



HUFVUDSTADEN

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Interim Report January-September 2019

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- **Gross profit from property management rose by 6 per cent to SEK 1,029 million (972). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 1,408 million (1,333), an increase of 6 per cent.**
- **Profit after tax for the period was SEK 2,045 million (3,137), equivalent to SEK 9.91 per share (15.21). The decrease can be attributed mainly to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax.**
- **The fair value of the property holdings was SEK 46.4 billion (44.1 at the turn of the year), resulting in a net asset value of SEK 179 per share (171 at the turn of the year). The unrealized change in the value of the property holdings for the period was SEK 1,700 million (2,467).**
- **The equity ratio was 62 per cent (63), the net loan-to-value ratio was 16 per cent (15), and the interest coverage ratio multiple was 11.4 (10.0).**
- **The rental vacancy level at the period-end was 7.1 per cent (4.1). Excluding current development projects, the rental vacancy level was 3.0 per cent (2.5).**
- **Hufvudstaden has the most satisfied office tenants in the property industry in the Large Cap category according to the *Fastighetsbarometern* Customer Satisfaction Survey.**

Key events during the third quarter

In the Global Sustainability Survey GRESB, Hufvudstaden increased its index in this year's survey from 83 to 86 and has retained the highest rating 5 Stars.

In Nordstan in Gothenburg, the health service company Feelgood signed a lease agreement for approximately 1,100 sq m of office space in the property Fyran.

Several new departments opened in the NK department store in Stockholm, including NK Sport and the luxury brand Loewe.

Performance measures

SEK m	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net revenue, property management	1,408	1,333	1,797
Gross profit, property management	1,029	972	1,302
Unrealized changes in value, investment properties	1,700	2,467	3,621
Operating profit	2,721	3,456	4,940
Profit for the period	2,045	3,137	4,320
Fair value, properties, SEK bn	46.4	42.7	44.1
Net loan-to-value ratio, properties, %	16.2	14.9	14.2
Interest coverage ratio, multiple	11.4	10.0	10.5
Rental vacancy level, excl. projects (EPRA vacancy level), %	3.0	2.5	1.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	4.11	3.80	5.16
Current net asset value (EPRA NNAV) per share, SEK	179.00	164.00	171.00

GROUP

RESULTS

Property management

Net revenue from property management during the period amounted to SEK 1,407.6 million (1,333.1). The gross profit was SEK 1,028.9 million (971.9). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax increased slightly as a result of a new property taxation assessment, and the costs have mainly been passed on to the tenants. Application of IFRS 16 has had a positive impact on gross profit of SEK 16.7 million (0.0), attributable mainly to ground rents being reported as a financial expense.

The turnover-based rent supplement is reported during the fourth quarter, and last year it amounted to SEK 12.1 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 8.

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 61.5 million (62.5). The decrease can be attributed mainly to reduced revenue from short-term parking. Expenses totalled SEK -39.2 million (-38.3) and gross profit totalled SEK 22.3 million (24.2).

Other profit and loss items

Central administration totalled SEK -33.6 million (-29.7). Unrealized changes in the value of investment properties totalled SEK 1,699.9 million (2,466.7) and changes in interest derivatives totalled SEK 3.7 million (22.5). For further information, see page 4.

Financial income and expense

Net financial income and expense amounted to SEK -88.8 million (-94.2). The change according to IFRS 16 affected net interest financial income and expense by SEK -16.8 million (0.0). The decrease in financial expense related to borrowing can be attributed to a lower average rate of interest on loans. For further information, see page 5.

Tax

The Group's tax for the period was SEK -587.7 million (-224.0), of which SEK -106.0 million (-113.3) was actual tax, and SEK -481.7 million (-110.7) was deferred tax. Deferred tax during the previous year was recalculated as a result of a reduction in corporation tax.

Profit for the period

The consolidated profit after tax amounted to SEK 2,044.7 million (3,137.4). The decrease can be

attributed mainly to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax. The application of IFRS 16 has only had a marginal impact on profit for the period. For further information, see page 6.

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 value assessed as at September 30, 2019 was SEK 46,395 million (44,089 at the turn of the year). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 384,400 square metres (384,500 at the turn of the year).

