

# HUFVUDSTADEN



Q2

Half-year Report  
January–June 2022

# HUFVUDSTADEN

## Half-year Report January–June 2022

- **Net revenue from property management increased by 2 per cent, totalling SEK 905 million (891). Including intra-Group rent revenue of SEK 101 million (63), attributable primarily to NK Retail, the increase was 5 per cent.**
- **Gross profit from property management declined by 3 per cent, totalling SEK 599 million (615). Including intra-Group rent revenue of SEK 101 million (63), the increase was 3 per cent.**
- **Net profit for the period was SEK 756 million (769), equivalent to SEK 3.74 per share (3.80).**
- **The fair value of the property holdings was SEK 49.6 billion (48.8 at year-end), resulting in a net reinstatement value (EPRA NRV) of SEK 201 per share (199 at year-end). Unrealised changes in the value of the property holdings amounted to SEK 410 million (407) for the period.**
- **The equity ratio was 61 per cent (60), the net loan-to-value ratio was 18 per cent (19), and the interest coverage ratio multiple was 8.1 (9.4).**
- **The rental vacancy rate at the end of the period was 8.5 per cent (7.6). Excluding current development projects, the rental vacancy rate was 5.5 per cent (6.5).**

### Operating events during the second quarter

At the Skären 9 property in Bibliotekstan, the training concept IGNITE Training Hub signed a lease for about 800 sq m.

The project to redevelop the women's floor of the NK department store in Stockholm was completed. The redeveloped floor offers many new concepts from international and Scandinavian brands.

The café concept Backstube and the poké bowl restaurant Poh Keh opened in the Grönlandet Södra 11 property on Drottninggatan in Stockholm.

In the property Kåkenhusen 40 on Kungsgatan in Stockholm, KG10 has extended and expanded its office lease in conjunction with renegotiation. KG10 thus leases a total of approximately 5,300 sq m.

At Fyran in Gothenburg, Professionals Nord and Talentwise signed leases for a total of about 550 sq m of office space.

Ulrika Frisk was appointed as new Head of Human Resources at Hufvudstaden and will be a member of Group Management. She will take up the position in September.

### Performance measures

SEK m	Jan–Jun 2022	Jan–Jun 2021	Jan–Dec 2021
Net revenue, property management, gross	1,006	954	1,936
Rent revenue, intra-Group	-101	-63	-153
Net revenue, property management, net	905	891	1,783
Gross profit, property management	599	615	1,221
Unrealised changes in property value, investment properties	410	407	2,579
Operating profit	1,035	1,036	3,865
Net profit for the period	756	769	2,955
Fair value of properties, SEK bn	49.6	46.3	48.8
Net loan-to-value ratio, properties, %	18.5	19.4	17.9
Interest coverage ratio, multiple	8.1	9.4	9.3
EPRA vacancy rate, %	5.5	6.5	5.9
EPRA EPS, SEK	2.48	2.46	5.10
EPRA NRV per share, SEK	201	186	199

## GROUP

### RESULTS

#### Property management

Net revenue from property management excluding intra-Group rents of SEK 100.6 million (63.0) totalled SEK 905.4 million (890.7) for the period. The increase was attributable primarily to decreased rent reductions for stores and restaurants, indexation as well as higher gross rents related to renegotiations and new leases. Net revenue were charged with higher rent losses for vacant premises attributable to the Inom Vallgraven 12 block in Gothenburg where the Johanna project is ongoing. Operating costs amounted to SEK -306.5 million (-276.1). Property tax increased due to provisions for new property tax assessments and the cost has mainly been invoiced onward to the tenants. Operating costs increased during the period mainly related to higher energy prices, rental and marketing costs. The cost of maintenance was higher than normal. Gross profit was SEK 598.9 million (614.6) excluding intra-Group rents.

The turnover-based rent supplement is reported in the fourth quarter. The turnover-based rent supplement for the preceding year totalled SEK 8.8 million. Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

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

#### Other segments

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

NK Retail accessed the NK business on February 3, 2021. Net revenue amounted to SEK 358.5 million (222.8). Costs excluding intra-Group rents of SEK -67.3 million (-36.3) were SEK -334.1 million (-188.9). Gross profit for NK Retail excluding intra-Group rental costs was SEK 24.4 million (33.9). Profit during the first quarter was charged with effects resulting from Covid-19 restrictions and recommendations. Sales for NK Retail are impacted by seasonal variations, with the first quarter of the year normally being the weakest and the fourth quarter the strongest.

Net revenue for other operations amounted to SEK 64.3 million (39.0). The increase was mainly attributable to higher revenue for Cecil Coworking and the parking business in Parkaden AB. Costs excluding intra-Group rents of SEK -33.3 million (-26.7) were SEK -36.6 million (-34.0). Gross profit excluding intra-Group rental costs was SEK 27.7 million (5.0).

For further information, see Segment Reporting on page 9.

#### Other profit and loss items

Central administration totalled SEK -25.5 million (-24.5). Unrealised changes in the value of investment properties totalled SEK 409.6 million (406.8). For further information, see pages 4-5.

#### Financial income and expense

Net financial income and expense totalled SEK -81.7 million (-66.8). Borrowing costs totalled SEK -70.4 million (-55.6), of which fees for new mortgages comprised SEK -5.1 million (-). Leasing costs, primarily ground rents, totalled SEK -11.3 million (-11.2). For further information, see pages 5-6.

#### Tax

The Group's tax for the period was SEK -197.3 million (-199.6), of which SEK -42.3 million (-64.5) in current tax and SEK -155.0 million (-135.1) in deferred tax. The decline in current tax and increase in deferred tax were mainly due to higher deductible expenses for investments in properties.

#### Net profit for the period

The consolidated net profit was SEK 756.1 million (769.4).

#### PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The assessed value as at June 30, 2022 was SEK 49,630 million (48,790 at year-end). The increase is attributable to positive unrealised changes in value and investments. Rentable floor space totalled approximately 386,600 square metres (386,500 at year-end).

The total rental vacancy rate as at June 30, 2022 was 8.5 per cent (7.3 at year-end) and the total floor space vacancy rate was 13.4 per cent (10.2 at year-end). The rental vacancy rate, excluding current development projects (EPRA vacancy rate), totalled 5.5 per cent (5.9 at year-end).

#### Acquisitions and investments

Total investments were SEK 458.9 million (313.2), of which investments in properties and other non-current assets were SEK 458.9 million (273.4).

At present, current and planned projects are worth approximately SEK 3 billion. Major projects are presented in the table below.

A project to redevelop the women's floor of the NK department store in Stockholm was completed. The design of the departments and the layout of the floor-plan has been modified to improve customer flows. The offering has been strengthened with international and Scandinavian brands.

#### Major current and planned projects in the second quarter 2022

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor-space (sq m)	Estimated investment <sup>1)</sup> (SEK m)	Estimated completion (year)
Stockholm	Vildmannen 7	Current	Office, retail & residential	4,800	4,800	800	2023
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Gothenburg	Inom Vallgraven 12 block	Current	Office, retail & restaurant	31,600	11,600	2,200	2025/2026
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	-	160	2022/2023
Gothenburg	NK Gothenburg	Current	Retail	2,900	-	85	2022
Gothenburg	NK Gothenburg	Local planning	Office, retail & restaurant	-	-	-	-

<sup>1)</sup> Includes estimated costs for rent losses and financing that are continuously recognised in profit and loss as well as costs for evacuation. The investment in the Vildmannen 7 property includes extraordinary costs resulting from the fire in 2017.

In NK Gothenburg, the creation of new aisles and departments on the women's floor is mainly complete. Some work remains as regards letting of premises in the project.

The process of connecting more departments to increase the product range of NK e-commerce continued during the second quarter of the year.

In Vildmannen 7 in Bibliotekstan, the foundation work was completed in 2021. The work on the new frame was completed this year and trusses around the existing facades were dismantled. The roof was largely completed during the second quarter. The renovation of the preserved facades, the fitting of windows and installation work is ongoing. A lease was signed earlier with Cirio Advokatbyrå for approximately 2,200 square metres of office space. Interest is considerable for the project's remaining spaces. The new building will offer highly modern and efficient offices as well as attractive stores in a unique environment. The building will be accessed in stages in 2023.

In Gothenburg, planning, demolition, foundation and frame reinforcement and other preparatory work continued in the initial phase of the extensive redevelopment and expansion of the Johanna project in the Inom Vallgraven 12 block. The first of two cranes has been erected. The local plan allows for additional building permissions of around 15,000 square metres in gross area. Building permission for the project was obtained at the end of 2021 and a partnership agreement was previously signed with NCC as the main contractor. The project is expected to lead to an increase in the lettable area of approximately 11,600 square metres. Completion is expected in late 2025 or early 2026. In the Inom Vallgraven 3:2 property, the conversion into housing and major maintenance measures are in progress. The project is expected to be completed at the end of 2022.

### Property value and net asset value

At the end of each quarter, Hufvudstaden carries out 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 quality of the valuation, external valuations of 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. These indications could take the form, for example, of major leases, terminations, and material changes in the yield requirements.

In the light of the above, the assessed unrealised change in the value of the property holdings for the period was SEK 409.6 million (406.8). The total value of the property holdings at June 30, 2022 was SEK 49.6 billion, including investments made during the period. The unrealised increase in value was primarily due to the effect of higher rents for offices.

The average yield requirement is unchanged compared to the first quarter of 2022 and stood at 3.5 per cent at the above valuation (3.5 at year-end).

### Valuation method

Valuation of the property holdings is carried out by assessing the fair value of each individual property. The valuation is made using a variation on the location price method, known as the net capitalisation method. The method involves setting the market's yield requirement in relation to the net operating income of the properties. In the case of other project properties and undeveloped land, the valuation is

based on a completed building with a deduction for construction costs, as well as financial costs and the cost of vacant space that arose during the construction period.

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 few or no deals are concluded in the property's sub-area, transactions in the adjoining area are analysed. Even transactions that have yet to be finalised or other impacting factors provide guidance on market yield requirements.

The yield requirement can vary between different regions and different sub-areas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rent revenue, the long-term rental vacancy rate, and normalised operating and maintenance costs. If there is greater uncertainty than normal, this is offset by the increased direct yield requirements in the valuation.

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

### Yield requirements, property valuation <sup>1)</sup>

Stockholm	3.1-3.5 per cent
Gothenburg	4.0-4.8 per cent
Property holdings, average	3.5 per cent

<sup>1)</sup> Valuation date: June 30, 2022

### Sensitivity analysis

Fair value is an estimation of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property, and investment requirements. Hufvudstaden's property holdings are valued at SEK 49.6 billion, with a degree of uncertainty of +/- 5 per cent, which means that the estimated fair value varies by +/- SEK 2.5 billion. Below are the key factors that influence the valuation and the consequent impact on profit or loss before tax.

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

	Change, +/-	Impact on profit or loss before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,110 m
Property costs	SEK 50/sq m	SEK 555 m
Rental vacancy rate	1.0 percentage points	SEK 670 m
Yield requirement	0.25 percentage points	SEK 3,580 m

<sup>1)</sup> Valuation date: June 30, 2022

### External valuation

To assure the quality of the valuation, external estimates were obtained from three independent valuation companies: Cushman & Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuation as at June 30, 2022 comprises ten properties, equivalent to 37 per cent of the internally assessed fair value. The basis for selection was that the properties should represent variations in property category, town, location, technical standard, and con-

struction standard. The properties that underwent an external valuation as at June 30, 2022 were Achilles 1, Grönlandet Södra 11, Hästskon 10, Kvasten 6, Orgelpipan 7, Oxhuvudet 18, Packarhuset 4 and Rännilen 8 in Stockholm, as well as Inom Vallgraven 10:9 (NK Gothenburg) and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value of SEK 19.3 billion. Hufvudstaden's internal valuation of the same properties was SEK 18.4 billion. The internal valuations thus concur well with the external.

