Shareholders, who are registered in the share register as of the record date and has notified participation in time, has the right to participate and vote at the Annual General Meeting in person or through agents. Shareholder whose shares are nominee-registered must, in order to exercise voting rights at the Annual General Meeting, temporarily re-register their shares in their own name, according to what follows from the notice convening the Annual General Meeting. Decisions at the meeting are normally

made simple majority. In some matters prescribes however, the Companies Act that a proposal shall approved by a higher proportion of those on the meeting represented and cast the votes.

Individual shareholders, who wish to receive a matter discussed at the meeting, can request it from Hufvudstaden's board under special address, which is published on the company's website well in advance of the notice period for the meeting.

The Annual General Meeting will be held in Stockholm within six months of the financial year final. At the Annual General Meeting, matters are decided concerning, inter alia, the determination of income statements and balance sheets, dividends, discharge of liability for the board members and CEO, election of board members, Chairman of the Board and auditors and remuneration to the board and auditors, principles for remuneration to senior executives and other important issues. Calling to the Annual General Meeting takes place through advertising in Post- och Inrikes Tidningar and at the company website. That summons has been given advertised in Dagens Nyheter.

The 2020 Annual Meeting was held on March 19, 2020 with certain precautionary measures taken due to the corona pandemic. Only a few representatives of the Board of Directors and Senior Executives attended the meeting along with the Company's auditor. A large number of shareholders was represented by proxy to minimise the number of attendees and reduce the risk of transmission of the virus.

A total of 251 shareholders, representing 124,641,843 series A shares and 8,263,132 series C shares, were represented, and they represented 950,955,043 votes, equivalent to 93 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual Meeting to adopt the Income Statement and Balance Sheet presented, as well as the Consolidated Income Statement and Consolidated Balance Sheet, and to issue a dividend of SEK 3.90 per share to the shareholders. At the meeting, the members of the Board of Directors and the President were granted discharge from liability, and a decision was

reached on remuneration to the members of the Board of Directors and the auditors. In addition, all the 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 regarding guidelines for remuneration to senior executives and authorization of the Board of Directors to decide on the acquisition and transfer of the Company's own series A shares.

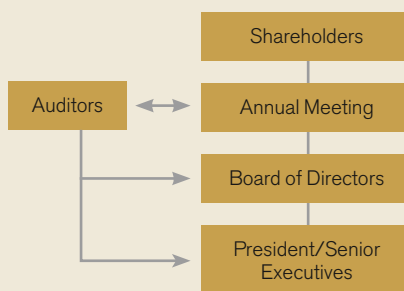
The 2021 Annual Meeting will be held through postal voting on March 25, 2021.

Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise a minimum of five and a maximum of ten members. Members are elected at 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 elected. In the light of the concentrated ownership structure, Hufvudstaden does not have a formally appointed election committee. The duty of an election committee to prepare decisions to be reached at the Meeting in matters relating to elections and fees rests with Hufvudstaden's main shareholder, LE Lundbergföretagen AB. Hufvudstaden's procedure regarding the election committee is a deviation from the Code. The main shareholder presents a proposal regarding the person who will chair the Annual Meeting, the Board of Directors, the Chairman of the Board, and remuneration to the Members of the Board of Directors. A proposal regarding the auditor and the audit fee is presented by the Board of Directors. Other shareholders have the opportunity to submit nomination proposals at the address stated on the Company website. The proposals are published no later than the time of the issuing of a summons to the Annual Meeting.

The main shareholder has applied point 4.1 in the Code as a diversity policy, which means that the composition of the Board of Directors must be well adapted in the light of the Company's operations, the current phase in its development, and circumstances in general. The composition of the Board must reflect diversity and breadth in terms of the expertise, experience and background of the members elected at the Annual Meeting, and an even gender distribution must be sought. A decision was reached at the 2020 Annual Meeting in accordance with the proposal set forth by the main shareholder, which resulted in the election

HUFVUDSTADEN'S CONTROL STRUCTURE



of nine members, of whom three were women and six were men.

As a basis for its proposal prior to the 2021 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.

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 Company's operations. All members of the Board have been assessed based on skills, experience and background. The only member of the Senior Executives on the Board is the President, and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder LE Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 96–97. An external lawyer is engaged to act as secretary to the Board of Directors.

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

The Chairman of the Board leads the work of the Board of Directors and has

Name	Function	Attendance ¹⁾	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	10	Yes	No
Claes Boustedt		10	Yes	No
Peter Egardt		10	Yes	Yes
Liv Forhaug		10	Yes	Yes
Louise Lindh		10	Yes	No
Fredrik Persson		10	Yes	Yes
Sten Peterson		10	Yes	No
Anna-Greta Sjöberg		10	Yes	Yes
Ivo Stopner ²⁾	President	5	No (employee)	Yes

¹⁾ Ten board meetings were held during the year, of which seven were held after the Annual Meeting.

²⁾ On sick leave January 1–June 30, 2020.

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

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The 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

The Board of Directors held ten meetings during 2020, of which one was a statutory meeting. Economic and financial reports and operational reports from the Business Area are presented at each Board meeting. In addition, key matters of a principle nature or of major economic significance are taken up at each ordinary meeting. The work of the Board of Directors during the year was aimed specifically at strategy discussions, issues relating to the economic climate and financing, property valuation, acquisitions, and investments. Other matters dealt with during the year were major current projects, including development projects in the NK department stores, the Skären 9 extension and redevelopment project, the outbreak and management of the corona pandemic, delisting of the Company's series C shares, buy-back of company shares, the contracting of a new auditor and the appointment of an additional Vice President. Company officials attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2019 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 of Directors have examined the matter of establishment of an audit committee and a remuneration committee but has chosen not to set up any committees and will instead handle mat-

ters that rest with such committees 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 Board of Directors as a whole perform the duties that rest with an audit committee, and that the entire Board, apart from the President, discharge the duties that rest with a remuneration committee, including following up and evaluating current variable remuneration programmes for the Executive Management as well as programmes that were terminated during the year. The Board of Directors also follows and evaluates the application of the guidelines governing remuneration to senior executives, as decided at the Annual Meeting, and governing Company remuneration structures and remuneration levels for senior executives.

Senior Executives

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to make well-informed judgements. The Senior Executives comprises the President and three business area heads, as well as the CFO, Head of Business Development, Head of Property Development, and Head of Human Resources. Bo Wikare is a Vice President and Anders Nygren was also appointed as a Vice President on October 1.

The Senior Executives meets approximately once a month to discuss current issues. They also hold a strategy conference twice a year. Hufvudstaden's President Ivo Stopner was on leave of absence from October 1, 2019 to June 30, 2020 due to need for recovery after a period of high workload. The Company's Vice President Bo Wikare handled the President's duties while he was away. Please refer to pages 98–99 for information about individual directors.

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 2020 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 AFRY, Ahlsell, Holmen, L E Lundbergföretagen and Nordic Entertainment Group.

The Board meets the Company's auditor twice a year, of which at least one meeting is in the absence of the President. On these occasions, the auditor presents a report, and there is a discussion about the audit 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 sixth-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 2020 it was decided that remuneration for the period up to the next Annual Meeting, totalling SEK 2,250,000, 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. Remuneration is divided between the Chairman, who receives SEK 500,000 and the other seven non-employed members, who each receive SEK 250,000.

Senior Executives

Guidelines on salaries, bonuses and other remuneration to the Company's senior executives are decided at the Annual Meeting. It was confirmed at the 2020 Annual Meeting that remuneration from the Company shall comprise salaries that are in line with the market, as well as a limited, profit-related bonus scheme as described below. The Company has no incentive schemes related to the share price. These guidelines have been followed since the 2020 Annual Meeting and the Board has used the opportunity to deviate from the guidelines regarding the weighting of the bonus criteria, see below. The guidelines will continue to apply in 2021 as the Board will not propose any changes of the guidelines to the Annual General Meeting 2021. Complete guidelines are presented in Note 8.

The Board has prepared a remuneration report for approval by the Annual General Meeting 2021. The auditor's statement on whether guidelines adopted at the Annual Meeting in 2020 governing remuneration to senior executives 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 senior executives following consultation with the Chairman of the Board.

For further information regarding salaries and remuneration, as well as guidelines for remuneration to senior executives, as adopted at the 2020 Annual Meeting, see Note 8.

