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HUFVUDSTADEN

Interim Report January – March 2017

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- **Gross profit rose by 5 per cent to SEK 321 million (305), which can be attributed to higher rental revenue.**
- **Net revenue amounted to SEK 452 million (431), an increase of 5 per cent.**
- **Profit after tax for the period was SEK 472 million (738), equivalent to SEK 2.29 per share (3.58). The decrease can be attributed to lower unrealized changes in value of the property holdings.**
- **The fair value of the property holdings was set at SEK 37.0 billion (36.5 at the turn of the year), resulting in a net asset value of SEK 138 per share (138 at the turn of the year) following payment of a dividend of SEK 3.30 per share. The unrealized change in value of the property holdings for the period was SEK 322 million (689).**
- **The equity ratio was 60 per cent (59), the net loan-to-value ratio was 16 per cent (18) and the interest coverage ratio multiple was 9.0 (9.0).**
- **The rental vacancy level at the period-end was 5.2 per cent (4.3). Excluding vacant space due to current projects, the rental vacancy level was 3.3 per cent (2.3).**

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### GROUP

#### RESULTS

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

Net rents from property management during the period amounted to SEK 429.3 million (410.2). Gross profit amounted to SEK 310.7 million (296.1). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement for the previous year was SEK 16.0 million. There are no other material seasonal variations in rents.

The property management results for each business area are reported on page 7.

##### Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 22.8 million (21.0). Expenses totalled SEK -12.6 million (-12.4) and the gross profit was SEK 10.2 million (8.6).

##### Other profit and loss items

Central administration totalled SEK -9.5 million (-9.2). Changes in the value of investment properties totalled SEK 321.7 million (689.3) and changes in interest derivatives totalled SEK 17.9 million (-5.2).

##### Financial income and expense

Net financial income and expense amounted to SEK -34.4 million (-32.9). The increase can be attributed mainly to higher borrowing.

##### Tax

The Group's tax for the period was SEK -144.5 million (-208.4), of which SEK -42.4 million (-26.0) was actual tax and SEK -102.1 million (-182.4) was deferred tax. The increase in actual tax can be attributed to an increase in profits, lower deductible project expenses and allocation of appropriations to specific periods. The decrease in deferred tax can be attributed to lower unrealized changes in the value of the property holdings.

##### Profit for the period

The consolidated profit after tax amounted to SEK 472.1 million (738.3). The decrease can be attributed to lower unrealized changes in value of the property holdings.

<sup>1)</sup> The acquired property *Inom Vallgraven 3:2 in Gothenburg* is included with effect from March 1, 2016.

## ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 118.1 million (208.4). The decrease can be attributed to the acquisition during the previous year of the property Inom Vallgraven 3:2 in Gothenburg.

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where the classification takes place on level 3 according to IFRS 13. The value assessed as at March 31, 2017 was SEK 36,956 million (36,517 at the turn of the year). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 389,000 square meters (389,000 at the turn of the year).

The rental vacancy level as at March 31, 2017 was 5.2 per cent (3.9 at the turn of the year) and the total floor space vacancy level was 6.8 per cent (5.3 at the turn of the year). The increase in vacant space is due to a small number of major office tenants relocating. New leases for the vacated space have already been signed. The rental vacancy level, excluding projects in progress, totalled 3.3 per cent (2.6 at the turn of the year).

### Property value and net asset value

At the end of each quarter, Hufvudstaden makes an internal valuation of each individual property. The purpose of the valuation is to assess the fair value of the property holdings. To assure the valuation, external valuations of independent parts of the property holdings are obtained at least once a year.

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

In the light of the above, the assessed unrealized change in the value of the property holdings during the period was SEK 321.7 million (689.3). The total value of the property holdings as at March 31, 2017 was SEK 37.0 billion, including investments for the period. The unrealized increase in value can be attributed to the effect of rising market rents.