#### Net asset value

Based on the valuation of the property holdings, the net reinstatement value (EPRA NRV) is SEK 40.7 billion or SEK 201 per share. Net tangible assets (EPRA NTA) amounted to SEK 38.3 billion or SEK 190 per share after a deduction for estimated deferred tax. This assessment is based on current tax legislation and market practice, which means that properties can be sold via a limited company without tax implications.

The assessed deferred tax has been assumed to be 5 per cent.

#### Net asset value, June 30, 2022

	SEK m	SEK/ share
Equity according to the balance sheet	31,296.1	155
<i>Reversal</i>		
Deferred tax <sup>1)</sup>	9,432.9	46
EPRA NRV	40,729.0	201
<i>Deduction</i>		
Intangible assets	-91.1	0
Estimated fair liability, deferred tax 5%	-2,289.5	-11
EPRA NTA	38,348.4	190
<i>Reversal</i>		
Intangible assets as above	91.1	0
Deferred tax in its entirety	-7,143.4	-35
EPRA NDV	31,296.1	155

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

#### RENTAL MARKET

In Stockholm City, activity in the office rental market was good during the second quarter of the year. The demand was mainly for modern, flexible office premises in the best locations. Vacancy rates were stable or decreased somewhat. In Stockholm's most attractive locations – Bibliotekstan, Norrmalmstorg/Hamngatan, and the Hötorget area – market rents for modern offices were estimated at SEK 6,500–8,800 per square metre and year, excluding the property tax supplement. In the market for retail premises, the number of stakeholders rose following several leases being signed. The market rents for retail premises in prime commercial locations were in the range of SEK 11,000–24,000 per square metre and year, excluding the property tax supplement.

In the central sub-markets of Gothenburg, the demand was mainly for modern and flexible office premises. Vacancies rose slightly and market rents in the most attractive locations were between SEK 3,100–3,900 per square metre and year, excluding the property tax supplement. For retail premises in central commercial locations, market rents were between SEK 3,000–13,000 per square metre and year, excluding the property tax supplement.

The outcome from the Group's renegotiations was positive for office premises and negative for retail premises. During the period, a total of 38,500 square metres were renegotiated at a rental value of SEK 223 million. On average, the renegotiations result in an increase in rent of approximately 4 per cent.

#### FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowings as at June 30, 2022 amounted to SEK 9,100 million (9,200 at year-end). Interest-bearing net debt was SEK 8,463 million (8,018 at year-end). In addition, leasing debt according to IFRS 16 amounted to SEK 712 million (716 at year-end), and total net debt was SEK 9,175 million (8,734 at year-end). In addition to outstanding loans, there are unutilised loan commitments amounting to SEK 4,500 million.

Hufvudstaden has an MTN programme totalling SEK 12,000 million, and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds was SEK 7,800 million and SEK 300 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilised loan assurances to cover all outstanding commercial paper. As at June 30, 2022, cash and cash equivalents and unutilised loan commitments amounted to SEK 5,137 million, which covers all maturities in the capital market for the next three years.

#### Financing facilities, SEK m, June 30, 2022

Loan/facility type	Framework/ facility volume	Utilized
MTN programme	12,000	7,800
Comm. paper programme	3,000	300
Bank loans incl. loan commitments	5,500	1,000

The average fixed interest period was 2.1 years (2.2 at year-end), the average capital tie-up period was 2.5 years (2.6 at year-end), and the average effective rate of interest was 1.5 per cent (1.3 at year-end) including and 1.4 per cent (1.2 at year-end) excluding costs for unutilised loan commitments. The capital tie-up period for commercial paper loans was calculated based on the underlying loan commitments. To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the long-term borrowings, SEK 5,500 million carries a fixed rate of interest. Financial assets and liabilities are recognised at amortised cost, which essentially concurs with fair value, apart from the bond loans. For bond loans with a fixed rate of interest, the surplus value is SEK 314.8 million (13.0 at year-end). These values were calculated on the basis of level 2 in IFRS 13, which means that the value has been calculated based on official market listings.

#### Fixed interest structure, June 30, 2022

Maturity, year	Credit amount SEK m	AER, % <sup>1)2)</sup>	Proportion, %
< 1	3,600	1.8	40
1 - 2	1,000	1.4	12
2 - 3	1,500	1.1	16
3 - 4	1,500	1.2	16
4 - 5	1,500	1.6	16
Total	9,100	1.5	100

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

<sup>2)</sup> The average effective rate excluding cost for unutilised loan commitments was 1.4 per cent.

#### Capital tie-up structure SEK m, June 30, 2022

Maturity, Year	Credit Agreement	Utilised:			Unutilised
		Bank loans	Bonds/Commer. paper	Total	
< 1	2,600	-	2,600	2,600	-
1 - 2	3,000	500	1,000	1,500	1,500
2 - 3	3,000	500	1,500	2,000	1,000
3 - 4	2,500	-	1,500	1,500	1,000
4 - 5	2,500	-	1,500	1,500	1,000
Total	13,600	1,000	8,100	9,100	4,500

### Green financing

A framework for green bonds was established in September 2021. The aim is to finance green properties and investments in projects promoting climate transition and sustainability. A total of SEK 1.5 billion has been issued in green bonds. In June 2022, Hufvudstaden raised its first green bank loan of SEK 0.5 billion. In total, green financing amounts to SEK 2.0 billion, corresponding to 22 per cent of the total loan portfolio. Moving forward, the goal is to gradually transition completely to green financing.

