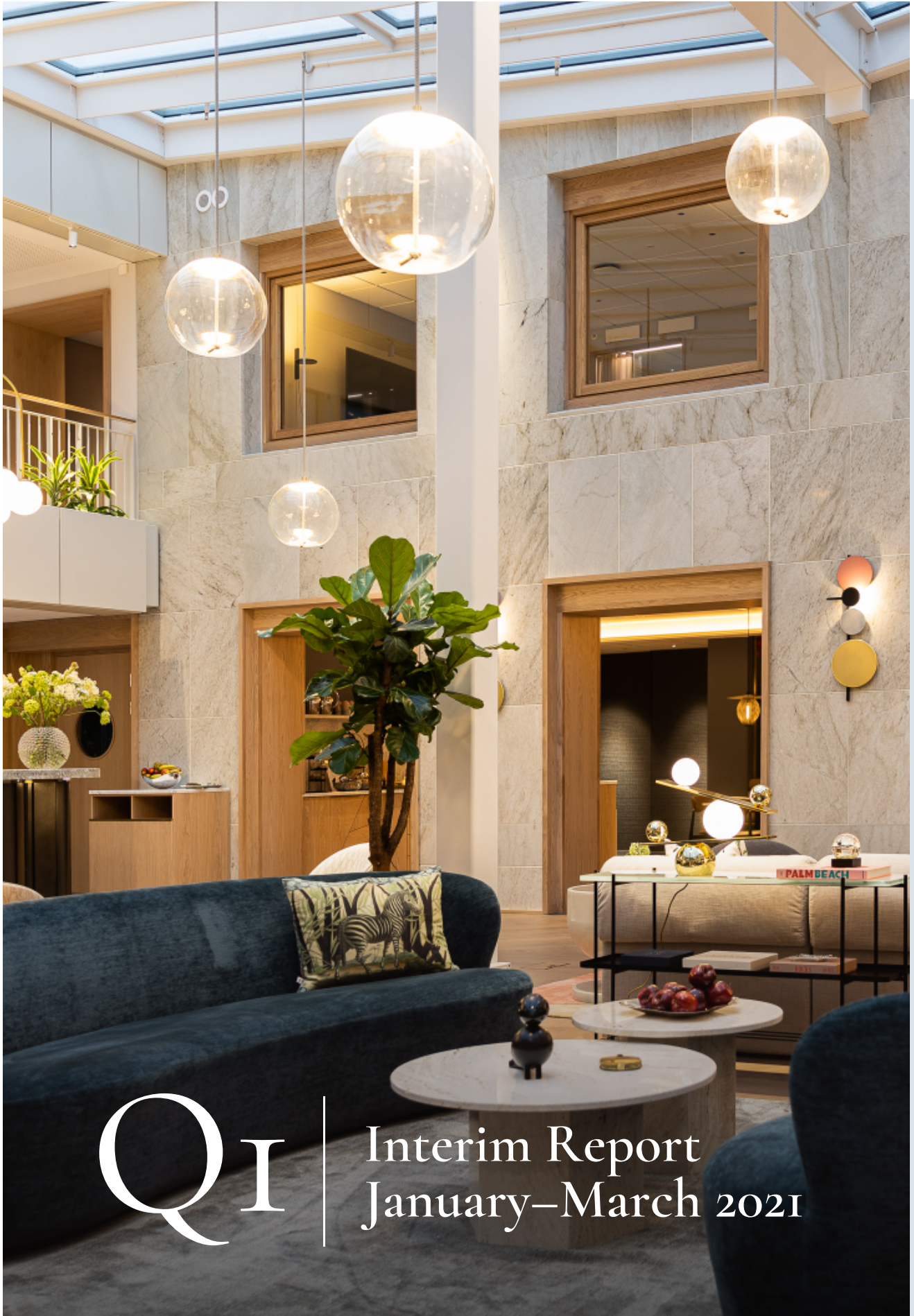


HUFVUDSTADEN



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Interim Report
January–March 2021

HUFVUDSTADEN

Interim Report January–March 2021

- On 3 February 2021, the Group accessed the NK business in Departments & Stores Europe AB. One effect of this is the elimination of intra-Group rent revenue and rental costs in the Group's income statement.
- Gross profit from property management decreased by 16 per cent, totalling SEK 284 million (339), which is attributable mainly to lower rent revenue for stores and restaurants as well as the elimination of intra-Group rent revenue of SEK 33.7 million (11.0).
- Net revenue from property management was SEK 425 million (471), a decrease of 10 per cent. This is attributable primarily to temporary rent reductions for stores and restaurants as a consequence of covid-19, increased rent losses and the elimination of SEK 33.7 million (11.0) in intra-Group rent revenue.
- Net profit for the period was SEK 14 million (-499), equivalent to SEK 0.07 per share (-2.42). The increase can be attributed primarily to lower negative unrealised changes in value in the property holdings.
- The fair value of the property holdings was SEK 45.6 billion (45.6 at year-end), resulting in net tangible assets (EPRA NTA) of SEK 171 per share (173 at year-end) after deduction for the decided dividend of SEK 2.50 per share. Unrealised changes in the value of the property holdings amounted to SEK -236 million (-929) for the period.
- The equity ratio was 59 per cent (62), the net loan-to-value ratio was 20 per cent (18), and the interest coverage ratio multiple was 8.6 (10.8).
- The rental vacancy level at the end of the period was 8.3 per cent (6.3). Excluding current development projects, the rental vacancy level was 7.3 per cent (2.7).