The average yield requirement at the above valuation point was 3.9 per cent (3.9 at the turn of the year).

### Valuation method

Valuation of the property holdings is done by assessing each individual property's fair value. The valuation is made using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is set in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's sub-area, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different areas within the regions. Account is also taken of the type of property, the

technical standard, the construction of the building and major investment needs. For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level and normalized operating and maintenance costs.

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

### Yield requirements, property valuation

Stockholm	3.5-4.0 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.9 per cent

### Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The 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 37.0 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.8 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

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

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,000 m
Property costs	SEK 50/sq m	SEK 500 m
Rental vacancy level	1.0 percentage points	SEK 480 m
Yield requirement	0.25 percentage points	SEK 2,400 m

<sup>1)</sup> Valuation date: March 31, 2017.

### Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 30.1 billion or SEK 146 per share. The current net asset value (EPRA NNAV) was SEK 28.4 billion or SEK 138 per share following a deduction for estimated 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 estimated deferred tax has been set at 5 per cent.

### Net asset value, March 31, 2017

	SEK m	SEK/ share
Equity according to the Balance Sheet	22,838.8	111
<i>Reversal</i>		
Derivatives according to the Balance Sheet	74.0	-
Deferred tax according to the Balance Sheet	7,200.6	35
Non-current net asset value (EPRA NAV)	30,113.4	146
<i>Deductions</i>		
Derivatives as stated above	-74.0	-
Estimated deferred tax 5%	-1,636.5	-8
Current net asset value (EPRA NNAV)	28,402.9	138

## RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period. Vacant space in this category has remained at low levels and rents have

risen. In Stockholm's most attractive locations - in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area - office rents were noted of between SEK 5,200 and SEK 7,500 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets continues to be strong. For retail premises in prime locations, the market rents were between SEK 14,000 and SEK 24,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg remained positive, with a low level of vacant space. Market rents in prime locations have risen and are between SEK 2,500 and SEK 3,300 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are between SEK 6,000 and SEK 15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations of both retail and office premises has been positive.

### FINANCING STRUCTURE

Hufvudstaden's borrowing as at March 31, 2017 amounted to SEK 6,700 million (6,650 at the turn of the year).

Hufvudstaden has an MTN programme totalling SEK 4.0 billion and the outstanding amount is SEK 3.2 billion. Outstanding commercial paper amounted to SEK 0.8 billion. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 1.9 years (1.9 at the turn of the year), the average capital tie-up period was 2.7 years (2.7 at the turn of the year) and the average annual equivalent rate of interest was 2.0 per cent (2.1 at the turn of the year). Net interest-bearing debt was SEK 6,043 million (5,536 at the turn of the year). To achieve the desired interest payment structure, use is made of interest derivatives. The underlying credit of SEK 3,000 million (3,250 at the turn of the year) is hedged via interest derivatives. In addition, SEK 2,700 million of the total borrowing carry a fixed rate of interest. The fair value of all interest derivatives as at March 31, 2017 was SEK -74.0 million (-91.9 at the turn of the year). The negative figure can be explained by a general fall in market interest rates. Derivatives are valued at fair value in the Balance Sheet. All derivatives are classified as level 2 according to IFRS 13. There is no set-off of financial assets and liabilities and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

### Fixed interest structure, SEK m, March 31, 2017

Maturity, year	Credit amount	Interest derivatives	Net		Proportion, %
			Net	AER,% <sup>1)</sup>	
< - 1	4,500	-1,550	2,950	2.1	44
1 - 2	500	1,300	1,800	2.2	27
2 - 3	-	250	250	1.9	4
3 - 4	500	-	500	1.8	7
4 - 5	900	-	900	1.3	13
5 - 6	300	-	300	2.1	5
Total	6,700	0	6,700	2.0	100

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

### Capital tie-up structure, SEK m, March 31, 2017

Maturity, year	Credit agreement	Utilized			Total	Proportion, %
		Bank loan	Bond	Commercial paper <sup>1)</sup>		
< - 1	2,500	1,500	1,000	-	2,500	37
1 - 2	1,700	200	500	-	700	11
2 - 3	-	-	-	-	-	-
3 - 4	1,500	-	500	800	1,300	19
4 - 5	1,900	1,000	900	-	1,900	28
5 - 6	300	-	300	-	300	5
Total	7,900	2,700	3,200	800	6,700	100

<sup>1)</sup> Capital tie-up for commercial paper loans has been calculated according to the underlying loan assurances.

### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 22,746 shareholders at the period-end. The proportion of foreign ownership as at March 31, 2017 was 31.9 per cent of the total number of outstanding shares (31.5 at the turn of the year). The series A share price as at March 31, 2017 was SEK 132.80 and market capitalization was SEK 28.7 billion.

### Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 2017 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during or after the end of the reporting period. At the 2017 Annual Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares and to assign Company shares.

### Buy-back of shares as at March 31, 2017, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2017	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2017	211.3	5.0	206.3

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2016 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the Interim Report. Otherwise the accounting principles and computation basis are the same as those applied in the most recent Annual Report. Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. Alternative performance measures are a set of financial metrics not defined in IFRS and are used to present the Company's development and improve comparability between periods.

## **FORTHCOMING INFORMATION**

Half-year Report, January-June 2017  
Interim Report, January-September 2017  
Year-End Report 2017  
Annual Report 2017  
Annual Meeting in Stockholm 2018

August 23, 2017  
November 9, 2017  
February 15, 2018  
March 2018  
March 22, 2018

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish un-

der the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on May 5, 2017.

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

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

**INCOME STATEMENTS – SUMMARY**

<b>GROUP, SEK m</b>	<b>January- March, 2017</b>	<b>January- March, 2016</b>	<b>January- December, 2016</b>
<b>Net revenue</b>			
Property management	429.3	410.2	1,703.1
Parking operations	22.8	21.0	86.8
	<b>452.1</b>	<b>431.2</b>	<b>1,789.9</b>
<b>Property management expenses</b>			
Maintenance	-4.6	-5.3	-29.0
Operation and administration	-66.8	-65.6	-262.2
Ground rents	-5.4	-5.4	-21.8
Property tax	-41.8	-37.8	-164.5
<b>Property management expenses</b>	<b>-118.6</b>	<b>-114.1</b>	<b>-477.5</b>
Parking operations, expenses	-12.6	-12.4	-50.0
<b>Operating expenses</b>	<b>-131.2</b>	<b>-126.5</b>	<b>-527.5</b>
<b>Gross profit</b>	<b>320.9</b>	<b>304.7</b>	<b>1,262.4</b>
- of which Property management	310.7	296.1	1,225.6
- of which Parking operations	10.2	8.6	36.8
Central administration	-9.5	-9.2	-42.9
<b>Operating profit before changes in value</b>	<b>311.4</b>	<b>295.5</b>	<b>1,219.5</b>
<b>Changes in value</b>			
Investment properties	321.7	689.3	4,160.1
Interest derivatives	17.9	-5.2	45.4
<b>Operating profit</b>	<b>651.0</b>	<b>979.6</b>	<b>5,425.0</b>
Financial income/expense	-34.4	-32.9	-141.1
<b>Profit before tax</b>	<b>616.6</b>	<b>946.7</b>	<b>5,283.9</b>
Tax	-144.5	-208.4	-1,163.7
<b>Profit after tax</b>	<b>472.1</b>	<b>738.3</b>	<b>4,120.2</b>
<b>Other comprehensive income</b>	-	-	-
<b>Total comprehensive income for the period</b>	<b>472.1</b>	<b>738.3</b>	<b>4,120.2</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	2.29	3.58	19.98