The rental vacancy level as at September 30, 2019 was 7.1 per cent (2.6 at the turn of the year) and the total floor space vacancy level was 8.7 per cent (4.3 at the turn of the year). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 3.0 per cent (1.3 at the turn of the year). The increase in the rental vacancy level, excluding current development projects, can be attributed mainly to a small number of office tenants vacating premises. For several of these premises, new leases have already been signed.

Acquisitions and investments

The total investment in properties and other non-current assets during the period was SEK 652.2 million (505.1).

In recent years, the Company 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.

Work continued during the period to develop NK in Stockholm with the aim to strengthen its position as a world-class department store. New NK Sport and further brands have opened on floor 3. The luxury brand Loewe opened on the ground floor, and on floor 2 a lease has been signed with the restaurant Positano. In the coming year additional luxury brands will open new departments in the department store.

At NK Gothenburg, a foundation reinforcement project has been completed and the store project on the lower ground floor, which will be completed during the year, have resulted in improved customer areas combined with a broader range of restaurants.

The expansion and redevelopment project on the Skären 9 property in Bibliotekstan is continuing. The law firm Vinge has vacated the property temporarily whilst construction work takes place. The project covers around 10,700 square metres of office space, of which approximately 2,600 square metres will be

Major current and planned projects in the third quarter 2019

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment ¹⁾ (SEK m)	Estimated completion
Stockholm	NK Stockholm, Hästskon 10	Current	Retail, restaurant & parking	50% of the department store floor space & 20% increase	-	700	2020/2021
Stockholm	Skären 9	Current	Office	10,700	2,600	750	2020/2021
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Stockholm	Vildmannen 7	Local planning	Office & retail	-	-	-	-
Gothenburg	NK Gothenburg	Current	Retail & restaurant	2,100 & foundation reinforcement	-	150	2018/2019
Gothenburg	Inom Vallgraven 12 block	Local planning	Office, retail & restaurant	-	-	-	-

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

newly created. Around 75 per cent of the floor space has been leased to the law firm Vinge.

Local planning for the Vildmannen 7 property in Stockholm and the Inom Vallgraven 12 block property in Gothenburg is proceeding according to plan.

Property value and net asset value

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

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

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK 1,699.9 million (2,466.7). The total value of the property holdings as at September 30, 2019 was SEK 46.4 billion, including investments made during the period. The unrealized increase in value can be attributed to rising rents and slightly lower yield requirements.

The yield requirement has on average fallen by 2 points compared to the second quarter, and in conjunction with the above valuation it stood at 3.7 per cent (3.8 at the turn of the year).

Valuation method

Valuation of the property holdings is done 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 capitalization method. The method means that the market's yield requirement is set 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 finalized 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 rental income, the long-term rental vacancy level, and normalized operating and maintenance costs.

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

Yield requirements, property valuation

Stockholm	3.3-3.7 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.7 per cent

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The range is usually +/- 5 per cent but can vary depending, in part, on the market situation, the technical standard of the property, and investment requirements.

Hufvudstaden's property holdings are valued at SEK 46.4 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.3 billion. Below are the key factors that influence the valuation and the consequent impact on profit before tax.

Sensitivity analysis, property valuation ¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,050 m
Property costs	SEK 50/sq m	SEK 525 m
Rental vacancy level	1.0 percentage points	SEK 590 m
Yield requirement	0.25 percentage points	SEK 3,150 m

¹⁾ Valuation date: September 30, 2019.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 39.0 billion or SEK 189 per share. The current net asset value (EPRA NNNAV) was SEK 36.9 billion or SEK 179 per share following a deduction for estimated deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been set at 5 per cent.

Net asset value, September 30, 2019

	SEK m	SEK/share
Equity according to the Balance Sheet	30,281.0	147
<i>Reversal</i>		
Deferred tax, investment properties	8,694.7	42
Non-current net asset value (EPRA NAV)	38,975.7	189
<i>Deductions</i>		
Estimated actual deferred tax 5%	-2,110.4	-10
Current net asset value (EPRA NNNAV)	36,865.3	179

HUFVUDSTADEN HAS THE MOST SATISFIED OFFICE TENANTS IN THE INDUSTRY

*Fastighetsbarometern*¹⁾ is the property industry's Customer Satisfaction Survey. With a score of 84 out of 100, Hufvudstaden was the winner in the Large Cap category. The average score for the industry as a whole was 75. Hufvudstaden had the highest score for location, contact person, fault notification, information, and image.