Acquisition of business

On 3 February 2021, the Group accessed the NK business in Departments & Stores Europe AB. The business encompasses the operation of approximately 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 department stores. All employees in the business, approximately 400 in total,

have been offered employment in the Group and all but one have accepted the offer. Turnover for the business amounted to approximately SEK 770 million for the 2019/2020 financial year. The purchase price was SEK 58 million and corresponds to the value of the inventory. The acquisition has been financed with existing cash and cash equivalents.

Operating events during the first quarter

The subsidiary NK Retail has accessed the NK business in Departments & Stores.

The Skären 9 property in Norrmalmstorg has been environmentally certified under BREEAM In-Use with a rating of Excellent.

In NK Gothenburg, Deloitte has signed a lease for approximately 1,800 square metres of office premises.

The Italian brand Diesel has signed a lease for retail premises in the Pumpstocken 10 property in Bibliotekstan.

The Swedish chain Sneakers Point has signed a lease in Fyran for its first store in Gothenburg.

COVID-19

During the first quarter of the year, a third wave of the covid-19 pandemic impacted both society and Hufvudstaden's operations. The high transmission of the virus resulted in a continued strenuous burden on health care services. Vaccination against the disease was initiated and gradually accelerated in pace with the greater availability of vaccines. The objective now is for a majority of the population to have begun vaccinations in the third quarter of the year.

Public authorities encouraged continued social distancing and recommended that people work from home. Retail and restaurants have had restrictions imposed on how their operations are to be conducted. Tourism remains sharply curtailed and has virtually ceased in the urban regions of Stockholm and Gothenburg. A large portion of the entertainment and culture sector has been entirely shut down.

The effects of covid-19 continued to have an impact on Hufvudstaden's centrally located properties and marketplaces in the two largest cities in Sweden, as central city locations do not have as many local residents and flows of commuters have significantly decreased.

Payment capacity was weaker during the first quarter of the year for many of our retail and restaurant tenants. Earnings in the interim accounts for the first quarter of 2021 were charged with rent reductions of approximately SEK 59 million in connection with covid-19, before reserved government compensation under the commercial rent support scheme for the first quarter.

In many cases, Hufvudstaden has long-term relationships with its tenants, which is a core element in our business concept. We support tenants in all matters related to premises, in good times and bad. Discussions will continue in the second quarter of 2021 to find the best solutions in business terms to bridge this challenging period. The effect on operating results will therefore continue in upcoming quarters, as compared to the situation prior to the pandemic.

Hufvudstaden is following official recommendations and directives on how to manage transmission of the virus. Operations have been adapted with regard to stores, restaurants, and office premises. Current and planned development projects are proceeding as scheduled. 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 will 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 remain attractive and we are convinced that our business model will be the foundation of favourable profit growth upon return to more normal conditions going forward.

Performance measures

SEK m	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Net revenue, property management ¹⁾	425	471	1,724
Gross profit, property management ¹⁾	284	339	1,194
Unrealised changes in property value, investment properties	-236	-929	-2,930
Operating profit/loss	52	-585	-1,702
Net profit/loss for the period	14	-499	-1,462
Fair value, properties, SEK bn	45.6	47.0	45.6
Net loan-to-value ratio, properties, %	20.0	17.5	18.8
Interest coverage ratio, multiple	8.6	10.8	9.1
Rental vacancy level, excl. projects (EPRA vacancy rate), %	7.3	2.7	6.7
Earnings from property management after nominal tax (EPRA EPS) per share, SEK	1.15	1.36	4.80
Net tangible assets (EPRA NTA) per share, SEK	171	178	173

¹⁾ After elimination of intra-Group rent revenue of SEK 33.7 million for January–March 2021, SEK 11.0 million for January–March 2020 and SEK 43.9 million for January–December 2020.

GROUP

RESULTS

Property management

Net revenue from property management after elimination of intra-Group rents of SEK 33.7 million (11.0) totalled SEK 425.3 million (471.2) for the period.

Gross profit was SEK 283.8 million (339.1). The decrease is primarily attributable to lower rent revenue for stores and restaurants, as well as additional elimination of intra-Group rent revenue. This is offset to a certain extent by higher gross rents in conjunction with renegotiations, new leases, and indexation.

Turnover-based rent supplements are recognised in the fourth quarter. Turnover-based rent supplements for the preceding year totalled SEK 4.6 million. Apart from this, 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 3 February of this year. Net revenue amounted to SEK 74.4 million (-). Costs after elimination of intra-Group rents of SEK -20.8 million (-) were SEK -59.7 million (-). The profit for NK Retail excluding intra-Group rental costs was SEK 14.7 million (-).