Bonus

All permanent employees in the Group were included in a bonus scheme during the year. According to the guidelines, the bonus criteria for executive management should be weighted as follows: 70 per cent based on financial targets linked to operating results, 15 per cent based on operational targets related to customer satisfaction and 15 per cent based on individual targets. Aimed at increasing incentives to take the Company through the corona pandemic in the manner that is best for the business, the board decided that the criteria for 2020 should instead be weighted as follows: financial targets linked to operating results at 55 per cent, operational targets related to customer satisfaction at 15 per cent and individual targets at 30 per cent. The same weighting of the criteria applied to other employees.

Under the bonus scheme for both Senior Executives and other employees, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the Company shows a positive operating result before any unrealised changes in value. The cost of bonuses for all employees in 2020 amounted to SEK 3.0 million (6.2) or an average of SEK 148,000 per person for Senior Executives including the President and an average of SEK 14,000 for other employees.

Internal control and risk management

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

ment, 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 analyzes the outcome of the Company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects, and handling of tax matters.

Control measures

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

Information and communication

In-house information and external communication are governed on a general

level by, among other things, the Information Policy. Internal communication to and from the Board and the 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 whether reporting to the Board is functioning efficiently. This takes place 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 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.

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual Meeting. The members include persons who have links to Hufvudstaden's largest shareholder LE Lundberg-företagen AB. The President is also a member of the Board of Directors. Other senior executives in the Company take part in board meetings to present specific points. During 2020, the Board of Directors held ten 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 LE Lundberg-företagen AB. Chairman of Holmen AB and AB Industrivärden. Deputy Chairman of Svenska Handelsbanken AB. Member of the board of LE Lundbergföretagen AB and Skanska AB.

Holding in Hufvudstaden: 1,850,412 shares. (directly and through related parties).¹⁾



Claes Boustedt

Born 1962. MBA. Board member since 1998. Vice President of LE Lundbergföretagen AB. President of LE Lundberg Kapitalförvaltning AB. Member of the board of Förvaltnings AB Lunden and Sandvik AB. Holding in Hufvudstaden: 1,000 shares.



Fredrik Persson

Born 1968. MBA. Board member since 2016. Chairman of Ellevio AB, JM AB and the Confederation of Swedish Enterprise. Member of the board of AB Electrolux, Ahlström Capital Oy, ICA Gruppen AB and Interogo Holding AG. Previous positions include President and CEO of Axel Johnson AB. Holding in Hufvudstaden: 5,000 shares.



Sten Peterson

Born 1956. MSc. Board member since 2006. Member of the board of Fastighets AB LE Lundberg, Förvaltnings AB Lunden, J2L Holding AB, and LE Lundbergföretagen AB. Previous positions include President of Förvaltnings AB Lunden. Holding in Hufvudstaden: 2,000 shares.

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

BOARD OF DIRECTORS AND AUDITORS



Peter Egardt

Born 1949. BA.
Board member since 2003.
Member of the Riksdag Remuneration Board.
Previous positions include Governor of the County of Uppsala, and President of the Stockholm Chamber of Commerce and the Association of Swedish Chambers of Commerce.
Holding in Hufvudstaden: 20,000 shares.



Liv Forhaug

Born 1970. MBA.
Board member since 2016.
CEO Martin & Servera AB.
Chairman of the Board for subsidiaries of Martin & Servera.
Member of the board of the Swedish Trade Federation.
Previous experience includes positions as Chief Strategy Officer for ICA Gruppen AB and partner at McKinsey & Company.
Holding in Hufvudstaden: 1,800 shares.



Louise Lindh

Born 1979. MBA.
Board member since 2007.
President of Fastighets AB L E Lundberg.
Chairman of the Board of J2L Holding AB.
Member of the board of Fastighets AB L E Lundberg, Holmen AB and L E Lundbergföretagen AB.
Holding in Hufvudstaden: 29,166 shares.¹⁾



Anna-Greta Sjöberg

Born 1967. MA, MBA.
Board member since 2006.
President of Olivetta AB.
Chairman of the Board of Marginalen Bank Bankaktiebolag.
Member of the board of Magnolia Bostad AB and Tryggstiftelsen.
Previous positions include Managing Director of the Royal Bank of Scotland, Nordic Branch.
Holding in Hufvudstaden: 5,500 shares.



Ivo Stopner

Born 1962. MSc.
President and Board member since 1999.
No other material assignments outside the Group. Holding in Hufvudstaden: 3,000 shares (own and through related parties), and 59,992 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 1990.

Holdings in Hufvudstaden: 3,000 shares (own and through related parties), as well as 59,992 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.

John Lethenström

Born 1972. MSc.

Head of Property Development.

Employed 2017.

Holding in Hufvudstaden: –.

Christine Lindgren

Born 1969. BA.

Head of Human Resources.

Employed 2017.

Holding in Hufvudstaden: –.

Anders Nygren

Born 1970. MSc.

Vice President, Head of the Stockholm Business Area.

Employed 2006.

Holding in Hufvudstaden: –.

Mattias Nygårds

Born 1972. MSc.

Head of Business Development.

Employed 2011.

Holding in Hufvudstaden: 2,000 shares.

Fredrik Ottosson

Born 1972. MSc.

Head of the Gothenburg Business Area.

Employed 2016.

Holding in Hufvudstaden: –.

Åsa Roslund

Born 1966. MBA.

Chief Financial Officer.

Employed 2005.

Holding in Hufvudstaden: 3,000 shares.

Bo Wikare

Born 1963. MSc.

Vice President, Head of the NK Business Area.

Employed 1994.

Holding in Hufvudstaden: 3,062 shares.



From the left: Fredrik Ottosson, Bo Wikare, Åsa Roslund, Anders Nygren, Ivo Stopner, Christine Lindgren, John Lethenström and Mattias Nygårds.

SENIOR EXECUTIVES



Multi-year review – Group

	2020	2019	2018	2017	2016
Income Statements, SEK m					
<i>Net revenue</i>					
Property management	1,768	1,896	1,797	1,751	1,703
Other operations	72	85	86	90	87
	1,840	1,981	1,883	1,841	1,790
<i>Operating expenses</i>					
Maintenance, operation and administration	-325	-316	-307	-299	-291
Ground rents	–	–	-22	-23	-22
Property tax	-201	-201	-166	-167	-165
Depreciation	-5	-6	–	–	–
Property management, expenses	-531	-523	-495	-489	-478
Other operations, expenses	-69	-53	-51	-51	-50
	-600	-576	-546	-540	-528
Gross profit	1,240	1,405	1,337	1,301	1,262
– of which Property management	1,237	1,373	1,302	1,262	1,226
– of which Other operations	3	32	35	39	37
Central administration	-47	-49	-44	-41	-43
Operating profit before changes in value and items affecting comparability	1,193	1,356	1,293	1,260	1,220
Items affecting comparability	36	–	–	-139	–
Changes in value, investment properties	-2,930	2,727	3,621	2,848	4,160
Changes in value, interest derivatives	–	4	26	62	45
Operating profit or loss	-1,702	4,087	4,940	4,031	5,425
Financial income and expense	-132	-119	-120	-136	-141
Profit or loss before tax	-1,833	3,968	4,820	3,895	5,284
Tax	371	-822	-500	-860	-1,164
Profit or loss for the year	-1,462	3,146	4,320	3,035	4,120
Balance Sheets, SEK m					
<i>Assets</i>					
Investment properties	45,636	47,681	44,089	39,730	36,517
Other non-current assets	874	861	37	20	19
Current assets	887	1,800	1,249	545	1,173
Total assets	47,397	50,342	45,375	40,295	37,709
<i>Equity and liabilities</i>					
Equity	28,617	31,383	29,000	25,402	23,047
Interest-bearing liabilities	9,370	9,110	7,350	6,200	6,650
Other liabilities and allocations	9,410	9,849	9,025	8,693	8,011
Total equity and liabilities	47,397	50,342	45,375	40,295	37,709
Property holdings					
Fair value, SEK bn	45.6	47.7	44.1	39.7	36.5
Tax assessment value, SEK bn	20.5	20.5	16.7	16.8	16.8
Rentable floor space, 1,000 sq m	386.8	384.2	384.5	384.7	389.0
Rental vacancy level, %	8.2	5.0	2.6	3.9	3.9
Floor space vacancy level, %	9.8	6.7	4.3	5.5	5.3
Investments in properties, SEK m	886	865	738	584	617
Net operating income, SEK per sq m ¹⁾	3,199	3,574	3,386	3,279	3,151

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.