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be positive during the period. Vacant space has been low and in Stockholm's most attractive locations – in Bibliotekstan, at Normalmstorg/Hamngatan, and in the Hötorget area – market rents for office space have risen slightly within the range SEK 6,200-8,700 per square metre per year, excluding the property tax supplement. There has been continued interest in prime location retail premises in the same sub-markets. For retail premises in prime locations, the market rents were SEK 14,000-25,000 per square metre per year,

¹⁾ The organisations behind *Fastighetsbarometern* are the Swedish Property Federation and the consulting company CFI Group.

excluding the property tax supplement.

In central submarkets in Gothenburg the demand for modern office premises continued to be positive, with a low level of vacant space. Market rents in prime locations have risen slightly and are SEK 2,800-3,800 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are SEK 6,000-15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations for both retail and office premises has been positive. During the period, a total of 34,300 square metres were renegotiated at a rental value of SEK 190 million. On average, the renegotiations resulted in an increase in rent of approximately 13 per cent.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at September 30, 2019 amounted to SEK 7,850 million (7,350 at the turn of the year). Interest-bearing net debt was SEK 7,528 million (6,279 at the turn of the year). The increase refers to the additional leasing liability of SEK 761 million according to IFRS 16 and increased borrowings.

Hufvudstaden has an 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 5,200 million and SEK 1,650 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 2.3 years (2.6 at the turn of the year), the average capital tie-up period was 3.3 years (3.9 at the turn of the year), and the average equivalent rate of interest was 1.2 per cent (1.2 at the turn of the year). To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the total borrowings, SEK 5,200 million carries a fixed rate of interest. Financial assets and liabilities are reported at the accrued acquisition cost, which in all material respects concurs with the fair value. There is no set-off of financial assets and liabilities, and there are no agreements that permit netting.

Fixed interest structure, SEK m, September 30, 2019

Maturity, year	Credit amount	AER, % ¹⁾	Proportion, %
< 1	2,650	0.7 ²⁾	34
1 - 2	500	1.8	6
2 - 3	1,200	1.5	16
3 - 4	2,500	1.3	32
4 - 5	500	1.5	6
5 - 6	500	1.3	6
Total	7,850	1.2	100

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

²⁾ Including fees for unutilized facility amounts.

Capital tie-up structure, SEK m, September 30, 2019

Maturity, year	Credit Agreement	Utilized			Total	Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾		
< 1	1,000	-	-	-	-	-
1 - 2	1,000	500	500	-	1,000	13
2 - 3	2,700	500	1,200	650	2,350	30
3 - 4	2,500	-	2,500	-	2,500	32
4 - 5	500	-	500	-	500	6
5 - 6	1,500	-	500	1,000	1,500	19
Total	9,200	1,000	5,200	1,650	7,850	100

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

THIRD QUARTER

Gross profit from property management amounted to SEK 347.0 million (324.3), an increase of 7 per cent. Net revenue amounted to SEK 469.5 million (445.5), an increase of 5 per cent. The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax has increased slightly as a result of a provision for a new property tax assessment and the cost has mainly been passed on to the tenants. The cost was SEK -122.5 million (-121.2).

Gross profit from parking operations was SEK 6.6 million (6.6). Net revenue was SEK 19.9 million (19.8) and costs totalled SEK -13.3 million (-13.2).

Changes in the value of investment properties amounted to SEK 408.0 million (429.0) and changes in the value of interest derivatives amounted to SEK 0.4 million (5.0). Net financial income and expense totalled SEK -29.5 million (-34.0).

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 26,176 shareholders at the period-end. The proportion of foreign ownership as at September 30, 2019 was 28.9 per cent of the total number of outstanding shares (28.1 at the turn of the year). The series A share price as at September 30, 2019 was SEK 178.20, and market capitalization was SEK 42.0 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at September 30, 2019 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buybacks were made during or after the end of the reporting period. At the 2019 Annual General Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares and to assign own shares held by Hufvudstaden.