### SECOND QUARTER

Net revenue from property management excluding intra-Group rents of SEK 50.3 million (29.3) totalled SEK 456.7 million (465.4), a decrease of 2 per cent. Net revenue was charged with increased rent losses for vacant premises attributable to the Inom Vallgraven 12 block in Gothenburg where the Johanna project is ongoing. Operating expenses amounted to SEK -145.8 million (-134.6). Property tax increased due to provisions for new property tax assessments and the cost has mainly been invoiced onward to the tenants. Operating costs were higher during the quarter, mainly as a result of increased expenses for renting, marketing and energy. Gross profit from property management excluding intra-Group rents of SEK 50.3 million (29.3) totalled SEK 310.9 million (330.8), a decrease of 6 per cent.

Net revenue for NK Retail amounted to SEK 194.4 million (148.4). Costs excluding intra-Group rents of SEK -33.6 million (-15.5) were SEK -171.2 million (-129.2). Gross profit for NK Retail excluding intra-Group rental costs was SEK 23.2 million (19.2).

Net revenue for other operations amounted to SEK 33.3 million (21.1). Costs excluding intra-Group rents of SEK -16.7 million (-13.8) were SEK -19.5 million (-17.3). Gross profit excluding intra-Group rental costs was SEK 13.8 million (3.8).

Changes in value of investment properties amounted to SEK 182.6 million (642.4). Net financial income and expense totalled SEK -43.7 million (-33.2) of which fees for new mortgages comprised SEK -5.1 million (-).

### SHARES AND SHAREHOLDERS

Hufvudstaden Class A shares are listed on Nasdaq Stockholm. The company's Class C shares were delisted from Nasdaq Stockholm in January 2020. The company had 37,809 shareholders at the end of the period. The proportion of foreign ownership as at June 30, 2022 was 20.0 per cent (24.9 at year-end) of the total number of outstanding shares. The Class A share price as at June 30, 2022 was SEK 113.00, and total market capitalisation of all shares based on the Class A share price was SEK 23.9 billion.

#### Largest shareholder groups, June 30, 2022

Shareholder groups	Number of shares, %	Number of votes, %
L E Lundbergföretagen	45.2	87.9
AMF	6.9	1.4
State Street Bank and Trust	3.7	0.8
BNY Mellon Funds	3.0	0.6
Citi Bank	2.5	0.5
JP Morgan Funds	2.3	0.5
BNP Paribas	2.0	0.4
Länsförsäkringar	1.6	0.3
Spiltan Aktiefond	1.3	0.2
Other shareholders	27.3	6.5
Shares outstanding	95.8	99.1
Company holdings	4.2	0.9
Total number of issued shares	100.0	100.0

### Conversion of Hufvudstaden's Class C shares

At the 2001 Annual General Meeting, a conversion clause was added to Hufvudstaden's articles of association. Shareholders have the right at any time to request conversion of Class C shares into Class A shares. In the first half of 2022, 20 Class C shares were converted into Class A shares.

#### Share structure as at June 30, 2022

Share class	Number of shares	Number of votes	Equity %	Votes %
A (1 vote)	203,000,100	203,000,100	96.1	19.7
C (100 votes)	8,271,833	827,183,300	3.9	80.3
Total	211,271,933	1,030,183,400	100.0	100.0

### Shares bought back

Treasury shares held at June 30, 2022 totalled 8,965,000 Class A shares, corresponding to 4.2 per cent of all shares issued and 0.9 per cent of the total number of votes. No buyback took place during the period or after the end of the reporting period. At the 2022 Annual General Meeting, the Board of Directors was granted renewed authorisation to acquire Class A shares up to 10 per cent of all issued shares and to transfer treasury shares held by the company.

#### Share buybacks as at June 30, 2022

Million shares	Total number of shares	Treasury shares	Other shareholders
As at January 1, 2022	211.3	9.0	202.3
Buyback	-	-	-
As at June 30, 2022	211.3	9.0	202.3

### MATERIAL RISKS AND UNCERTAINTIES

The Group is mainly exposed to financing, interest and credit risks and changes in the value of its property holdings.

The geopolitical security situation in Europe has deteriorated sharply due to the war in Ukraine following Russia's invasion. This has resulted in negative effects on the financial markets. There is also some concern about disruptions in deliveries, which may affect our operations in the future, primarily in ongoing and planned projects. Inflation is at its highest level for a long time, largely driven by higher prices for energy, food and materials. To combat inflation, several central banks have increased policy rates.

Other than the above, no other material risks or uncertainties have been identified apart from those described in the 2021 Annual and Sustainability Report.

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

### EU TAXONOMY

In order to achieve the EU's climate goals and objectives under the European Green Deal, the EU has decided on a taxonomy whose purpose is to define which economic activities are sustainable. In accordance with the mandatory reporting for 2021, Hufvudstaden reported the extent to which the Group's activities are taxonomy eligible. The information is published as part of the 2021 Annual and Sustainability Report.

## ACCOUNTING POLICIES

Hufvudstaden applies the EU-endorsed IFRS standards. This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable provisions of the Swedish Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the interim report.

Accounting policies and computation bases remained unchanged from the most recent Annual and Sustainability Report.

## New standards and interpretations

New and amended standards that took effect in 2022 have not had any significant effects on the Group's financial reporting.

## FORTHCOMING INFORMATION

Interim Report Jan-Sep 2022	November 10, 2022
Year-end Report for 2022	February 16, 2023
Annual and Sustainability Report 2022	March 2023
Annual General Meeting 2023	March 23, 2023

The information in this Interim Report is information that Hufvudstaden AB (publ) is obligated to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on August 24, 2022.