MULTI-YEAR REVIEW – GROUP

	2020	2019	2018	2017	2016
Financial key ratios ¹⁾					
Surplus ratio, %	67	71	71	71	71
Return on equity, %	-4.9	10.4	14.1	12.5	19.3
Return on capital employed, %	-4.3	10.7	14.7	13.2	19.7
Equity ratio, %	60	62	64	63	61
Interest coverage ratio, multiple	9.1	11.4	10.5	9.3	8.6
Debt/equity ratio, multiple	0.3	0.2	0.2	0.2	0.2
Net loan-to-value ratio, properties, %	18.8	15.5	14.2	14.6	15.2
Cash flow from current operations, SEK m	1,072	1,367	1,003	999	1,029
Cash flow for the year, SEK m	-923	635	676	-719	671
Average number of employees in the Group	140	135	127	118	113
Share data (no dilution effect) ¹⁾					
Profit for the year, SEK	-7.13	15.25	20.94	14.71	19.98
Dividend, SEK	2.50 ²⁾	3.90	3.70	3.50	3.30
Dividend proportion, %	61 ²⁾	83	83	82	81
Equity, SEK	141.45	152.15	140.59	123.15	111.74
Fair value of properties, SEK	225.58	231.16	213.75	192.62	177.04
Cash flow from current operations, SEK	5.23	6.63	4.86	4.84	4.99
Cash flow for the year, SEK	-4.50	3.08	3.28	-3.49	3.25
Share price, series A, at the year-end, SEK	136.20	185.10	136.90	131.40	143.90
P/E ratio, multiple	-19.1	12.1	6.5	8.9	7.2
Share price series A/equity, %	96.3	121.7	97.4	106.7	128.8
Yield, %	1.8 ²⁾	2.1	2.7	2.7	2.3
Number of outstanding shares at the year-end	202,306,933	206,265,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	205,130,742	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
EPRA Performance Measures ³⁾					
Result from property management after nominal tax (EPRA Earnings), SEK m	984	1,132	1,064	998	962
Result from property management after nominal tax (EPRA EPS), per share, SEK	4.80	5.49	5.16	4.84	4.66
Long-term EPRA NRV	37,232.3	40,453.3	37,216.0	33,255.3	30,241.8
Net reinstatement value (EPRA NRV) per share, SEK	184	196	181	161	146
Net tangible assets (EPRA NTA), SEK m	35,014.4	38,181.2	35,210.7	31,447.3	28,627.6
Net tangible assets (EPRA NTA) per share, SEK	173	185	171	153	139
Net disposal value (EPRA NDV), SEK m	28,616.5	31,382.7	28,999.5	25,401.7	23,047.4
Net disposal value (EPRA NDV) per share, SEK	141	152	141	123	112
EPRA vacancy rate, %	6.7	1.7	1.3	2.4	2.6

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⁾ Hufvudstaden presents certain financial measures ("alternative performance measures") that are not defined under IFRS. The purpose of these measures is to describe the company's development and improve comparability between periods. The key figures categorised as alternative performance measures are defined on page 119 and the derivations are found on pages 102–103.

Alternative performance measures

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the performance measures presented in the Annual Report on pages 100–101 are

alternative performance measures, i.e. a set of financial metrics not defined in IFRS or the Annual Accounts Act, and which are used to present the Company's development and improve comparability between periods. Definitions of

performance measures are given under Definitions and Glossary, see page 119. Below is the derivation of alternative performance measures.

SEK m	2020	2019	2018	2017	2016
Net debt					
Non-current interest-bearing liabilities	6,200	6,700	5,700	3,700	4,000
Non-current lease liabilities	710	719	–	–	–
Current interest-bearing liabilities	2,450	1,650	1,650	2,500	2,650
Current lease liabilities	10	41	–	–	–
Cash and bank holdings	-784	-1,706	-1,071	-395	-1,114
Net debt	8,586	7,404	6,279	5,805	5,536
Equity ratio					
Equity	28,617	31,383	29,000	25,402	23,047
Total assets	47,397	50,342	45,375	40,295	37,709
Equity ratio, %	60	62	64	63	61
Net loan to value ratio, properties					
Interest-bearing liabilities	8,650	8,350	7,350	6,200	6,650
Lease liabilities	720	760	–	–	–
Interest-bearing assets	-784	-1,706	-1,071	-395	-1,114
Total	8,586	7,404	6,279	5,805	5,536
Carrying amount, properties	45,637	47,681	44,089	39,730	36,517
Net loan to value ratio, properties, %	18.8	15.5	14.2	14.6	15.2
Interest coverage ratio					
Profit or loss before tax	-1,833	3,968	4,820	3,895	5,284
Reversal of items affecting comparability and changes in value	2,894	-2,731	-3,647	-2,771	-4,205
Interest expense	132	119	123	136	141
Total	1,193	1,356	1,296	1,260	1,220
Interest expense	132	119	123	136	141
Interest coverage ratio, multiple	9.1	11.4	10.5	9.3	8.6

ALTERNATIVE PERFORMANCE MEASURES

SEK m	2020	2019	2018	2017	2016
Result from property management after nominal tax (EPRA Earnings)					
Operating profit before items affecting comparability and changes in value	1,193	1,356	1,293	1,259	1,219
Financial income and expense	-132	-119	-120	-136	-141
Result from property management	1,061	1,237	1,173	1,123	1,078
Actual tax, property management result	-77	-105	-109	-125	-116
Result from property management after nominal tax (EPRA Earnings)	984	1,132	1,064	998	962
Number of outstanding shares, million	205.1	206.3	206.3	206.3	206.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	4.80	5.49	5.16	4.84	4.66
Net asset value (EPRA NRV/NTA/NDV)					
Equity according to the Balance Sheet	28,617	31,383	29,000	25,402	23,047
<i>Reversal</i>					
Derivatives according to the Balance Sheet	-	-	4	30	92
Deferred tax ¹⁾	8,616	9,071	8,213	7,823	7,103
Net Reinstatement Value (EPRA NRV)	37,232	40,453	37,216	33,255	30,242
Number of outstanding shares, million	202	206	206	206	206
Net Reinstatement Value (EPRA NRV) per share, SEK	184	195	181	161	146
<i>Deductions</i>					
Intangible assets	-127	-71	-12	-	-
Estimated fair liability, deferred tax 5%	-2,091	-2,202	-1,993	-1,778	-1,614
Net Tangible Assets (EPRA NTA)	35,014	38,146.2	35,218.8	31,447.0	28,535.7
Number of outstanding shares, million	202	206	206	206	206
Net Tangible Assets (EPRA NTA) per share, SEK	173	185	171	152	138
<i>Reversal</i>					
Derivatives as above	-	-	-4	-30	-92
Intangible assets as above	127	71	12	-	-
Deferred tax in its entirety	-6,525	-6,869	-6,219	-6,045	-5,488
Net disposal value (EPRA NDV)	28,617	31,383	29,000	25,402	23,047
Number of outstanding shares, million	202	206	206	206	206
Net disposal value (EPRA NDV) per share, SEK	141	152	141	123	112

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

Business areas in figures

Property holdings (comparable holdings)	Stockholm Business Area				NK Business Area				Gothenburg Business Area				Property management, total			
	2020		2019		2020		2019		2020		2019		2020		2019	
	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm	SEK m	SEK/ sqm
Gross rent, including charge for consumables (of which property tax supplement)	1,145.2	5,553	1,124.5	5,525	441.1	4,803	525.0	5,707	372.1	4,195	377.6	4,257	1,958.4	5,064	2,027.1	5,276
Rent losses on vacant space	105.1	510	106.2	522	37.4	407	37.3	405	29.1	328	30.5	344	171.6	444	174.0	453
Bad debt losses	-83.6	-405	-67.6	-332	-38.8	-423	-31.5	-342	-30.7	-346	-23.6	-266	-153.1	-396	-122.7	-319
	-9.0	-44	-0.5	-2	-26.3	-286	-5.6	-61	-2.1	-24	-1.9	-21	-37.4	-97	-8.0	-21
Net sales	1,052.6	5,104	1,056.4	5,191	376.0	4,094	487.9	5,304	339.3	3,825	352.1	3,970	1,767.9	4,571	1,896.4	4,936
Maintenance	-14.4	-70	-16.8	-83	-6.7	-73	-6.3	-68	-5.9	-67	-5.8	-65	-27.0	-70	-28.9	-75
Operations	-62.5	-303	-64.6	-317	-95.1	-1,036	-86.7	-942	-39.2	-442	-41.5	-468	-196.8	-509	-192.8	-502
Administration	-46.5	-225	-44.7	-220	-35.6	-388	-29.9	-325	-19.2	-216	-19.6	-221	-101.3	-262	-94.2	-245
Ground rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property tax	-116.8	-566	-116.8	-574	-46.7	-509	-47.1	-512	-36.8	-415	-36.8	-415	-200.3	-518	-200.7	-522
Depreciation	-0.3	-1	-2.0	-10	-4.5	-49	-4.5	-49	-0.3	-3	-0.3	-3	-5.1	-13	-6.8	-18
Total property expenses	-240.5	-1,165	-244.9	-1,204	-188.6	-2,055	-174.5	-1,896	-101.4	-1,143	-104.0	-1,172	-530.5	-1,372	-523.4	-1,362
Gross operating profit	812.1	3,939	811.5	3,987	187.4	2,039	313.4	3,408	237.9	2,682	248.1	2,798	1,237.4	3,199	1,373.0	3,574