Net revenue for other operations amounted to SEK 17.9 million (19.2). The decrease is attributable to lower revenue from short-term parking. Costs after elimination of intra-Group leases of SEK -12.9 million (-11.0) totalled SEK -16.7 million (-2.0). Cecil Coworking and NK e-commerce were mainly charged with start-up costs. The profit excluding intra-Group rental costs was SEK 1.2 million (17.2).

For further information, see page 9.

Other profit and loss items

Central administration totalled SEK -12.2 million (-11.5). Unrealised changes in the value of investment properties totalled SEK -235.6 million (-929.4). For further information, see pages 4–5.

Financial income and expense

Net financial income and expense amounted to SEK -33.6 million (-32.0), of which SEK -28.0 million (-26.5) refers to the cost of borrowing, and SEK -5.6 million (-5.5) to leasing costs, primarily ground rents. The increase in financial expense is due to increased borrowing. For further information, see pages 5–6.

Tax

The Group's tax for the period was SEK -4.6 million (118.1), of which SEK -20.9 million (-37.7) in current tax and SEK 16.3 million (155.8) in deferred tax.

Net profit/loss for the period

The consolidated net profit was SEK 13.7 million (-498.5). The increase can be attributed primarily to lower negative unrealised changes in value in the property holdings.

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 31 March 2021 was SEK 45,552 million (45,637 at year-end). The decrease can be attributed to negative unrealised changes in the value of the property holdings, primarily regarding properties with a significant proportion of stores and restaurants. Rentable floor space totalled approximately 386,700 square metres (386,800 at year-end).

The total rental vacancy level as at 31 March 2021 was 8.3 per cent (8.2 at year-end) and the total floor space vacancy level was 10.2 per cent (9.8 at year-end). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 7.3 per cent (6.7 at year-end).

Acquisitions and investments

Total investments were SEK 190.7 million (217.8), of which investments in properties and other non-current assets were SEK 150.9 million (217.8).

In recent years, Hufvudstaden has intensified its investment in development projects. At present, current and planned projects are worth approximately SEK 3–4 billion. Major projects are presented in the table below.

Current and planned development projects are progressing as scheduled despite the covid-19 pandemic.

The work on developing the NK department stores continued during the first quarter of the year. A development project is in progress on the women's floor at NK in Gothenburg, with changed customer flows and new department designs. In Stockholm, NK Padel & Social opened on the roof of NK Parkaden. To respond to changes in consumer behaviour, NK e-commerce was launched on a limited basis in the autumn of 2020. The process of connecting more departments continued during the quarter.

Major current and planned projects in the first quarter 2021

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment ¹⁾ (SEK m)	Estimated completion (year)
Stockholm	Vildmannen 7	Foundation work, planning	Office, retail & residential	4,800	4,800	800	2023
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	-	85	2021/2022
Gothenburg	NK Gothenburg	Current	Retail	2,900	-	85	2021/2022
Gothenburg	Inom Vallgraven 12 block	Planning	Office, retail & restaurant	31,600	11,600	2,200	2025/2026
Gothenburg	NK Gothenburg	Local planning	Office, retail & restaurant	-	-	-	-

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

The expansion and redevelopment project at the Skären 9 property in Bibliotekstan has been completed. The law firm Vinge is leasing the majority of the offices. In the remaining office space, Hufvudstaden opened Cecil Coworking under own management. Total investment is SEK 675 million.

At the Vildmannen 7 property in Bibliotekstan, foundations are being laid and planning is in progress ahead of rebuilding a new construction behind the original facades facing the street, which have been secured in preparation for the new construction.

In Gothenburg, a new local plan was received at the end of 2019 for the Inom Vallgraven 12 block. Planning has commenced as part of an extensive redevelopment and expansion project. The new local plan allows for additional building permissions of around 15,000 square metres in gross area. Existing residential units in the block will be replaced by new ones in the Inom Vallgraven 3:2 property. Conversion of the property to residential use progressed during the quarter, with estimated completion in late 2021 or early 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 conducted 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 unrealised change in the value of the property holdings for the period was SEK -235.6 million (-929.4). The total value of the property holdings at 31 March 2021 was SEK 45.6 billion, including investments made during the period. The unrealised decrease in value is due to the effects of lower market rents, primarily for properties with a significant share of stores and restaurants.

The average yield requirement is unchanged compared to the fourth quarter and stood at 3.7 per cent at the above valuation (3.7 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 conducted 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 there have been few or no transactions within the property's subarea, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalised provide guidance on market yield requirements.