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

*Questions can be answered by Anders Nygren, President, or Åsa Roslund, Vice President and CFO, on +46 (0)8 762 90 00.*

**REPORT ON RESULTS - SUMMARY**

GROUP, SEK m	April-June 2022	April-June 2021	January-June 2022	January-June 2021	January-December 2021
<b>Net revenue<sup>1)</sup></b>					
Property management, gross	507.0	494.7	1,006.0	953.7	1,936.5
Rent revenue, intra-Group	-50.3	-29.3	-100.6	-63.0	-153.0
Property management, net	456.7	465.4	905.4	890.7	1,783.5
Other segments	227.7	169.5	422.8	261.8	704.4
	<b>684.4</b>	<b>634.9</b>	<b>1,328.2</b>	<b>1,152.5</b>	<b>2,487.9</b>
<b>Property management expenses</b>					
Maintenance	-4.9	-4.7	-16.4	-10.4	-26.3
Operation and administration	-82.0	-77.8	-167.7	-161.2	-326.1
Property tax	-57.4	-50.7	-119.4	-101.6	-204.2
Depreciation	-1.5	-1.4	-3.0	-2.9	-5.8
<b>Property management expenses</b>	<b>-145.8</b>	<b>-134.6</b>	<b>-306.5</b>	<b>-276.1</b>	<b>-562.4</b>
Other segments, gross expenses	-241.0	-175.8	-471.3	-285.9	-734.9
Rental expenses, intra-Group	50.3	29.3	100.6	63.0	153.0
Other segments, net expenses	-190.7	-146.5	-370.7	-222.9	-581.9
<b>Operating expenses</b>	<b>-336.5</b>	<b>-281.1</b>	<b>-677.2</b>	<b>-499.0</b>	<b>-1,144.3</b>
<b>Gross profit</b>	<b>347.9</b>	<b>353.8</b>	<b>651.0</b>	<b>653.5</b>	<b>1,343.6</b>
- of which Property management	310.9	330.8	598.9	614.6	1,221.1
- of which Other segments	37.0	23.0	52.1	38.9	122.5
Central administration	-12.7	-12.3	-25.5	-24.5	-57.9
<b>Operating profit before changes in value</b>	<b>335.2</b>	<b>341.5</b>	<b>625.5</b>	<b>629.0</b>	<b>1,285.7</b>
Changes in value, investment properties	182.6	642.4	409.6	406.8	2,579.3
<b>Operating profit or loss</b>	<b>517.8</b>	<b>983.9</b>	<b>1,035.1</b>	<b>1,035.8</b>	<b>3,865.0</b>
Financial income and expense	-43.7	-33.2	-81.7	-66.8	-138.9
<b>Profit or loss before tax</b>	<b>474.1</b>	<b>950.7</b>	<b>953.4</b>	<b>969.0</b>	<b>3,726.1</b>
Tax	-98.0	-195.0	-197.3	-199.6	-770.8
<b>Net profit or loss</b>	<b>376.1</b>	<b>755.7</b>	<b>756.1</b>	<b>769.4</b>	<b>2,955.3</b>
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income or loss for the period</b>	<b>376.1</b>	<b>755.7</b>	<b>756.1</b>	<b>769.4</b>	<b>2,955.3</b>
Average number of outstanding shares	202,306,933	202,306,933	202,306,933	202,306,933	202,306,933
Net earnings for the period per share before and after dilution, SEK	1.86	3.73	3.74	3.80	14.61

<sup>1)</sup> For a breakdown of net revenue, see table on page 10.

**REPORT ON FINANCIAL POSITION - SUMMARY**

GROUP, SEK m	June 30, 2022	June 30, 2021	December 31, 2021
Investment properties	49,629.7	46,312.1	48,789.6
Right of use assets	711.3	719.1	715.4
Other non-current assets	158.6	151.3	147.5
<b>Total non-current assets</b>	<b>50,499.6</b>	<b>47,182.5</b>	<b>49,652.5</b>
Current assets	1,019.4	953.4	1,446.3
<b>Total assets</b>	<b>51,519.0</b>	<b>48,135.9</b>	<b>51,098.8</b>
Equity	31,296.1	28,880.2	31,066.0
Non-current interest-bearing liabilities	6,500.0	6,800.0	7,000.0
Deferred tax liabilities	9,317.1	8,636.6	9,162.1
Non-current leasing liabilities	703.6	710.5	706.9
Other non-current liabilities	99.8	86.7	87.7
Other provisions	29.5	30.5	31.9
<b>Total non-current liabilities</b>	<b>16,650.0</b>	<b>16,264.3</b>	<b>16,988.6</b>
Current interest-bearing liabilities	2,600.0	2,050.0	2,200.0
Current leasing liabilities	8.5	9.3	9.4
Other liabilities	964.4	932.1	834.8
<b>Total current liabilities</b>	<b>3,572.9</b>	<b>2,991.4</b>	<b>3,044.2</b>
<b>Total equity and liabilities</b>	<b>51,519.0</b>	<b>48,135.9</b>	<b>51,098.8</b>

## REPORT ON CHANGES IN EQUITY - SUMMARY

GROUP, SEK m	January- June 2022	January- June 2021	January- December 2021
Equity, opening balance	31,066.0	28,616.5	28,616.5
Total comprehensive income or loss for the period	756.1	769.4	2,955.3
Dividend	-526.0	-505.8	-505.8
<b>Equity, closing balance</b>	<b>31,296.1</b>	<b>28,880.2</b>	<b>31,066.0</b>