Property data December 31	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
	2020	2019	2020	2019	2020	2019	2020	2019
Number of properties	22	22	3	3	4	4	29	29
Floor space, sq m	206,227	203,530	91,829	92,000	88,703	88,697	386,759	384,227
– offices	133,077	129,615	16,200	16,200	50,518	50,599	199,795	196,414
– retail and restaurants	42,254	42,483	37,787	37,865	31,261	31,178	111,302	111,526
Annual rent, SEK m	1,203	1,144	472	521	345	359	2,020	2,024
Rental vacancy level, %	5.8	5.5	10.5	4.7	13.7	4.0	8.2	5.0
Floor space vacancy level, %	6.8	7.8	9.0	4.9	17.9	6.0	9.8	6.7
Total rentable parking spaces	619	630	660	800	51	51	1,330	1,481

Rentable space and annual rent December 31, 2020	Stockholm Business Area		NK 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
Offices	133,077	837	16,200	92	50,518	158	199,795	1,087
Retail and restaurants	42,254	322	37,787	323	31,261	173	111,302	818
Storage and miscellaneous	11,933	20	13,369	29	4,870	11	30,172	60
Parking	18,468	23	24,473	28	1,275	2	44,216	53
Residential	495	1	0	0	779	1	1,274	2
Total	206,227	1,203	91,829	472	88,703	345	386,759	2,020

Floor space vacancy level and rental vacancy level December 31, 2020	Stockholm Business Area		NK 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
Offices	6,435	41.7	2,813	16.1	10,696	27.8	19,944	85.6
Retail and restaurants	3,163	22.4	3,950	29.4	3,294	16.0	10,407	67.8
Storage and miscellaneous	2,906	3.6	1,469	4.2	1,424	2.7	5,799	10.5
Parking	1,464	2.0	0	0.0	50	0.3	1,514	2.3
Residential	0	0.0	0	0.0	377	0.4	377	0.4
Total	13,968	69.7	8,232	49.7	15,841	47.2	38,041	166.6

BUSINESS AREAS IN FIGURES

Maturity analysis ^{1) 2) 3)} December 31, 2020

Number of leases	2021	2022	2023	2024	2025	2026–	Total
Stockholm Business Area							
Offices	50	61	53	23	21	15	223
Retail	26	14	28	14	12	8	102
Other	358	124	98	40	43	33	696
Total	434	199	179	77	76	56	1,021
Proportion, %	42.5	19.5	17.5	7.5	7.5	5.5	100.0
NK Business Area							
Offices	5	4	2	1	0	4	16
Retail	52	26	30	19	8	7	142
Other	47	42	32	16	6	4	147
Total	104	72	64	36	14	15	305
Proportion, %	34.1	23.6	21.0	11.8	4.6	4.9	100.0
Gothenburg Business Area							
Offices	23	7	7	6	2	4	49
Retail	27	20	7	14	3	5	76
Other	67	23	22	12	5	4	133
Total	117	50	36	32	10	13	258
Proportion, %	45.3	19.4	14.0	12.4	3.9	5.0	100.0
Hufvudstaden, total							
Offices	78	72	62	30	23	23	288
Retail	105	60	65	47	23	20	320
Other	472	189	152	68	54	41	976
Total	655	321	279	145	100	84	1,584
Proportion, %	41.3	20.3	17.6	9.2	6.3	5.3	100.0

Annual rent, SEK m	2021	2022	2023	2024	2025	2026–	Total
Stockholm Business Area							
Offices	140.3	164.0	170.8	134.3	80.0	147.7	837.1
Retail	36.9	27.2	73.6	36.7	41.9	43.0	259.3
Other	21.7	12.7	6.6	6.2	8.6	17.9	73.7
Total	198.9	203.9	251.0	177.2	130.5	208.6	1,170.1
Proportion, %	17.0	17.4	21.5	15.1	11.2	17.8	100.0
NK Business Area							
Offices	1.9	22.1	7.6	18.2	0.0	26.3	76.1
Retail	74.7	39.3	71.6	51.1	19.0	32.7	288.4
Other	3.0	5.9	7.1	12.3	3.8	0.3	32.4
Total	79.6	67.3	86.3	81.6	22.8	59.3	396.9
Proportion, %	20.1	17.0	21.7	20.6	5.7	14.9	100.0
Gothenburg Business Area							
Offices	34.0	21.5	20.6	23.5	4.5	37.1	141.2
Retail	29.4	37.7	18.1	44.9	4.3	25.8	160.2
Other	6.9	5.5	6.2	4.7	0.1	0.7	24.1
Total	70.3	64.7	44.9	73.1	8.9	63.6	325.5
Proportion, %	21.6	19.9	13.8	22.5	2.7	19.5	100.0
Hufvudstaden, total							
Offices	176.2	207.6	199.0	176.0	84.5	211.1	1,054.4
Retail	141.0	104.2	163.3	132.7	65.2	101.5	707.9
Other	31.6	24.1	19.9	23.2	12.5	18.9	130.2
Total	348.8	335.9	382.2	331.9	162.2	331.5	1,892.5
Proportion, %	18.4	17.8	20.2	17.5	8.6	17.5	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 2019, SEK m
STOCKHOLM BUSINESS AREA					
Kungsgatan Management Area					
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	433.0
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	488.0
Kåkenhusen 40	Brunnsgatan 1–9, Norrlandsgatan 29–33, Kungsgatan 4–10	4,934	1921/2011	1926/28/30/32/, 84/85/89/91	1,334.0
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 27–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,585.0
Total		11,830			3,840.0
Norrmalmstorg Management Area					
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	257.0
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	459.0
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	269.0
Norrmalm 2:63 ²⁾	Norrmalmstorg		1992	1993	15.4
Packarhuset 4 ¹⁾³⁾	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,220.0
Pumpstocken 10 ¹⁾	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78/, 91/2000	1865/97/1901/29/, 84/96/97/2006	964.9
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	221.0
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	218.0
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	537.0
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39/, 2007	1902/42/64/, 90/2002	800.0
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001/20	730.0
Vildmannen 7 ¹⁾⁴⁾	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	164.0
Total		17,663			5,855.3
West Management Area					
Achilles 1 ⁵⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	1600-talet/1974	182.0
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	315.0
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	155.0
Medusa 1 ¹⁾⁶⁾	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	90.8
Orgelpipan 7 ⁷⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	1,089.0
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	271.0
Total		12,075			2,102.8
Total, Stockholm Business Area		41,568			11,798.1
NK BUSINESS AREA					
NK Management Area, Stockholm					
Hästen 19 ^{1),9)} and 20 ^{8),9)} , Spektern 14 ^{8),9)}	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	3,231.0
NK Management Area, Gothenburg					
Inom Vallgraven 10:9 ⁹⁾	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	777.0
Parkaden Management Area					
Hästskon 10 ¹⁰⁾	Regeringsgatan 47–55, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	972.8
Total, NK Business Area		18,316			4,980.8
GOTHENBURG BUSINESS AREA					
Gothenburg Management Area					
Inom Vallgraven 3:2 ¹¹⁾	Stora Nygatan 17, Lilla Drottninggatan 3	784	2016	1856	32.4
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	372.0
Inom Vallgraven 12:11	Drottninggatan 50–52, Södra Hamngatan 45–47, Fredsgatan 2–4	2,138	1967/, 2010/11	1875/1929/30	206.8
Nordstaden 8:24	Postgatan 26–32 and 39–43, Nordstadstorget 2–8, Spannmålgatan 19, Nils Ericsonsgatan 17, Götgatan 9–11, Köpmansgatan 28–34, Östra Hamngatan 26–28	12,678	1979/2013	1972/2005/11	2,790.0
Nordstaden GA:5 ¹²⁾	Nordstadstorget med flera				319.5
Total, Gothenburg Business Area		19,757			3,720.7
TOTAL		79,641			20,499.6