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
Investment properties	36,956.0	32,655.1	36,517.3
Other non-current assets	18.6	17.8	18.5
<b>Total non-current assets</b>	<b>36,974.6</b>	<b>32,672.9</b>	<b>36,535.8</b>
Current assets	829.2	701.9	1,173.0
<b>Total assets</b>	<b>37,803.8</b>	<b>33,374.8</b>	<b>37,708.8</b>
Equity	22,838.8	19,665.6	23,047.4
Non-current interest-bearing liabilities	3,400.0	5,000.0	4,000.0
Deferred tax liabilities	7,342.2	6,411.6	7,240.2
Other non-current liabilities	93.7	163.6	106.4
Provisions for pensions	14.6	13.2	14.9
<b>Total non-current liabilities</b>	<b>10,850.5</b>	<b>11,588.4</b>	<b>11,361.5</b>
Current interest-bearing liabilities	3,300.0	1,350.0	2,650.0
Other liabilities	814.5	770.8	649.9
<b>Total current liabilities</b>	<b>4,114.5</b>	<b>2,120.8</b>	<b>3,299.9</b>
<b>Total equity and liabilities</b>	<b>37,803.8</b>	<b>33,374.8</b>	<b>37,708.8</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-March, 2017	January-March, 2016	January-December, 2016
Equity, opening balance	23,047.4	19,566.7	19,566.7
Total comprehensive income for the period	472.1	738.3	4,120.2
Dividend	-680.7	-639.4	-639.4
<b>Equity, closing balance</b>	<b>22,838.8</b>	<b>19,665.6</b>	<b>23,047.4</b>

## CASH FLOWS STATEMENTS – SUMMARY

GROUP, SEK m	January-March, 2017	January-March, 2016	January-December, 2016
Result before tax	616.6	946.7	5,283.9
Depreciation/impairments	0.7	1.7	3.0
Unrealized change in value, investment properties	-321.7	-689.3	-4,160.1
Unrealized change in value, interest derivatives	-17.9	5.2	-45.4
Other changes	-0.3	0.3	1.9
Income tax paid	-36.6	-58.0	-105.7
<b>Cash flow from current operations before changes in working capital</b>	<b>240.8</b>	<b>206.6</b>	<b>977.6</b>
Increase/decrease in operating receivables	-112.8	-75.3	28.6
Increase/decrease in operating liabilities	164.0	164.9	22.5
<b>Cash flow from current operations</b>	<b>292.0</b>	<b>296.2</b>	<b>1,028.7</b>
Investments in properties	-117.0	-207.8	-616.7
Investments in equipment	-1.1	-0.6	-2.2
Sale of equipment	-	-	0.2
<b>Cash flow from investments</b>	<b>-118.1</b>	<b>-208.4</b>	<b>-618.7</b>
Loans raised	1,100.0	1,400.0	3,300.0
Amortization of loan debt	-1,050.0	-817.2	-2,400.0
Dividend paid	-680.7	-639.4	-639.4
<b>Cash flow from financing</b>	<b>-630.7</b>	<b>-56.6</b>	<b>260.6</b>
<b>Cash flow for the period</b>	<b>-456.8</b>	<b>31.2</b>	<b>670.6</b>
Cash and cash equivalents at the beginning of the period	1,113.8	443.2	443.2
Cash and cash equivalents at the period-end	657.0	474.4	1,113.8
Cash flow for the period per share, SEK	-2.21	0.15	3.25

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

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016
	Net revenue	190.0	183.2	162.5	161.1	76.8	65.9	429.3
Property costs	-43.8	-44.3	-53.1	-49.2	-21.7	-20.6	-118.6	-114.1
<b>Gross profit, property management</b>	<b>146.2</b>	<b>138.9</b>	<b>109.4</b>	<b>111.9</b>	<b>55.1</b>	<b>45.3</b>	<b>310.7</b>	<b>296.1</b>
Parking operations			10.2	8.6			10.2	8.6
Central administration							-9.5	-9.2
<b>Changes in value</b>								
Properties							321.7	689.3
Interest derivatives							17.9	-5.2
<b>Operating profit</b>							<b>651.0</b>	<b>979.6</b>
Financial income and expense							-34.4	-32.9
<b>Profit before tax</b>							<b>616.6</b>	<b>946.7</b>