Buyback of shares as at September 30, 2019, million shares

	Total number of shares	Company holdings	Held by other shareholders
As at January 1, 2019	211.3	5.0	206.3
Buyback	-	-	-
As at September 30, 2019	211.3	5.0	206.3

EVENTS AFTER THE PERIOD END

The President, Ivo Stopner, is on leave of absence due to illness since October 1, 2019. The Company's Vice President Bo Wikare will cover the President's duties until Ivo Stopner takes up his position once again on January 1, 2020.

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 material risks and uncertainties other than those described in the 2018 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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 stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A

are presented in both the financial statements and in other parts of the interim report. Apart from the application of IFRS 16, see below, the accounting principles and computation basis are the same as those applied in the most recent Annual Report.

New standards and interpretations

Hufvudstaden has applied IFRS 16 Leases since January 1, 2019, and has selected the simplified transition method and does not apply the standard retroactively. Reported rights of use have been assigned the same value as the reported lease liability as at January 1, 2019. In its capacity as lessee, Hufvudstaden as identified site leasehold agreements as being the single most material lease category. The lease liability as at January 1 was SEK 788 million, of which SEK 676 million referred to site leasehold agreements.

According to IFRS 16, site leaseholds are regarded as perpetual leases, reported at fair value and will therefore not be depreciated. The value of the right of use asset remains the same until the next renegotiation of each ground rent. The leasing liability is not amortized, and the value remains unchanged until each ground rent is renegotiated. Ground rents are reported in their entirety as a financial expense, which differs from the previous application according to IAS 17 Leases, where they are reported as operating expenses charged to gross profit and loss.

Other leases identified by Hufvudstaden within the framework of the definition of leases according to IFRS 16, are mainly external premises, office equipment and similar. These leases are reported as right of use assets and are equivalent to leasing liabilities as at January 1, 2019. Right of use assets are depreciated over the term of the lease. The leasing liabilities accrue interest and are amortized over the term of the lease. Hufvudstaden continuously analyses the valuation of the lease liability based on changes or additional leases. In its capacity as lessee, Hufvudstaden has noted that application of IFRS 16 has not had any material impact on the Consolidated Financial Statements.

In accordance with the simplified transition method, the comparison figures for 2018 have not been recalculated. This has meant that the comparability of certain income statement and balance sheet items and performance measures have been affected. In the tables below, income statement and performance measures for 2019 have been reported excluding the effects of the application of IFRS 16.

Other new and amended standards that came into effect in 2019 have not had any material impact on the Consolidated Financial Statements.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	Jan-Sep 2019 (incl. IFRS 16)	Jan-Sep 2019 (excl. IFRS 16)
Net revenue	1,469.1	1,469.1
Operating expenses	-417.9	-434.6
Gross profit	1,051.2	1,034.5
Central administration	-33.6	-33.6
Operating profit before changes in value	1,017.6	1,000.9
Changes in value	1,703.6	1,703.8
Operating profit	2,721.2	2,704.7
Financial income and expense	-88.8	-72.0
Profit before tax	2,632.4	2,632.7
Tax	-587.7	-587.7
Profit after tax	2,044.7	2,045.0
Total comprehensive income for the period	2,044.7	2,045.0

PERFORMANCE MEASURES

GROUP	Sept 30, 2019 (incl. IFRS 16)	Sept 30, 2019 (excl. IFRS 16)
Surplus ratio, %	71.6	70.4
Net debt, SEK m	7,528	6,767
Loan-to-value ratio, properties, %	18.6	16.9
Net loan-to-value ratio, properties, %	16.2	14.6
Equity ratio, %	62	63
Interest coverage ratio, multiple	11.4	13.8
Debt/equity ratio, multiple	0.2	0.2

FORTHCOMING INFORMATION

Year-End Report for 2019 February 13, 2020
Annual Report 2019 February 2020
Annual General Meeting 2020 in Stockholm March 19, 2020

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged 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 November 7, 2019.