PROPERTIES

Rentable space, sq m								
Offices	Retail Restaurants	Cinemas	Storage	Parking	Residential	Other	Total	
4,972	1,899		210				7,081	
6,403	1,809		990				9,202	
17,091	2,987	1,668	821				22,567	
20,830	5,069		2,024	1,612		5	29,540	
49,296	11,764	1,668	–	4,045	1,612	–	5	68,390
2,839	372	453		281	726		4,671	
2,808	1,324	2,819		99			7,050	
2,461	493	144		342			3,440	
		194					194	
11,225	3,663		499				15,387	
7,811	3,889	499	75		192	1	12,467	
1,997	750		28				2,775	
1,631	809	474	2				2,916	
4,847	1,529	287	272				6,935	
7,836	2,103		509	836			11,284	
10,966	1,637		389	737			13,729	
							–	
54,421	16,569	4,870	–	2,496	2,299	192	1	80,848
4,014	351		593					4,958
7,614	379	263		877				9,133
2,756				8				2,764
1,286	242	271		104		303		2,206
9,961	3,733	1,969		1,349	13,450		1	30,463
3,729	175		1,893	561	1,107			7,465
29,360	4,880	2,503	1,893	3,492	14,557	303	1	56,989
133,077	33,213	9,041	1,893	10,033	18,468	495	7	206,227
11,143	21,939	2,514		3,798			16	39,410
5,057	10,006	640		1,015			4	16,722
	1,973	715		8,535	24,473		1	35,697
16,200	33,918	3,869	–	13,348	24,473	–	21	91,829
1,230	262		72					1,564
10,438	3,278	589	869	1,275				16,449
1,876	1,709		393		779			4,757
36,974	23,653	1,770	3,467				69	65,933
								–
50,518	28,902	2,359	–	4,801	1,275	779	69	88,703
199,795	96,033	15,269	1,893	28,182	44,216	1,274	97	386,759

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⁾ The property was ravaged by a fire on November 7, 2017 and much of the building was destroyed.

⁵⁾ The property is a listed building.

⁶⁾ Owned by the subsidiary Fastighetsaktiebolaget Medusa.

⁷⁾ Orgelpipan 7 is a leasehold property. The ground rent is SEK 12.8 million, fixed until October 31, 2024. The tax assessment value of the land is included to the amount of SEK 573.0 million.

⁸⁾ Hästen 20 and Spektern 14 are leasehold properties. The ground rent for Hästen 20 is SEK 3.3 million, fixed until April 30, 2022. The ground rent for Spektern 14 is SEK 1.4 million, fixed until September 30, 2025. The tax assessment value of the land is included to the amount of SEK 77.0 million.

⁹⁾ Owned by the subsidiary AB Nordiska Kompaniet.

¹⁰⁾ Owned by the subsidiary AB Hamngatsgaraget. Hästskon 10 is a leasehold property and the ground rent is SEK 4.4 million, fixed until August 31, 2024. The tax assessment value of the land is included to the amount of SEK 814.5 million. A review of the tax assessments for 2013 and 2016 has been requested. Part of the rentable floor space is now included in the NK department store in Stockholm.

¹¹⁾ Owned by the subsidiary Gbg Inom Vallgraven 3–2 AB.

¹²⁾ The property is jointly owned and includes parking operations, certain leasing of premises, as well as servicing and maintenance of pedestrian precincts, loading areas, cooling systems and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.

For maps and photographs, see pages 20–22.



”

Hufvudstaden offers office and retail premises in prime locations in Stockholm and Gothenburg.

←
Bibliotekstan offers a wide choice of nice restaurants and bars.

→
French fashion brands Hermès and Saint Laurent have opened new departments at the NK department store in Stockholm.



Detailed sustainability information

This is Hufvudstaden's tenth sustainability report in accordance with GRI's guidelines for sustainability reporting. Hufvudstaden is reporting the sustainability work annually and this year's report has been prepared in accordance with the GRI Standards, Core level. Consideration has been given to GRI's sector-specific supplements for the construction and property sector. Hufvudstaden reports detailed sustainability performance measures in accordance with sBPR (Best Practices Recommendations on Sustainability Reporting, third version) published by EPRA (European Public Real Estate Association). The Sustainability Report follows Hufvudstadens fiscal year. The previous sustainability reports were published in February 2020.

Sustainability management at Hufvudstaden

Carefully planned and ambitious sustainability work is an integral part of Hufvudstaden's strategy for attaining financial and operational objectives. Sustainability work is integrated in the processes for governance and monitoring of the company's operations. Detailed process descriptions have been established for everything from how building projects should be implemented to how leases should be arranged. Hufvudstaden's management decides the company's strategies, policies and sustainability goals. The president is ultimately responsible for performance and compliance with our policies. Hufvudstaden's head of sustainability prepares the sustainability targets in consultation with the Hufvudstaden Sustainability Council, and coordinates and guides our sustainability work towards the targets. The head of sustainability reports to the head of property development, who is a member of executive management. We track our targets, follow procedures and drive our sustainability work forward together in ongoing operations. Read more about our sustainability work on pages 11–13 and 40–49.

Employees, at year-end

102-7, 102-8

Employees	2020	2019	2018
Total number of employees	144	135	134
<i>Women</i>			
Number of permanent employees	63	56	56
Full-time	60	54	55
Part-time	3	2	1
Number of temporary employees	6	4	2
<i>Men</i>			
Number of permanent employees	75	75	76
Full-time	75	75	75
Part-time	0	0	1
Number of temporary employees	0	0	0

Sustainability tools and frameworks

External initiatives endorsed by the organisation

102-12

Hufvudstaden's sustainability work is based on the ten principles of the UN Global Compact and the UN Sustainable Development Goals. The principles and the goals imbue our values and our guiding documents, such as our sustainability plan, our Code of Conduct and our policies.

Other initiatives endorsed by Hufvudstaden: Fossil-Free Sweden – Roadmap to Fossil-Free Heating 2045, Byggvarubedömningen, Global Reporting Initiative (GRI) and the European Public Real Estate Association (EPRA).

Values, principles, standards and norms of behaviour

102-16

Hufvudstaden's values and internal guidelines are the foundation of our sustainability work. Examples of these are our values, our Code of Conduct and policies that guide our actions and our work in society. Read more about Hufvudstaden's values on page 40. The documents listed below have been approved by Senior executives.

Hufvudstaden's policy documents

Alcohol and Drug Policy
Health and Safety Policy
Fire Safety Policy
Finance Policy
Health Policy
Privacy Policy (GDPR)
IT and Telephone Policy
Equal Opportunity Policy
Remuneration Policy
Environmental Policy
Policy against bribes and illicit benefits
Rehabilitation Policy
Recruitment Policy
Travel Policy
Safety and Security Policy
Code of Conduct
Whistleblower Policy

Hufvudstaden's policies and Code of Conduct

Hufvudstaden has several internal documents that set the frameworks for our business and our employees. All employees are expected to be familiar with these documents and act in accordance with the guidelines they contain. The documents approved by Group management are listed above. Hufvudstaden's Code of Conduct clarifies our responsibility and our actions in our dealings with internal and external stakeholders. The Code of Conduct is based on our values and sets out how we, our suppliers and our business partners should act as representatives of Hufvudstaden. Through our Code of Conduct, we take a stance on issues related to human rights, working conditions, the environment, business ethics and communication. Hufvudstaden employees and suppliers must comply with applicable laws and regulations as well as our Code of Conduct. Our Code of Conduct is public and is appended to all major agreements.

All employees undergo training related to our Code of Conduct. Dilemmas and problems are regularly discussed on introduction days, at employee conferences and at departmental meetings. We have prioritised continuous training of employees about our Code of Conduct and maintaining dialogue on ethical issues.