The yield requirement can vary between different regions and different subareas 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 was 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 level, 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 valuation¹⁾

Stockholm	3.3–3.7 per cent
Gothenburg	4.2–4.8 per cent
Property holdings, average	3.7 per cent

¹⁾ Valuation date: 31 March 2021

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 range is usually +/- 5 per cent but can vary depending, in part, 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 estimated fair value varies by +/- SEK 2.3 billion. Below are the key factors that influence the valuation and the consequent impact on profit or loss before tax.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit or loss before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,060 m
Property costs	SEK 50/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: 31 March 2021

External valuation

To assure the quality of the valuation, external estimates were obtained from two independent valuation companies: Forum Fastighetsekonomi and Newsec Advice. The external valuation as at 31 March 2021 comprise 3 properties, equivalent to 29 per cent of the internally assessed fair value. The basis for selection was that the properties have a significant share of stores and restaurants. The properties that underwent an external valuation as at 31 March 2021 were Hästen 19 and 20 (NK Stockholm) in Stockholm and Inom Vallgraven 10:9 (NK Gothenburg) and Nordstaden 8:24 in Gothenburg.

The external valuation companies set a fair value for these properties of SEK 13.6 billion. Hufvudstaden's internal valuation of the same properties was SEK 13.1 billion. The internal valuations thus concur well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the current net reinstatement value (EPRA NRV) is SEK 36.7 billion or SEK 182 per share. Net tangible assets (EPRA NTA) amounted to SEK 34.5 billion or SEK 171 per share after a deduction for decided dividend and estimated deferred tax. This assessment is based on current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been assumed at 5 per cent.

Net asset value, 31 March 2021

	SEK m	SEK/ share
Equity according to the balance sheet	28,124.4	139
<i>Reversal</i>		
Deferred tax ¹⁾	8,598.9	43
Long-term EPRA NRV	36,723.3	182
<i>Deduction</i>		
Intangible assets	-105.3	-1
Estimated fair liability, deferred tax 5%	-2,087.1	-10
EPRA NTA	34,530.9	171
<i>Reversal</i>		
Intangible assets as above	105.3	1
Deferred tax in its entirety	-6,511.8	-33
EPRA NDV	28,124.4	139

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

RENTAL MARKET

The demand for modern, flexible office premises in prime locations in central Stockholm was somewhat tentative, but there was interest. Vacancy levels were within the normal interval, and in Stockholm's most attractive locations-Bibliotekstan, Normalmstorg/Hamngatan, and the Hötorget area-market rents for office premises were estimated at SEK 6,300–8,700 per square metre and year, excluding the property tax supplement. The market for retail premises during the quarter continued to be impacted by the effects of the covid-19 pandemic. Market rent levels were difficult to assess, but are assumed to have declined somewhat, at least temporarily, compared to before the pandemic. Estimated market rents in prime retail locations were SEK 13,000-25,000 per square metre and year, excluding the property tax supplement.

In the central sub-markets of Gothenburg, the demand for modern and flexible office premises remained somewhat hesitant. Vacancies rose slightly and market rents in the most attractive locations were estimated at SEK 2,900-3,800 per square metre and year, excluding the property tax supplement. For retail premises in prime locations, market rents are slightly declining and amounted to SEK 5,000-14,000 per square metre per year, excluding the property tax supplement.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at 31 March 2021 amounted to SEK 8,800 million (8,650 at year-end). Interest-bearing net debt was SEK 7,875 million (7,866 at year-end). In addition, leasing debt according to IFRS 16 amounted to SEK 722 million (720 at year-end) and decided, unpaid dividends of SEK 506 million (-), total net debt was SEK 9,103 million (8,586 at year-end). In addition to outstanding loans, there are unutilised loan commitments amounting to SEK 3,500 million.

Hufvudstaden has a MTN programme totalling SEK 8,000 million, and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds was SEK 6,200 million and there was SEK 1,600 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilised loan commitments to cover all outstanding commercial paper.

Financing facilities, SEK m, 31 March 2021

Loan/facility type	Framework/ facility volume	Utilised
MTN programme	8,000	6,200
Comm. paper programme	3,000	1,600
Bank loans incl. loan commitments	4,500	1,000

The average fixed interest period was 1.9 years (1.8 at year-end), the average capital tie-up period was 2.6 years (2.6 at year-end), and the average equivalent rate of interest was 1.2 per cent (1.3 at year-end) including- and 1.1 per cent (1.1 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 5,300 million carries a fixed rate of interest. Financial assets and liabilities are reported at amortised cost.

Fixed interest structure, 31 March 2021

Maturity, year	Credit amount, SEK m	AER, % ^{1),2)}	Proportion, %
< 1	3,500	1.1	40
1-2	1,800	1.4	20
2-3	1,000	1.3	11
3-4	2,000	1.2	23
4-5	500	1.2	6
Total	8,800	1.2	100

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

²⁾ The average effective rate excluding cost for unutilised loan commitments was 1.1 per cent.

Capital tie-up structure, SEK m, 31 March 2021

Maturity, year	Credit agreement	Utilised:			Proportion, %
		Bank loans	Bonds/ Comm. paper	Total	
< 1	3,500	-	2,500	2,500	28
1-2	2,300	500	1,800	2,300	26
2-3	3,000	500	1,000	1,500	17
3-4	3,000	-	2,000	2,000	23
4-5	500	-	500	500	6
Total	12,300	1,000	7,800	8,800	100

SHARES AND SHAREHOLDERS

Hufvudstaden's 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 45,267 shareholders at the end of the period. The proportion of foreign ownership as at 31 March 2021 was 26.4 per cent (28.0 at year-end) of the total number of outstanding shares. The class A share price as at 31 March 2021 was SEK 127.00, and total market capitalisation of all shares based on the class A share price was SEK 26.8 billion.