<sup>1)</sup> For comparable holdings, net revenue and property costs from property management for the Gothenburg Business Area and the Group should be increased by SEK 0.2 million for 2016 following the acquisition of the property Inom Vallgraven 3:2. The property is a project property and was largely vacant during the first quarter of 2017.

## KEY RATIOS

GROUP	March 31, 2017	March 31, 2016	Full year 2016	Full year 2015	Full year 2014	Full year 2013
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	389	388	389	387	387	387
Rental vacancy level, %	5.2	4.3	3.9	4.5	5.6	4.0
Floor space vacancy level, %	6.8	5.7	5.3	6.1	7.2	5.7
Fair value, SEK bn	37.0	32.7	36.5	31.7	27.8	25.9
Surplus ratio, %	71.0	70.7	70.5	69.4	69.9	70.3
<b>Financial</b>						
Return on equity, %	4.7	6.8	19.3	19.1	12.5	12.9
Return on capital employed, %	5.3	7.2	19.7	19.2	12.2	12.8
Equity ratio, %	60	59	61	61	59	58
Interest coverage ratio, multiple	9.0	9.0	8.6	9.1	8.5	8.3
Debt/equity ratio, multiple	0.3	0.3	0.2	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	16.4	18.0	15.2	16.7	18.6	20.3
<b>Data per share</b>						
Profit/loss for the period, SEK	2.29	3.58	19.98	16.82	9.70	9.10
Equity, SEK	110.73	95.34	111.74	94.86	80.94	73.99
Properties, fair value, SEK	179.17	158.32	177.04	153.88	134.86	125.42
Net asset value, (EPRA NNAV), SEK	138.00	119.00	138.00	118.00	100.00	92.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Jan-Mar 2017	Okt-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015
Net revenue, SEK m	452	468	451	439	431	451	416	409
Return on equity, %	4.7	19.4	13.5	10.2	6.8	19.7	12.0	9.3
Return on equity, adjusted, %	3.6	4.0	4.2	4.0	4.1	5.0	4.5	4.4
Equity ratio, %	60	61	61	60	59	61	59	59
Profit per share for the period, SEK	2.29	7.59	4.40	4.41	3.58	7.80	3.11	3.75
Equity per share, SEK	110.73	111.74	104.15	99.75	95.34	94.86	87.06	83.96
Net asset value (EPRA NNAV), per share, SEK	138.00	138.00	129.00	124.00	119.00	118.00	108.00	105.00
Cash flow per share from current operations, SEK	1.42	0.86	1.26	1.43	1.44	1.27	1.01	1.22

## ALTERNATIVE PERFORMANCE MEASURES

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

	March 31, 2017	March 31, 2016	Full year 2016
<b>Net asset value (EPRA NNAV)</b> see page 3			
<b>Net debt, SEK m</b>			
Non-current interest-bearing liabilities	3,400	5,000	4,000
Current interest-bearing liabilities	3,300	1,350	2,650
Cash and bank holdings	-657	-474	-1,114
<b>Net debt</b>	<b>6,043</b>	<b>5,876</b>	<b>5,536</b>

## PARENT COMPANY

### RESULT AND FINANCIAL POSITION

Net revenue amounted to SEK 283.2 million (265.6). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation. Costs totalled SEK -158.5 million (-194.2). The decrease can be attributed mainly to lower maintenance costs. Gross profit was SEK 124.7 million (71.4). Other net financial income and expense was SEK -34.4 million (-32.9).