DETAILED SUSTAINABILITY INFORMATION

Stakeholder engagement

102-40, 102-42, 102-43, 102-44

Hufvudstaden has identified five main stakeholder groups on which we have the greatest direct or indirect impact: tenants, employees, shareholders, suppliers and society. We engage in ongoing dialogue with these groups to further develop our sustainability work and ensure that we are working on the topics that are most material to the company. We also carried specific stakeholder engagement initiatives in 2018 wherein a number of representatives from each stakeholder group were selected and contacted for an interview. The discussions focused on which sustainability aspects Hufvudstaden has the greatest potential to impact and how the company should improve its sustainability communication.

Stakeholders	Key topics	Approach to stakeholder engagement
Tenants	<ul style="list-style-type: none"> ▪ High level of service ▪ Energy consumption ▪ Climate impact ▪ Waste management ▪ Social and ethical responsibility within the supply chain ▪ Urban development 	<ul style="list-style-type: none"> ▪ Customer Satisfaction Surveys ▪ Regular tenant meetings ▪ Newsletters ▪ Green leases
Employees	<ul style="list-style-type: none"> ▪ Equal opportunity ▪ Social engagement ▪ Skills development ▪ Health and Safety ▪ Leadership 	<ul style="list-style-type: none"> ▪ Performance and career development reviews ▪ Employee Satisfaction Surveys ▪ Employee meetings ▪ Conferences
Shareholders	<ul style="list-style-type: none"> ▪ Communication related to sustainability topics ▪ Social and ethical responsibility within the supply chain ▪ Business ethics 	<ul style="list-style-type: none"> ▪ Annual general meeting ▪ Analyst meetings ▪ Annual report ▪ Quarterly reports ▪ Investor meetings
Suppliers	<ul style="list-style-type: none"> ▪ Standards of business ethics and environmental requirements ▪ Communication related to sustainability topics 	<ul style="list-style-type: none"> ▪ Procurement ▪ Contracts ▪ Code of Conduct
Society	<ul style="list-style-type: none"> ▪ Climate impact ▪ Communication related to sustainability topics ▪ Social and ethical responsibility within the supply chain 	<ul style="list-style-type: none"> ▪ Annual report ▪ Website ▪ Media

Materiality analysis

102-46, 102-47

A fundamental materiality analysis was performed by Hufvudstaden's sustainability working group in 2018. This is a continuous effort and part of verifying that our company's actual impact and strategic objectives align with stakeholder expectations. In 2020, workshops and discussions have taken place regarding Hufvudstadens materiality analysis in connection with the development of Hufvudstadens sustainability plan. Topics discussed were:

- Local and global challenges and opportunities
- Hufvudstaden's opportunities to create value
- Hufvudstaden's opportunities to influence and make a difference
- Stakeholder expectations

In the context of engagement with our main stakeholders during the year, it emerged that their expectations relating to matters of climate impact, climate-related risks and opportunities and risks in the supply chain are rising. Hufvudstaden's actual impact on the world did not change appreciably during the year. The sustainability topics assessed as the most material are shown below in the materiality analysis.

Based on the outcomes of stakeholder engagement and Hufvudstaden's materiality analysis, Hufvudstaden has identified three focus areas for sustainability work: minimise, future-proof and collaborate. These areas are brought together in Hufvudstadens sustainability plan.

HUFVUDSTADEN'S MATERIALITY ANALYSIS



DETAILED SUSTAINABILITY INFORMATION

Economic value generated and distributed

201-1

As a company, we affect the economy in a variety of ways, including taxes and payments to business partners as well as salaries, pensions and social insurance contributions for our employees. The following table shows how Hufvudstaden's revenue during 2020 was distributed among various stakeholder groups.

Economic value generated and distributed	SEKm	%
Revenue	1,840	100
Retained economic value	158	9
Operations	487	26
Employees	160	9
Interest	132	7
Tax	99	5
Dividends	804	44

Anti-corruption

205-3

We cherish that business are honest. Being an honest and reliable business partner promotes good relationships with stakeholders. Hufvudstaden works with a control system to mitigate the risks of corruption, bribery and other breaches. Allocation of responsibility and structured processes in the control system ensure that business is conducted properly. It is important that irregularities that concern the company and which could cause serious harm to the business or our employees are detected and investigated as soon as possible. Hufvudstaden has a whistleblower service that can be accessed from our website

and the intranet. The service makes it possible for people to report suspicions of corruption, bribery and other breaches via an external party.

There were no reports to our whistleblower service during the year.

Membership of associations

102-13

Hufvudstaden participates actively in the following industry-affiliated networks and associations related to sustainable development:

- Byggarubedömningen
- Sweden Green Building Council
- Swedish Property Federation
- Swedish Energy Agency Construction Clients Forum for Commercial Premises (BELOK)

Sustainability surveys and awards

Hufvudstaden participates in several sustainability surveys. The Global Real Estate Sustainability Benchmark (GRESB) carries out annual sustainability performance assessments of real estate companies and investment funds based on what investors and the industry consider the most material sustainability aspects.

This year, more than 1,200 companies participated in GRESB and Hufvudstaden placed first among European companies its peer group. The peer group against which Hufvudstaden was compared is not official. We were awarded five stars in the annual GRESB ranking of ESG performance in the real estate sector and were recognised as an ESG Sector Leader.

ENVIRONMENTAL

Energy consumption

302-1, 302-3

Elec-Abs, Elec-Lfl, DH&C-Abs, DH&C-Lfl, Fuels-Abs, Fuels-Lfl, Energy-Int

Direct energy consumption

Hufvudstaden has no direct energy consumption. We do not use any fuel oils or gas to heat our properties.

Indirect energy consumption

All data is exclusive of tenant electricity.

Type of energy	EPRA code	Energy consumption		Proportion of non-fossil energy consumption, %	
		2020	2019	2020	2019
District heating, normal year-adjusted, MWh		16,096	18,079	99	91
District cooling, MWh		4,008	5,331	100	100
Total district heating and district cooling, normal year-adjusted, MWh	DH&C-Abs, DH&C-Lfl	20,104	23,410	99	93
Property electricity, MWh	Elec-Abs, Elec-Lfl	19,765	22,676 ¹⁾	100	100
Total energy consumption, normal year-adjusted, MWh		39,869	46,086 ¹⁾	100	97
Energy intensity, normal year-adjusted, kWh/sq m	Energy-int	91	106 ¹⁾	100	97
Total energy consumption, non-normal year-adjusted, MWh		37,069	44,547 ¹⁾	100	97

¹⁾ The values for 2019 have been adjusted to correct a measurement error.

Climate emissions

305-1, 305-2, 305-4

GHG-Dir-Abs, GHG-Indir-Abs, GHG-Int

Greenhouse gas (GHG) emissions are calculated based on the international guidelines set out in the GHG Protocol. Hufvudstaden's method for calculating GHG emissions has been verified by a third party.

Scope	Conversion factor
Scope 1	Company cars: 200 g/km
Scope 1	Refrigerants: IPCC AR5
Scope 2	Origin-labelled renewable electricity 0 tonnes CO _{2e} /MWh ¹⁾
Scope 2	District heating and cooling statistics produced by Stockholm Exergi and Göteborg Energi.

¹⁾ Source: Swedish Energy Markets Inspectorate

DETAILED SUSTAINABILITY INFORMATION

Climate emissions		EPRA-kod	2020	2019
Direct, tonnes	Scope 1	GHG-Dir-Abs	329	256
Indirect, tonnes	Scope 2	GHG-Indir-Abs	630	1 040
Carbon dioxide intensity, kg/sq m		GHG-Int	2.20	3.00

Climate emissions from electricity consumption (Scope 2, tonnes CO _{2e})		2020	2019
Market-based valuation ¹⁾		0	0
Location-based valuation ²⁾		3,256	3,763

¹⁾ Climate emissions based on the electricity we actually purchase.
²⁾ Climate emissions based on the Nordic Electricity Mix.

As GHG emissions come from several different sources, these are summarised in the term "climate emissions", which are a conversion to carbon dioxide equivalents (CO_{2e}).

Climate-neutral property management 2025

One of Hufvudstaden's targets is to achieve climate-neutral property management by 2025. The implications of the target are that net emissions of greenhouse gases must be zero and include the emissions generated within the confines of our own operations. These include emissions from our own vehicles and refrigerants (Scope 1) and purchased energy (Scope 2). We have also chosen to include business travel (Scope 3) within the framework of climate-neutral property management. The first step is to reduce actual emissions. Climate compensation is permitted to neutralise the emissions that cannot be entirely eliminated.