Largest shareholder groups, 31 March 2021

	Number of shares, %	Number of votes, %
L E Lundbergföretagen	44.7	87.8
JP Morgan Funds	5.0	1.0
State Street Bank and Trust	4.2	0.9
BNY Mellon Funds	4.2	0.9
Citibank	3.0	0.6
BNP Paribas	1.4	0.3
RBC Investor Services	1.4	0.3
The Northern Trust Company	1.0	0.2
SEB Funds	1.0	0.2
Other shareholders	29.9	6.9
Outstanding shares	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. During the first quarter of 2021, no class C shares were converted to class A shares.

Share structure as at 31 March 2021

Share class	Number of shares	Number of votes	Equity, %	Votes, %
A (1 vote)	203,000,047	203,000,047	96.1	19.7
C (100 votes)	8,271,886	827,188,600	3.9	80.3
Total	211,271,933	1,030,188,647	100.0	100.0

Shares bought back

Treasury shares held at 31 March 2021 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 2021 Annual General Meeting, the Board of Directors was granted renewed authorisation to acquire class A shares up to 10 per cent of all shares outstanding and to transfer treasury shares held by the company.

Share buybacks as at 31 March 2021

Million shares	Total no. of shares	Treasury shares	Other share-holders
As at 1 January 2021	211.3	9.0	202.3
Buyback	—	—	—
As at 31 March 2021	211.3	9.0	202.3

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 Group has not identified any other material risks and uncertainties than those described in the 2020 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

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. In addition to the accounting policies and computation bases applied in the 2020 Annual Report, the accounting policies below were applied for the first time in this interim report.

Revenue, NK Retail

Revenue is primarily generated through the sale of clothing, accessories, beauty products and jewellery to consumers. The Group's performance obligation is thus to provide goods to customers, either to consumers in the Group's own stores or to e-commerce customers when goods are delivered to independent shippers.

All revenue is recognised under the IFRS 15 category "at a point in time", meaning, upon delivery. Revenue from the sale of goods at a fixed price is recognised when the company has transferred control of the good to the customer, which normally occurs at the time of sale when the customer takes the good with them out of the store, or upon delivery to an e-commerce customer under the terms and conditions of sale. The main store sales take place with a 30 day open purchase (full right of return), which means that revenue from sales in stores is recognised less estimated returns. The estimated repayment for returned goods is recognised as a repayment liability (the amount the company is expected to owe the customer). The right to receive the goods being returned is recognised as inventory. Revenue also decreases with variable remuneration in the form of discounts and customer loyalty programmes. NK Retail has no discounts or bonus programmes that could comprise separate performance obligations, which is why the Group has only identified one performance obligation as described above. Sales revenue is recognised less VAT, returns and discounts as net revenue in the income statement under "Other segments".

Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is calculated using the first-in, first-out (FIFO) method and includes fees that arose from acquiring inventory goods and transporting them to their current location in their current condition.

New standards and interpretations

In addition to what is stated above, new and amended standards that took effect in 2021 have not had any significant effects on the Group's financial reporting.

FORTHCOMING INFORMATION

Half-year report Jan–Jun 2021	23 August, 2021
Interim report Jan–Sep 2021	11 November, 2021
Year-end report for 2021	17 February, 2022
Annual Report 2021	March 2022
Annual General Meeting 2022	24 March, 2022

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 6 May 2021.

This information is also published on Hufvudstaden's website, www.hufvudstaden.se.

Questions can be answered by Ivo Stopner, President, or Asa Roslund, CFO, on +46 (0)8 762 90 00.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	January- March 2021	January- March 2020	January- December 2020
Net revenue¹⁾			
Property management, gross	459.0	482.2	1,767.9
Rent revenue, intra-Group	-33.7	-11.0	-43.9
Property management, net	425.3	471.2	1,724.0
Other segments	92.3	19.2	71.7
	517.6	490.4	1,795.7
Property management expenses			
Maintenance	-5.7	-6.4	-27.0
Operation and administration	-83.4	-74.3	-298.1
Property tax	-50.9	-50.2	-200.3
Depreciation	-1.5	-1.2	-5.1
Property management expenses	-141.5	-132.1	-530.5
Other segments, gross expenses	-110.1	-13.0	-69.2
Rental expenses, intra-Group	33.7	11.0	43.9
Other segments, net expenses	-76.4	-2.0	-25.3
Operating expenses	-217.9	-134.1	-555.8
Gross profit	299.7	356.3	1,239.9
- of which Property management	283.8	339.1	1,193.5
- of which Other segments	15.9	17.2	46.4
Central administration	-12.2	-11.5	-47.4
Operating profit before items affecting comparability and changes in value	287.5	344.8	1,192.5
Items affecting comparability ²⁾	-	-	35.9
Changes in value, investment properties	-235.6	-929.4	-2,929.9
Operating profit or loss	51.9	-584.6	-1,701.5
Financial income and expense	-33.6	-32.0	-131.7
Profit or loss before tax	18.3	-616.6	-1,833.2
Tax	-4.6	118.1	371.5
Net profit or loss	13.7	-498.5	-1,461.7
Other comprehensive income	-	-	-
Total comprehensive income or loss for the period	13.7	-498.5	-1,461.7
Average number of outstanding shares	202,306,933	206,265,933	205,130,742
Net earnings for the period per share before and after dilution, SEK	0.07	-2.42	-7.13

¹⁾ For a breakdown of net revenue, see table on page 10.