## REPORT ON CASH FLOWS - SUMMARY

GROUP, SEK m	January- June 2022	January- June 2021	January- December 2021
Income before tax	953.4	969.0	3,726.1
Depreciation/impairments	32.6	24.2	38.9
Changes in value, investment properties	-409.6	-406.8	-2,579.3
Other changes	-2.5	4.3	5.3
Income tax paid	-42.3	-64.5	-110.3
<b>Cash flow from current operations before changes in working capital</b>	<b>531.6</b>	<b>526.2</b>	<b>1,080.7</b>
Increase/decrease in inventory	-9.4	-58.2	-93.5
Increase/decrease in operating receivables	-119.3	-156.2	-4.5
Increase/decrease in operating liabilities	141.7	108.1	11.6
<b>Cash flow from current operations</b>	<b>544.6</b>	<b>419.9</b>	<b>994.3</b>
Acquisition of business	-	-39.8	-39.8
Investments in properties	-430.5	-268.8	-573.8
Investments in other non-current assets	-28.4	-4.6	-14.7
<b>Cash flow from investments</b>	<b>-458.9</b>	<b>-313.2</b>	<b>-628.3</b>
Loans raised	1,300.0	2,600.0	4,250.0
Amortization of loan debt	-1,400.0	-2,400.0	-3,700.0
Amortization of leasing debt	-4.8	-7.2	-11.8
Dividend paid	-526.0	-505.8	-505.8
<b>Cash flow from financing</b>	<b>-630.8</b>	<b>-313.0</b>	<b>32.4</b>
<b>Cash flow for the period</b>	<b>-545.1</b>	<b>-206.3</b>	<b>398.4</b>
Cash and cash equivalents at the beginning of the period	1,182.0	783.6	783.6
Cash and cash equivalents at the period-end	636.9	577.3	1,182.0
Cash flow from current operations per share, SEK	2.69	2.08	4.91
Cash flow for the period per share, SEK	-2.69	-1.02	1.97

## SEGMENT REPORT – SUMMARY

The Group's operations are divided into three segments, property management, NK Retail and other operations. Other operations comprise of Cecil Coworking (Business Area Stockholm) and NK e-commerce and the parking business in Parkaden AB (Business Area NK). The segments are divided into the business areas, which are in line with the Company's operational control system.

GROUP, SEK m	Business Area Stockholm		Business Area NK		Business Area Gothenburg		Intra-Group elimination		Total	
	Jan-Jun 2022	Jan-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
<b>Property management</b>										
Net revenue	625.9	577.3	233.6	215.9	146.5	160.5	-100.6	-63.0	905.4	890.7
Expenses	-144.4	-121.9	-110.5	-104.7	-51.6	-49.5			-306.5	-276.1
<b>Gross profit property management</b>	<b>481.5</b>	<b>455.4</b>	<b>123.1</b>	<b>111.2</b>	<b>94.9</b>	<b>111.0</b>	<b>-100.6</b>	<b>-63.0</b>	<b>598.9</b>	<b>614.6</b>
<b>NK Retail<sup>1)</sup></b>										
Net revenue			358.5	222.8					358.5	222.8
Expenses			-401.4	-225.2			67.3	36.3	-334.1	-188.9
<b>Gross profit NK Retail</b>			<b>-42.9</b>	<b>-2.4</b>			<b>67.3</b>	<b>36.3</b>	<b>24.4</b>	<b>33.9</b>
<b>Other operations<sup>2)</sup></b>										
Net revenue	20.1	3.6	44.2	35.4					64.3	39.0
Expenses	-17.3	-11.3	-52.6	-49.4			33.3	26.7	-36.6	-34.0
<b>Gross profit other operations</b>	<b>2.8</b>	<b>-7.7</b>	<b>-8.4</b>	<b>-14.0</b>			<b>33.3</b>	<b>26.7</b>	<b>27.7</b>	<b>5.0</b>
Central administration									-25.5	-24.5
Changes in value, investment properties									409.6	406.8
<b>Operating profit or loss</b>									<b>1,035.1</b>	<b>1,035.8</b>
Financial income and expense									-81.7	-66.8
<b>Profit or loss before tax</b>									<b>953.4</b>	<b>969.0</b>

<sup>1)</sup> NK Retail accessed the NK-operations on February 3, 2021.

<sup>2)</sup> Cecil Coworking opened on February 1, 2021.

## BREAKDOWN OF NET REVENUE

SEK m	Group			Parent Company		
	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Rent revenue	914.9	879.2	1,787.4	683.8	654.4	1,322.6
Service revenue	54.8	50.5	96.5	22.5	21.8	43.7
Sale of goods	358.5	222.8	604.0	-	-	-
<b>Total net revenue</b>	<b>1,328.2</b>	<b>1,152.5</b>	<b>2,487.9</b>	<b>706.3</b>	<b>676.2</b>	<b>1,366.3</b>

## PERFORMANCE MEASURES

GROUP	June 30, 2022	June 30, 2021	Full year 2021
<b>Property-related</b>			
Rentable floor space, 1,000 m <sup>2</sup>	386.6	386.7	386.5
Rental vacancy rate, %	8.5	7.6	7.3
Floor space vacancy rate, %	13.4	9.7	10.2
Fair value, SEK bn	49.6	46.3	48.8
Surplus ratio, %	69.5	71.0	71.0
Net operating income, SEK m	699.5	677.6	1,374.1
<b>Financial</b>			
Return on equity, %	3.8	4.2	9.9
Return on capital employed, %	4.0	4.3	9.8
Equity ratio, %	61	60	61
Interest coverage ratio, multiple	8.1	9.4	9.3
Debt/equity ratio, multiple	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	18.5	19.4	17.9
Gross margin, %	49.0	56.7	54.0
<b>Data per share</b>			
Net earnings per share for the period, SEK	3.74	3.80	14.61
Equity, SEK	154.70	142.75	153.56
Properties, fair value, SEK	245.32	228.92	241.17
Number of outstanding shares, 1,000	202,307	202,307	202,307
Average number of outstanding shares, 1,000	202,307	202,307	202,307
Number of issued shares, 1,000	211,272	211,272	211,272
<b>EPRA</b>			
EPRA Earnings (Earnings from property mgmt. after nom. tax), SEK m	501	497	1,032
EPRA EPS, SEK	2.48	2.46	5.10
EPRA NRV (Net reinstatement value), SEK m	40,729.0	37,631.4	40,340.0
EPRA NRV per share, SEK	201	186	199
EPRA NTA (Net tangible assets), SEK m	38,348.4	35,405.5	37,992.3
EPRA NTA per share, SEK	190	175	188
EPRA NDV (Net disposal value), SEK m	31,296.1	28,880.2	31,066.0
EPRA NDV per share, SEK	155	143	154
EPRA vacancy rate, %	5.5	6.5	5.9