Water

Water-Abs, Water-Lfl, Water-Int

Hufvudstaden reports water data based on EPRA guidelines.

We are party to most water supply agreements used by tenants. Reporting of water consumption thus includes water used in property operation and water used by tenants in their operations.

Water consumption	EPRA code	2020	2019
Municipal water, m ³	Water-Abs, Water-Lfl	196,614	208,025
Water intensity, m ³ /sq m	Water-Int	0.45	0.48

Waste

306-2

Waste-Abs, Waste-Lfl

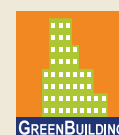
Hufvudstaden reports waste data based on EPRA guidelines.

We report data for waste volumes managed by Hufvudstaden for which the company has waste disposal contracts. As sorted waste is managed mainly by tenants, we do not have complete statistics on the properties' waste management. Complete statistics regarding combustible waste are not available from our suppliers for several properties. Estimated figures are used for these properties. For the properties where we have control of the majority of the waste, we can report a recycling rate of approximately 35 per cent. For the projects we have reliable statistics over construction and demolition waste, the sorting rate is approximately 80 per cent.

Type of waste, tonnes	2020	2019
Non-hazardous waste		
Combustible waste	1,397	1,787
Cardboard	291	457
Organic waste	30	46
Plastic	28	56
Glass	50	88
Recycling of other materials	37	72
Hazardous waste		
Electronics	9	13
Other hazardous waste	5	4
Total waste	1,847	2,523



Hästhovudet 13
Orgelpipan 7
Oxhovudet 18



Packarhuset 4

BREEAM[®]
delivered by bre

NK Stockholm
NK Gothenburg
Kåkenhusen 40
Nordstaden 8:24
(Fyran and Femman)

"BREEAM is a registered trademark of BRE (the Building Research Establishment Ltd. Community Trade Mark E5778551). The BREEAM marks, logos and symbols are the Copyright of BRE and are reproduced by permission".

Environmentally certified properties

Cert-Tot

At year-end, 62 per cent of Hufvudstaden's property holdings were environmentally certified, of which 15 per cent by the Sweden Green Building Council, 43 per cent by BREEAM In-Use and 4 per cent by GreenBuilding. In total, we have 271,853 square metres of certified floor space. The Kåkenhusen 40 property in Stockholm and NK Gothenburg were certified during the year under BREEAM In-Use.

The certification process provides us an independent audit to determine whether the building meets energy, indoor environment and materials standards. Future major expansion and redevelopment projects will be certified according to one of the generally accepted certification systems.

Environmental compliance

307-1

No significant fines or non-monetary sanctions were imposed on Hufvudstaden during 2020. Minor fees were levied, however, due to previous suppliers having exceeded required inspection intervals of cooling systems in three of our properties during the period of 2017–2018.

Supplier environmental assessment

308-1, 414-1

Hufvudstaden's main suppliers are primarily in the construction and property maintenance sectors. In connection with all building projects and general agreements, other than minor repairs and maintenance, contractors are selected on the basis of social and environmental sustainability criteria. We also impose high sustainability requirements for purchases of goods and services. The requirements are based on our Code of Conduct, augmented by requirements in the areas of health and safety, employment conditions and the environment, which includes the precautionary principle. Health and safety is a particular priority because building and maintenance work can be risky. Everyone who works on behalf of Hufvudstaden must, regardless of who is the employer, have terms and conditions of employment and a work environment that as a minimum comply with current legislation. To ensure compliance with our requirements for projects and day-to-day operations, we

DETAILED SUSTAINABILITY INFORMATION

have our own project managers and property managers who procure, manage and inspect construction projects. To further examine and ensure that our suppliers and contractors are complying with our requirements, we carry out annual internal and third-party audits. We perform continuous audits of major development projects to ensure compliance with environmental and health and safety standards. There were no serious objections noted in this year's audits. We began a development project during the year related to monitoring of Hufvudstaden's suppliers based on the target that all main suppliers must undergo annual sustainability assessment. At present, Hufvudstaden does not compile quantitative data regarding supplier assessment and reports only qualitative information.

Environmental targets and environmental criteria in connection with redevelopment, new production, tenant customisation and maintenance are listed in Hufvudstaden's Environmental Programme. This is aimed at ensuring that Hufvudstaden's environmental criteria are met and that environmental impacts are minimised. Contractors and suppliers that work for Hufvudstaden are responsible for meeting the environmental targets and criteria stated in the Environmental Programme and are required to read and comply with Hufvudstaden's Code of Conduct. Environmental work must be carried out in partnership with the project management, planners and contractors and environmental topics must be a standing item on the agenda at planning and construction meetings.

EMPLOYEES

Employee turnover

401-1

Emp-Turnover

Employee turnover	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
New employee hires, number						
Aged <30	6	1	3	2	5	3
Aged 30–50	8	6	6	4	10	2
Aged >50	1	1	1	1	3	1
Total	15	8	10	7	18	6
Proportion of new employees, %	10	6	7	5	13	4
Employees who have left the company, number						
Aged <30	2	0	1	0	0	0
Aged 30–50	1	4	7	4	3	4
Aged >50	3	4	0	4	3	0
Total	6	8	8	8	6	4
Proportion of employees who have left the company, %	4	6	6	6	4	3
Employee turnover, %	9	11	14	11	12	5

Diversity and equal opportunity

405-1

Diversity-Emp

Diversity and equal opportunity	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Board of directors, %						
Aged <30	0	0	0	0	0	0
Aged 30–50	22	0	22	0	22	11
Aged >50	11	67	11	67	11	56
Group management, %						
Aged <30	0	0	0	0	0	0
Aged 30–50	0	50	12	50	12	50
Aged >50	25	25	12	25	12	25
Other employees, %						
Aged <30	7	8	5	9	6	10
Aged 30–50	29	29	27	28	27	28
Aged >50	13	14	14	17	12	17

Hufvudstaden does not track diversity indicators such as religious affiliation or ethnicity among employees.

Non-discrimination

406-1

No cases of discrimination were reported during the year.

Health and Safety

403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 *H&S-Emp*

As Hufvudstaden complies with the Swedish Work Environment Act, the company has a Health and Safety Group, a Health and Safety Policy and a Health and Safety representative as required under the law. Responsibility and duties are delegated according to established delegation rules. Should any hazardous working situations arise, employees are instructed to contact their line managers first. Systematic health and safety management is also designed to continuously review risks, recommend actions and promote further development within the physical and psychosocial working environment. Systematic health and safety management includes employee training in CPR and First Aid.

Hufvudstaden also offers individualised skills development, a health and fitness allowance, health checks, occupational health care, health insurance, ergonomics consultations and massage.

For further information about our approach to health and safety among employees and in business relationships, see pages 41–43, 48 and 113–114 on a pleasant work environment, sustainable business and supplier relationships and the information below regarding work-related injuries.

Absenteeism due to illness is reported in the chart on page 42.

Work-related injuries

403-9

No work-related fatalities occurred in 2020 and Hufvudstaden has had no reported cases of occupational accidents of a serious nature within business operations, i.e., including contractors. Two case of work-related injuries has been reported among Hufvudstaden's employees.

Work-related injuries and illnesses are managed according to established procedures and must always be reported to the Swedish Social Insurance Agency for review. Serious accidents must be reported directly to the Swedish Work Environment Authority. An external occupational health care provider is also contacted in connection with work-related injuries.

Performance and career development reviews

404-3

Emp-Dev

89 per cent of employees were given performance and career development reviews during the year. As Hufvudstaden's target is for all employees to have performance and career development reviews, the company does not compile or report statistics regarding gender distribution and type of employment contract.

Collective agreements

102-41

All Hufvudstaden employees are covered by collective agreements.

Customer health and safety

416-1, 416-2

H&S-Asset, H&S-Comp

Hufvudstaden assesses 100 per cent of properties according to Swedish health and safety regulations. This applies to areas including systematic fire protection and sprinkler inspections, mandatory ventilation inspections, inspections of lifts and electric gates, energy declarations and electrical safety inspections and audits.

There were no non-conformances with laws, regulations or procedures regarding customer health and safety reported in 2020

Socioeconomic compliance

419-1

Hufvudstaden was not sentenced or ordered to pay any fines during the year due to any breach of social or economic laws.