²⁾ Refers to insurance compensation for rent losses and emergency response costs after the fire in 2017 in the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

GROUP SEK m	31 March, 2021	31 March, 2020	31 December, 2020
Investment properties	45,551.5	46,963.0	45,636.5
Right of use assets	721.6	749.4	716.6
Other non-current assets	150.5	104.1	156.9
Total non-current assets	46,423.6	47,816.5	46,510.0
Current assets	1,378.6	978.7	887.1
Total assets	47,802.2	48,795.2	47,397.1
Equity	28,124.4	30,079.7	28,616.5
Non-current interest-bearing liabilities	6,300.0	6,700.0	6,200.0
Deferred tax liabilities	8,485.2	8,816.5	8,501.5
Non-current leasing liabilities	712.9	714.3	709.6
Other non-current liabilities	84.8	69.9	84.3
Other provisions	26.2	23.1	26.2
Total non-current liabilities	15,609.1	16,323.8	15,521.6
Current interest-bearing liabilities	2,500.0	1,500.0	2,450.0
Current leasing liabilities	9.3	35.6	10.2
Other liabilities	1,559.4	856.1	798.8
Total current liabilities	4,068.7	2,391.7	3,259.0
Total equity and liabilities	47,802.2	48,795.2	47,397.1

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- March 2021	January- March 2020	January- December 2020
Equity, opening balance	28,616.5	31,382.7	31,382.7
Total comprehensive income or loss for the period	13.7	-498.5	-1,461.7
Dividend	-505.8	-804.4	-804.4
Share buyback	-	-	-500.0
Equity, closing balance	28,124.4	30,079.7	28,616.5

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- March 2021	January- March 2020	January- December 2020
Income before tax	18.3	-616.6	-1,833.2
Depreciation/impairments	14.9	16.7	78.6
Changes in value, investment properties	235.6	929.4	2,929.9
Other changes	-0.2	-2.5	0.5
Income tax paid	-28.7	-39.6	-99.3
Cash flow from current operations before changes in working capital	239.9	287.4	1,076.5
Increase/decrease in inventory	-40.7	-	-
Increase/decrease in operating receivables	-239.7	-163.3	-36.8
Increase/decrease in operating liabilities	227.7	77.3	32.5
Cash flow from current operations	187.2	201.4	1,072.2
Acquisition of business	-39.8	-	-
Investments in properties	-150.6	-211.8	-885.9
Investments in other non-current assets	-0.3	-6.0	-63.0
Cash flow from investments	-190.7	-217.8	-948.9
Loans raised	1,500.0	1,000.0	3,450.0
Amortization of loan debt	-1,350.0	-1,150.0	-3,150.0
Amortization of leasing debt	-4.9	-10.5	-41.4
Dividend paid	-	-804.4	-804.4
Share buyback	-	-	-500.0
Cash flow from financing	145.1	-964.9	-1,045.8
Cash flow for the period	141.6	-981.3	-922.5
Cash and cash equivalents at the beginning of the period	783.6	1,706.1	1,706.1
Cash and cash equivalents at the period-end	925.2	724.8	783.6
Cash flow from current operations per share, SEK	0.93	0.98	5.23
Cash flow for the period per share, SEK	0.70	-4.76	-4.50

SEGMENT REPORT – SUMMARY

The Group's operations are divided into three segments, property management, NK Retail and other operations. 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-Mar 2021	Jan-Mar 2020	Jan-Mar 2021	Jan-Mar 2020	Jan-Mar 2021	Jan-Mar 2020	Jan-Mar 2021	Jan-Mar 2020	Jan-Mar 2021	Jan-Mar 2020
Property management										
Net revenue	279.1	271.3	102.5	118.8	77.4	92.1	-33.7	-11.0	425.3	471.2
Expenses	-62.6	-60.9	-54.0	-45.2	-24.9	-26.0	-	-	-141.5	-132.1
Gross profit property management	216.5	210.4	48.5	73.6	52.5	66.1	-33.7	-11.0	283.8	339.1
NK Retail¹⁾										
Net revenue			74.4						74.4	
Expenses			-80.5				20.8		-59.7	
Gross profit NK Retail			-6.1				20.8		14.7	
Other operations²⁾										
Net revenue	0.8		17.1	19.2					17.9	19.2
Expenses	-5.0		-24.6	-13.0			12.9	11.0	-16.7	-2.0
Gross profit other operations	-4.2		-7.5	6.2			12.9	11.0	1.2	17.2
Central administration									-12.2	-11.5
Changes in value, investment properties									-235.6	-929.4
Operating income									51.9	-584.6
Financial income and expense									-33.6	-32.0
Income before tax									18.3	-616.6

¹⁾ NK Retail accessed the NK-operations on 3 February 2021.