Cash and cash equivalents at the period-end amounted to SEK 629.0 million (446.6). Investments in properties and equipment during the period totalled SEK 36.2 million (40.8).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks. The Company has not identified any

material risks and uncertainties other than those described in the 2016 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

The Interim Report for the Parent Company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. The accounting principles and computation basis are the same as those applied in the most recent Annual Report.

**INCOME STATEMENTS – SUMMARY**

<b>PARENT COMPANY, SEK m</b>	<b>January- March, 2017</b>	<b>January- March, 2016</b>	<b>January- December, 2016</b>
Net revenue	283.2	265.6	1,104.0
Operating expenses	-158.5	-194.2	-729.8
<b>Gross profit</b>	<b>124.7</b>	<b>71.4</b>	<b>374.2</b>
Central administration	-9.5	-9.2	-42.9
Changes in value, interest derivatives	17.9	-5.2	45.4
<b>Operating profit</b>	<b>133.1</b>	<b>57.0</b>	<b>376.7</b>
Group contribution	-	-	357.3
Other financial income and expense	-34.4	-32.9	-141.0
<b>Profit after financial items</b>	<b>98.7</b>	<b>24.1</b>	<b>593.0</b>
Appropriations	-	-	156.5
<b>Profit before tax</b>	<b>98.7</b>	<b>24.1</b>	<b>749.5</b>
Tax	-30.4	-5.6	-165.9
<b>Profit for the period</b>	<b>68.3</b>	<b>18.5</b>	<b>583.6</b>
<b>Statement of comprehensive income, SEK m</b>			
Profit for the period	68.3	18.5	583.6
<i>Other comprehensive income</i>	-	-	-
<b>Comprehensive income for the period</b>	<b>68.3</b>	<b>18.5</b>	<b>583.6</b>

**BALANCE SHEETS – SUMMARY**

<b>PARENT COMPANY, SEK m</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
Investment properties	8,087.0	8,079.0	8,086.3
Other non-current assets	2,902.9	2,901.8	2,902.6
Total non-current assets	10,989.9	10,980.8	10,988.9
Current assets	1,062.9	866.9	1,550.1
<b>Total assets</b>	<b>12,052.8</b>	<b>11,847.7</b>	<b>12,539.0</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,152.3	1,199.6	1,764.7
Total equity	3,131.0	3,178.3	3,743.4
Untaxed reserves	665.0	821.6	665.0
Provisions	920.7	900.8	916.1
Non-current liabilities	3,490.4	5,160.0	4,103.0
Current liabilities	3,845.7	1,787.0	3,111.5
Total liabilities	8,921.8	8,669.4	8,795.6
<b>Total equity and liabilities</b>	<b>12,052.8</b>	<b>11,847.7</b>	<b>12,539.0</b>

Stockholm, May 5, 2017

Ivo Stopner  
President

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

## DEFINITIONS AND GLOSSARY

### Finance

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

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

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

*EPRA.* European Public Real Estate Association. Interest organization for listed property companies in Europe.

*EPRA NAV.* Non-current net asset value. Shareholders' equity plus reversal of interest derivatives and deferred tax, see derivation page 3.

*EPRA NNAV.* Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax, see derivation page 3.

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

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

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

*Net liabilities.* Interest-bearing liabilities, including the decided dividend less current investments and cash and bank holdings, see derivation page 8.

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

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

*Return on equity.* Profit after tax in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of

seasonal variations that normally arise in operations and with the exception of changes in value.

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

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

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

### Shares

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

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

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

### Properties

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

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

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

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

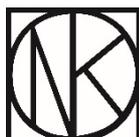
*Floor space vacancy level.* Vacant floor space in square metres in relation to the total lettable floor space.

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

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

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

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



BIBLIOTEKSTAN



# HUFVUDSTADEN

## Hufvudstaden

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

## Vision

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

## Business concept

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

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

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

## Strategies to achieve the objectives

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

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

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

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

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Registered office: Stockholm



**HUFVUDSTADEN**