## PERFORMANCE MEASURES PER QUARTER

GROUP	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020	Jul-Sep 2020
Share price, series A share, SEK	113.00	133.80	135.20	131.10	145.50	127.00	136.20	124.90
Net revenue, SEK m	684	644	703	632	635	518	463	434
Return on equity, %	4.0	3.1	9.8	5.3	4.5	2.1	-4.8	-2.8
Return on equity, adjusted %	2.9	2.6	3.0	3.3	3.4	2.8	3.0	2.7
Equity ratio, %	61	60	61	60	60	59	60	61
Gross margin, %	50.8	47.1	48.7	55.0	55.7	57.9	64.6	70.5
Surplus ratio, %	71.2	67.8	68.2	73.5	72.8	69.2	67.7	71.0
Net operating income, SEK m	361.2	338.3	333.3	363.2	360.1	317.5	307.4	303.9
Net earnings per share for the period, SEK	1.86	1.88	8.33	2.48	3.73	0.07	-2.27	0.38
Equity per share, SEK	154.70	152.84	153.56	145.23	142.75	139.02	141.45	143.72
EPRA EPS, SEK	1.33	1.15	1.28	1.36	1.31	1.15	1.21	1.16
EPRA NRV per share, SEK	201	199	199	189	186	182	184	187
Cash flow per share from current operations, SEK	1.45	1.24	1.47	1.37	1.15	0.93	1.37	1.46

## ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. According to these guidelines, alternative performance measures refer to a financial measurement of earnings performance, financial position, financial result or cash flow not defined according to IFRS or the Swedish Annual Accounts Act. Hufvudstaden is also a member of the European Public Real Estate Associations (EPRA) and reports financial key figures defined according to EPRA. Below is the derivation of alternative performance measures. For definitions, see page 14.

SEK m	June 30, 2022	June 30, 2021	Full year 2021
<b>Net asset value, see page 5.</b>			
<b>Net debt</b>			
Non-current interest-bearing liabilities	6,500	6,800	7,000
Non-current leasing liabilities	704	711	707
Current interest-bearing liabilities	2,600	2,050	2,200
Current lease liabilities	8	9	9
Cash and cash equivalents	-637	-577	-1,182
<b>Net debt</b>	<b>9,175</b>	<b>8,993</b>	<b>8,734</b>
<b>Equity ratio</b>			
Equity	31,296	28,880	31,066
Total assets	51,519	48,136	51,099
<b>Equity ratio, %</b>	<b>61</b>	<b>60</b>	<b>61</b>
<b>Net loan-to-value ratio, properties</b>			
Net debt	9,175	8,993	8,734
Carrying amount, properties	49,630	46,312	48,790
<b>Net loan-to-value ratio, properties, %</b>	<b>18.5</b>	<b>19.4</b>	<b>17.9</b>
<b>Interest coverage ratio</b>			
Profit or loss before tax	1,497 <sup>1)</sup>	1,531 <sup>1)</sup>	3,726
Reversal of changes in value	-410	-407	-2,579
Interest expense	153 <sup>1)</sup>	134 <sup>1)</sup>	139
<b>Total</b>	<b>1,240</b>	<b>1,258</b>	<b>1,286</b>
Interest expense	153 <sup>1)</sup>	134 <sup>1)</sup>	139
<b>Interest coverage ratio, multiple</b>	<b>8.1</b>	<b>9.4</b>	<b>9.3</b>
<b>EPRA Earnings (Earnings from property mgmt. after nom. tax)</b>			
Operating profit or loss before changes in value	626	629	1,286
Financial income and expense	-82	-67	-139
<b>Earnings from property management</b>	<b>544</b>	<b>562</b>	<b>1,147</b>
Current tax, earnings from property management	-43	-65	-115
<b>EPRA Earnings (Earnings from property mgmt. after nom. tax)</b>	<b>501</b>	<b>497</b>	<b>1,032</b>
Average number of outstanding shares, million	202.3	202.3	202.3
<b>EPRA EPS, SEK</b>	<b>2.48</b>	<b>2.46</b>	<b>5.10</b>
<b>EPRA vacancy rate, %</b>			
Rental value for vacant space, in total	188	161	154
Rental value for vacant space, project	66	22	29
Total rental value	2,220	2,109	2,095
<b>Vacancy rate, in total, %</b>	<b>8.5</b>	<b>7.6</b>	<b>7.3</b>
<b>Vacancy rate, project, %</b>	<b>3.0</b>	<b>1.1</b>	<b>1.4</b>
<b>EPRA vacancy rate, %</b>	<b>5.5</b>	<b>6.5</b>	<b>5.9</b>

<sup>1)</sup> Recalculated 12 months.

## PARENT COMPANY

### RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 706.3 million (676.2). The increase was attributable primarily to decreased rent reductions for stores and restaurants, indexation as well as higher gross rents related to renegotiations, and new leases. Net revenue were charged with higher rent losses for vacant premises attributable to the Inom Vallgraven 12 block in Gothenburg where the Johanna project is ongoing. Operating expenses amounted to SEK -408.6 million (-298.5). Property tax increased due to provisions for new property tax assessments and the cost has mainly been invoiced onward to the tenants. Maintenance costs increased mainly due to larger development projects. Gross profit was SEK 297.7 million (377.7). Net financial income and expense was SEK -66.1 million (-80.3).