²⁾ Other operations comprise of Cecil Coworking, NK e-commerce and the parking business in Parkaden AB. Cecil Coworking opened on 1 February 2021 and is included in the Stockholm business area. NK e-commerce started in a limited extent in the autumn of 2020. NK e-commerce and the parking business in Parkaden AB are included in the NK business area. Cecil Coworking and NK e-commerce have mainly been charged with start-up costs.

BREAKDOWN OF NET REVENUE

SEK m	Group			Parent Company		
	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Rent revenue	424.0	466.7	1,712.9	315.5	320.2	1,224.1
Service revenue	18.7	23.7	82.5	10.6	11.5	43.8
Sale of goods	74.9	-	0.3	-	-	-
Total net revenue	517.6	490.4	1,795.7	326.1	331.7	1,267.9

PERFORMANCE MEASURES

GROUP	31 March, 2021	31 March, 2020	Full year 2020
Property-related			
Rentable floor space, 1,000 m ²	386.7	384.2	386.8
Rental vacancy level, %	8.3	6.3	8.2
Floor space vacancy level, %	10.2	8.1	9.8
Fair value, SEK bn	45.6	47.0	45.6
Surplus ratio, %	69.2	72.6	70.0
Operating surplus, SEK m	317.5	350.1	1,237.4
Financial			
Return on equity, %	2.1	0.7	-4.9
Return on capital employed, %	2.4	1.1	-4.3
Equity ratio, %	59	62	60
Interest coverage ratio, multiple	8.6	10.8	9.1
Debt/equity ratio, multiple	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	20.0	17.5	18.8
Gross margin, %	57.9	71.1	67.4
Data per share			
Net earnings per share for the period, SEK	0.07	-2.42	-7.13
Equity, SEK	139.02	145.83	141.45
Properties, fair value, SEK	225.16	227.68	225.58
Number of outstanding shares, 1,000	202,307	206,266	202,307
Average number of outstanding shares, 1,000	202,307	206,266	205,131
Number of issued shares, 1,000	211,272	211,272	211,272
EPRA			
Earnings from property management after nominal tax (EPRA Earnings), SEK m	233	281	984
Earnings per share from property management after nominal tax (EPRA EPS), SEK	1.15	1.36	4.80
Net reinstatement value (EPRA NRV), SEK m	36,723.3	38,994.0	37,232.3
Net reinstatement value (EPRA NRV) per share, SEK	182	189	184
Net tangible assets (EPRA NTA), SEK m	34,530.9	36,754.6	35,014.4
Net tangible assets (EPRA NTA) per share, SEK	171	178	173
Net disposal value (EPRA NDV), SEK m	28,124.4	30,079.8	28,616.5
Net disposal value (EPRA NDV) per share, SEK	139	146	141
EPRA vacancy rate, %	7.3	2.7	6.7

PERFORMANCE MEASURES PER QUARTER

GROUP	Jan-Mar 2021	Oct-Dec 2020	Jul-Sept 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sept 2019	Apr-Jun 2019
Share price, series A share, SEK	127.00	136.20	124.90	115.80	135.70	185.10	178.20	157.90
Net revenue, SEK m	518	463	434	409	490	501	479	476
Return on equity, %	2.1	-4.8	-2.8	-2.6	0.7	10.9	7.8	6.4
Return on equity, adjusted, %	2.8	3.0	2.7	2.6	3.1	3.8	3.2	3.0
Equity ratio, %	59	60	61	62	62	62	62	62
Gross margin, %	57.9	63.1	68.8	66.4	71.1	69.1	72.3	71.2
Surplus ratio, %	69.2	67.7	71.0	68.4	72.6	70.4	73.9	72.7
Operating surplus, SEK m	317.5	307.4	303.9	276.0	350.1	344.1	347.0	339.0
Net earnings per share for the period, SEK	0.07	-2.27	0.38	-2.83	-2.42	5.34	2.73	4.76
Equity per share, SEK	139.02	141.45	143.72	143.00	145.83	152.15	146.81	144.07
Earnings per share from property management after nominal tax (EPRA EPS), SEK	1.15	1.21	1.16	1.07	1.36	1.38	1.38	1.39
Net tangible assets (EPRA NTA) per share, SEK	171	173	176	175	178	185	179	176
Cash flow per share from current operations, SEK	0.93	1.37	1.46	1.42	0.98	1.98	2.23	1.37