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*The indicator is not reported in full.

EPRA

EPRA Performance Measures

Hufvudstaden reports sustainability performance measures for 25 EPRA indicators: sBPR Performance Measures. Performance measures are reported for energy, greenhouse gas emissions, water, waste, number of environmentally certified buildings, and corporate governance, as well as social aspects according to the most recent EPRA guidelines; sBPR third edition, September 2017.

Energy consumption is reported in MWh, greenhouse gas emissions in tonnes CO₂e, water consumption in m³, waste volume in tonnes, energy intensity in kWh/square metre, emission intensity in kg CO₂e/square metre, and water intensity in m³/square metre.

EPRA Overarching Recommendations**Organisational Boundaries**

Hufvudstaden limits the reporting to properties over which it has operational control according to the principles set out in the Greenhouse Gas Protocol. Hufvudstaden thus reports statistics for all the property holdings although with a limit on electricity used by tenants in the course of their business operations, and for the NK department stores, Hästskon 10 and the Nordstaden 8:24 property.

We have not purchased or sold any property during the past two years, and consequently absolute and like-for-like values are the same. The most recent property purchased was Inom Vallgraven 3:2 in 2016.

Coverage

Hufvudstaden reports measurement data for all 29 properties, with a total rentable floor space of 386,759 square metre, i.e. 100 per cent of our properties.

Estimation of landlord-obtained utility consumption

All measured data reported has been assessed and assured. However, estimates have been made using standard values for combustible material in those properties where suppliers are unable to report any data.

Third party assurance

Hufvudstaden's indicators for energy and emissions that are reported according to EPRA have been verified by a third party according to the international guidelines set out in the Greenhouse Gas Protocol. Other indicators have not been verified by a third party.

Boundaries – reporting on landlord and tenant utility consumption

Hufvudstaden reports the energy purchased by the landlord, i.e. Hufvudstaden. Hufvudstaden does not have access to statistics regarding electricity used by tenants, and consequently this is not reported. As Hufvudstaden does not have any direct influence over tenants' electricity consumption, this figure is to a certain extent less relevant.

In the case of water, we report total water consumption for all properties, i.e. including the tenants' water consumption.

Normalisation

Hufvudstaden reports intensities by dividing absolute values by the total Atemp floor area for the buildings. In the case of normalization of district heating, Hufvudstaden uses SMHI degree days.

Segmental analysis (by property type, geography)

Hufvudstaden reports sustainability data according to building type, i.e. office premises and retail premises.

Disclosure on own offices

Hufvudstaden's own offices in Stockholm and Gothenburg are included in the statistics but are not reported separately. Hufvudstaden's own offices comprise 0.7 per cent of the total rentable floor space in the property holdings.

Narrative on performance

Hufvudstaden reports in accordance with EPRA. For further information about developments within each sustainability area, see pages 11–13 and 40–49.

Reporting period

The annual EPRA tables are presented on a calendar year basis, i.e. January 1 – December 31.

Materiality

Hufvudstaden's Materiality Analysis, which was conducted during 2018 based on the guidelines in GRI Standards, is reported on page 111.

www.hufvudstaden.se/klimatver

Definitions and glossary

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. Certain performance metrics below are defined as alternative performance measures, i.e. a financial metric that is not defined according to IFRS, and which is used to describe the Company's development and to improve comparability between periods. As not all companies calculate financial performance metrics in the same way, these are not always comparable with metrics used by other companies. Derivations of alternative performance measures are presented on pages 102–103.

Finance

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

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

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.

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

EPRA. European Public Property Association. Interest organization for listed property companies in Europe.

EPRA Earnings. Result from property management after nominal tax. The operating profit before items affecting comparability and changes in value with a deduction for financial income and expenses and computed actual tax, excluding a carry-forward of unutilized tax losses. The tax deducted has been calculated with account taken of, among other things, tax-deductible depreciation and investments.

EPRA NAV. Non-current net asset value. Shareholders' equity with a reversal of interest derivatives and deferred tax on investment properties.

EPRA NNAV. Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax on investment properties.

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

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

Interest coverage ratio. Profit after financial items, excluding items affecting comparability and 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, including the decided dividend, 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 profit from current operations. Profit before tax, excluding changes in value and items affecting comparability, charged with corporate tax for the year as a standard.

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.

Return on equity, adjusted. Profit after tax, excluding changes in value, in relation to average equity.

Surplus ratio. Gross profit in relation to net revenue.

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

Shares

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

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

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.

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

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

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

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

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.

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

Properties

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

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

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

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

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

Fair value. The estimated market value of the properties.

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

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

Fredstan. The area around Fredsgatan, between Brunnsparken and Trädgårdsföreningen, with the vision of offering a unique range of stores, cultural attractions and restaurants.

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

Net operating profit. Net turnover from property management minus costs for maintenance, operation, administration, ground rents, property tax, and depreciation of equipment and right-of-use assets.

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.

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.

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

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

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

Annual Meeting

Due to the coronavirus, the board of directors has decided that the Annual Meeting will be held without the physical presence of shareholders, proxies or third parties and that shareholders shall be given the opportunity to exercise their voting rights only through postal voting prior to the meeting.

The 2021 Annual Meeting will be held by postal vote on Thursday, March 25, 2021. Notice of the Annual Meeting will be published on the website of Post- och Inrikes Tidningar at www.bolagsverket.se/poit and on the company's website at www.hufvudstaden.se. Notice that the Annual Meeting has been convened is published in Dagens Nyheter.

Notification

Shareholders who wish to participate in the Annual Meeting through postal voting must:

- be recorded as a shareholder in the shareholders' register kept by Euroclear Sweden AB regarding circumstances as at Wednesday March 17, 2021, whereupon shareholders whose shares are registered in the name of a nominee must reregister the shares in their own name so that the shareholder is registered in the presentation of the shareholders' register as at Wednesday March 17, 2021 to be eligible to participate in the Annual Meeting. Such registration may be temporary ("voting rights registration") and is requested of the nominee in accordance with the nominee's routines in such time in advance as determined by the nominee. Voting rights registrations effected by the nominee by March 19, 2021 will be taken into account in the preparation of the share register.

- register for the Annual Meeting by casting their postal vote as instructed under the heading "Postal Voting" below so that the postal vote is received by Hufvudstaden no later than Wednesday, March 24, 2021.

Postal Voting

Shareholders may exercise their voting rights at the Annual Meeting only through postal voting in accordance with section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198).

A special postal voting form must be used. The postal voting form and a proxy form are available on the company's website, www.hufvudstaden.se, and will be sent to shareholders upon request. The postal voting form serves as registration to participate in the Annual Meeting.

The completed and signed postal voting form must be received by Hufvudstaden no later than Wednesday, March 24, 2021. The form may be sent by email to info@computershare.se or by standard post to Hufvudstaden AB, "Annual Meeting", c/o Computershare AB, Box 5267, 102 46 Stockholm, Sweden. Shareholders who are natural persons may also submit their postal votes electronically through verification by BankID via Hufvudstaden's website, www.hufvudstaden.se. Such electronic votes must be submitted by March 24, 2021.

If the shareholder votes in advance by proxy, a written, dated proxy form shall be enclosed with the postal voting form. If the shareholder is a legal entity, a certificate of registration or a corresponding document shall be enclosed

with the postal voting form. Proxies are valid for one year from the date issued or for the longer period specified on the proxy, up to a maximum of five years. The certificate of registration form must show the circumstances in effect on the date of the Annual Meeting and should not be older than one year at the time of the Annual Meeting.

Shareholders cannot modify postal votes with special instructions or conditions. Any postal votes with such modifications will be invalid. Further instructions and conditions are provided on the postal voting form.

To request a postal voting form or proxy form by post, please contact Hufvudstaden by phone on +46 8 762 90 00, Monday–Friday 8.00 am to 4.00 pm.

Dividends

The Board of Directors is proposing a dividend of SEK 2.50 per share, corresponding to a total dividend of SEK 505.8 million, for 2020. The record date is set as March 29, 2021 and the estimated payment date will be April 1, 2021.

Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed their 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 2021	6 May 2021
Half-year Report, Jan–June 2021	23 August 2021
Interim Report Jan–Sept 2021	11 November 2021
Year-End Report 2021	17 February 2022
Annual Report 2021	March 2022

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GROUP BRANDS





HUFVUDSTADEN

www.hufvudstaden.se