Cash and cash equivalents at the end of the period amounted to SEK 631.2 million (557.2). Investments in properties, intangible assets, equipment and shares in subsidiaries amounted to SEK 214.9 million (103.5).

### MATERIAL RISKS AND UNCERTAINTIES

The Company is mainly exposed to financing, interest and credit risks. Other than what is stated for the Group on page 6, no other material risks or uncertainties have been identified apart from those described in the 2021 Annual and Sustainability Report.

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

No material transactions with related parties took place during the period.

### ACCOUNTING POLICIES

The Parent Company applies RFR2 Accounting for Legal Entities and the Swedish Annual Accounts Act. This interim report for the parent company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. The accounting policies and basis for calculations remain unchanged from the 2021 Annual and Sustainability Report.

### INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	April-June 2022	April-June 2021	January-June 2022	January-June 2021	January-December 2021
Net revenue <sup>1)</sup>	357.0	350.1	706.3	676.2	1,366.3
Operating expenses	-213.6	-122.8	-408.6	-298.5	-692.3
<b>Gross profit</b>	<b>143.4</b>	<b>227.3</b>	<b>297.7</b>	<b>377.7</b>	<b>674.0</b>
Central administration	-12.8	-12.3	-25.6	-24.5	-57.8
<b>Operating profit</b>	<b>130.6</b>	<b>215.0</b>	<b>272.1</b>	<b>353.2</b>	<b>616.2</b>
Impairment of shares in Group companies	-	-9.7	-	-24.8	-51.3
Other financial income and expense	-35.8	-27.5	-66.1	-55.5	12.4
<b>Profit after financial items</b>	<b>94.8</b>	<b>177.8</b>	<b>206.0</b>	<b>272.9</b>	<b>577.3</b>
Appropriations	-	-	-	-	-110.3
<b>Profit before tax</b>	<b>94.8</b>	<b>177.8</b>	<b>206.0</b>	<b>272.9</b>	<b>467.0</b>
Tax	-19.6	-38.2	-42.7	-61.3	-105.8
<b>Profit for the period</b>	<b>75.2</b>	<b>139.6</b>	<b>163.3</b>	<b>211.6</b>	<b>361.2</b>
<b>Statement of comprehensive income, SEK m</b>					
Profit for the period	75.2	139.6	163.3	211.6	361.2
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>75.2</b>	<b>139.6</b>	<b>163.3</b>	<b>211.6</b>	<b>361.2</b>

<sup>1)</sup> For a breakdown of net revenue, see table on page 10.

### BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	June 30, 2022	June 30, 2021	December 31, 2021
Investment properties	8,380.1	8,283.5	8,262.2
Other non-current assets	6,086.4	2,669.8	6,089.7
Total non-current assets	14,466.5	10,953.3	14,351.9
Current assets	1,000.7	4,000.5	1,386.3
<b>Total assets</b>	<b>15,467.2</b>	<b>14,953.8</b>	<b>15,738.2</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	2,247.7	2,460.8	2,610.4
Total equity	4,226.4	4,439.5	4,589.1
Untaxed reserves	52.8	38.7	52.8
Provisions	907.8	905.4	907.8
Non-current liabilities	6,594.0	6,877.2	7,082.0
Current liabilities	3,686.2	2,693.0	3,106.5
<b>Total equity and liabilities</b>	<b>15,467.2</b>	<b>14,953.8</b>	<b>15,738.2</b>

## BOARD CERTIFICATION

The Board of Directors and the President hereby certify that this Half-Year Report provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group,

and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, August 24, 2022

Fredrik Lundberg  
*Chairman*

Claes Boustedt  
*Board Member*

Peter Egardt  
*Board Member*

Liv Forhaug  
*Board Member*

Louise Lindh  
*Board Member*

Katarina Ljungkvist  
*Board Member*

Fredrik Persson  
*Board Member*

Sten Peterson  
*Board Member*

Anders Nygren  
*President and  
Board Member*

## AUDITOR'S REVIEW REPORT

Hufvudstaden AB (publ), Corp. Reg. No. 556012-8240

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### Introduction

We have reviewed the condensed interim financial information (Half-Year Report) for Hufvudstaden AB (publ) as at June 30, 2022 and the six-month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this Half-Year Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this Half-Year Report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily involving persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different orientation and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. An opinion based on a review therefore does not have the certainty of an opinion based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Half-Year Report for the Group has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, August 24, 2022  
PricewaterhouseCoopers AB

Magnus Svensson Henryson  
*Authorised Public Accountant*

## DEFINITIONS AND GLOSSARY

### Finance

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

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

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

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

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

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

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

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

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

**Gross margin.** Gross profit in relation to net revenue.

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

**Items affecting comparability.** Items of a non-recurring nature and which make it difficult to compare between two given periods.

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

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

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

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

**Return on capital employed.** Profit or loss before tax plus interest expense in relation to average capital employed. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations and with

the exception of items affecting comparability and changes in value.

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

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

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

### Shares

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

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

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

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

### Property

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

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

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

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

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

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

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

**Net operating income.** Net revenue from property management including intra-Group rent revenue less costs for property management.

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

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

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

*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.*

# HUFVUDSTADEN

## Hufvudstaden

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

## Purpose

Shaping the city of the future together, since 1915.

## Vision

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

## Business concept

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

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

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

## Strategies to achieve the objectives

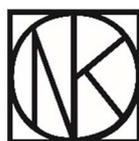
*Customer focus.* Hufvudstaden will work in close cooperation with its customers and contribute to continuously improving their business potential and competitiveness.

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

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

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

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



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Registered office: Stockholm



**HUFVUDSTADEN**