ALTERNATIVE PERFORMANCE MEASURES

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

SEK m	31 March, 2021	31 March, 2020	Full year 2020
Net asset value, see page 5.			
Net debt			
Non-current interest-bearing liabilities	6,300	6,700	6,200
Non-current leasing liabilities	713	714	710
Current interest-bearing liabilities	2,500	1,500	2,450
Current lease liabilities	9	36	10
Decided dividend ¹⁾	506	-	-
Cash and bank holdings	-925	-725	-784
Net debt	9,103	8,225	8,586
Equity ratio			
Equity	28,124	30,080	28,617
Total assets	47,802	48,795	47,397
Equity ratio, %	59	62	60
Net loan-to-value ratio, properties			
Interest-bearing liabilities	8,800	8,200	8,650
Leasing liabilities	722	750	720
Decided dividend ¹⁾	506	-	-
Interest-bearing assets	-925	-725	-784
Total	9,103	8,225	8,586
Carrying amount, properties	45,552	46,963	45,637
Net loan-to-value ratio, properties, %	20.0	17.5	18.8
Interest coverage ratio			
Income before tax	780 ²⁾	322 ²⁾	-1,833
Reversal of changes in value	236	929	2,894
Interest expense	134 ²⁾	128 ²⁾	132
Total	1,150	1,379	1,193
Interest expense	134 ²⁾	128 ²⁾	132
Interest coverage ratio, multiple	8.6	10.8	9.1
Earnings from property management after nominal tax (EPRA Earnings)			
Operating profit or loss before items affecting comparability and changes in value	288	345	1,193
Financial income and expense	-34	-32	-132
Earnings from property management	254	313	1,061
Current tax, earnings from property management	-21	-32	-77
Earnings from property management after nominal tax (EPRA Earnings)	233	281	984
Average number of outstanding shares, million	202.3	206.3	205.1
Earnings per share from property management after nominal tax (EPRA EPS), SEK	1.15	1.36	4.80

¹⁾ At the Annual General Meeting on March 25, 2021, the Meeting decided to distribute SEK 2.50 per share to the shareholders, corresponding to a total of SEK 506 million. The payment date for the dividend was April 1, 2021.

²⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 326.1 million (331.7). The decrease can be attributed mainly to temporary rent reductions due to covid-19 and increased rent losses. This is offset almost entirely by higher gross rents in conjunction with renegotiations, new leases and indexation. Operating costs amounted to SEK -175.7 million (-202.8). The decrease is attributable to lower maintenance costs, mainly as a result of major current development projects. Gross profit was SEK 150.4 million (128.9). Net financial income and expense was SEK -43.1 million (-26.4).

Cash and cash equivalents at the end of the period amounted to SEK 910.3 million (707.7). Investments in properties, intangible assets, equipment and shares in subsidiaries amounted to SEK 27.7 million (92.0).

MATERIAL RISKS AND UNCERTAINTY FACTORS

Hufvudstaden is mainly exposed to financing, interest and credit risks. The Group has not identified any other material risks and uncertainties than those described in the 2020 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

There were no material transactions with related parties 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 2020 Annual Report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	January-March 2021	January-March 2020	January-December 2020
Net revenue ¹⁾	326.1	331.7	1,267.9
Operating expenses	-175.7	-202.8	-857.7
Gross profit	150.4	128.9	410.2
Central administration	-12.2	-11.5	-47.4
Items affecting comparability ²⁾	-	-	35.9
Operating profit	138.2	117.4	398.7
Impairment of shares in Group companies	-15.1	-	-10.8
Other financial income and expense	-28.0	-26.4	2,344.5
Profit after financial items	95.1	91.0	2,732.4
Appropriations	-	-	69.3
Profit before tax	95.1	91.0	2,801.7
Tax	-23.1	-26.9	-102.2
Profit for the period	72.0	64.1	2,699.5
Statement of comprehensive income, SEK m			
Profit for the period	72.0	64.1	2,699.5
Other comprehensive income	-	-	-
Total comprehensive income for the period	72.0	64.1	2,699.5

¹⁾ For a breakdown of net revenue, see table on page 10.

²⁾ Refers to insurance compensation for rent losses and emergency response costs after the fire in 2017 in the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	31 March, 2021	31 March, 2020	31 December, 2020
Investment properties	8,253.7	8,115.8	8,263.8
Other non-current assets	2,676.8	2,913.6	2,696.1
Total non-current assets	10,930.5	11,029.4	10,959.9
Current assets	4,390.7	1,563.6	4,037.3
Total assets	15,321.2	12,593.0	14,997.2
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	2,321.2	619.5	2,755.0
Total equity	4,299.9	2,598.2	4,733.7
Untaxed reserves	38.7	161.6	38.7
Provisions	901.2	895.5	900.2
Non-current liabilities	6,377.1	6,762.8	6,277.2
Current liabilities	3,704.3	2,174.9	3,047.4
Total equity and liabilities	15,321.2	12,593.0	14,997.2

Stockholm, 6 May, 2021

Ivo Stopner
President

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

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.

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 bank holdings.

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 Brunnsparcken 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".

Operating surplus. 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 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.

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.



BIBLIOTEKSTAN



COWORKING



FREDSTAN
GÖTEBORG



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HUFVUDSTADEN