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

Questions can be answered by Bo Wikare, Acting President, or Åsa Roslund, CFO, telephone +46-8-762 90 00.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	July- September 2019	July- September 2018	January- September 2019	January- September 2018	January- December 2018
Net revenue¹⁾					
Property management	469.5	445.5	1,407.6	1,333.1	1,797.1
Parking operations	19.9	19.8	61.5	62.5	85.8
	489.4	465.3	1,469.1	1,395.6	1,882.9
Property management expenses					
Maintenance	-7.7	-9.2	-20.3	-19.1	-24.5
Operation and administration	-63.8	-65.4	-204.2	-201.4	-283.1
Ground rents	-	-5.5	-	-16.3	-21.8
Property tax	-49.8	-41.1	-150.5	-124.4	-165.9
Depreciation	-1.2	-	-3.7	-	-
Property management expenses	-122.5	-121.2	-378.7	-361.2	-495.3
Parking operations, expenses	-13.3	-13.2	-39.2	-38.3	-51.1
Operating expenses	-135.8	-134.4	-417.9	-399.5	-546.4
Gross profit	353.6	330.9	1,051.2	996.1	1,336.5
- of which Property management	347.0	324.3	1,028.9	971.9	1,301.8
- of which Parking operations	6.6	6.6	22.3	24.2	34.7
Central administration	-11.4	-9.9	-33.6	-29.7	-43.5
Operating profit before changes in value	342.2	321.0	1,017.6	966.4	1,293.0
Changes in value, investment properties	408.0	429.0	1,699.9	2,466.7	3,620.8
Changes in value, interest derivatives	0.4	5.0	3.7	22.5	26.6
Operating profit	750.6	755.0	2,721.2	3,455.6	4,940.4
Financial income and expense ²⁾	-29.5	-34.0	-88.8	-94.2	-120.5
Profit before tax	721.1	721.0	2,632.4	3,361.4	4,819.9
Tax	-157.6	-158.7	-587.7	-224.0	-500.2
Profit after tax	563.5	562.3	2,044.7	3,137.4	4,319.7
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	563.5	562.3	2,044.7	3,137.4	4,319.7
Average number of outstanding shares following buybacks during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	2.73	2.73	9.91	15.21	20.94

¹⁾ Service revenue totalled SEK 66.6 million, equivalent to 5% of the total net revenue for Jan-Sep 2019. The figure for Jan-Sep 2018 was SEK 59.1 million, equivalent to 4%, and for Jan-Dec 2018 SEK 77.7 million, equivalent to 4%.

²⁾ The figure for Jan-Sep 2019 includes SEK -16.8 million, which is attributable mainly to ground rents according to IFRS 16.

BALANCE SHEETS – SUMMARY

GROUP, SEK m	September 30, 2019	September 30, 2018	December 31, 2018
Investment properties	46,395.4	42,692.8	44,088.5
Right of use assets	760.6	-	-
Other non-current assets	83.5	29.3	37.1
Total non-current assets	47,239.5	42,722.1	44,125.6
Current assets	1,232.0	1,445.3	1,249.6
Total assets	48,471.5	44,167.4	45,375.2
Equity	30,281.0	27,817.2	28,999.5
Non-current interest-bearing liabilities	6,200.0	5,700.0	5,700.0
Deferred tax liabilities	8,774.7	8,050.6	8,293.0
Non-current leasing liabilities	720.3	-	-
Other non-current liabilities	59.1	50.5	50.1
Provisions for pensions	24.7	19.3	19.6
Total non-current liabilities	15,778.8	13,820.4	14,062.7
Current interest-bearing liabilities	1,650.0	1,900.0	1,650.0
Current leasing liabilities	40.6	-	-
Other liabilities	721.1	629.8	663.0
Total current liabilities	2,411.7	2,529.8	2,313.0
Total equity and liabilities	48,471.5	44,167.4	45,375.2

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-September 2019	January-September 2018	January-December 2018
Equity, opening balance	28,999.5	25,401.7	25,401.7
Total comprehensive income for the period	2,044.7	3,137.4	4,319.7
Dividend	-763.2	-721.9	-721.9
Equity, closing balance	30,281.0	27,817.2	28,999.5

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-September 2019	January-September 2018	January-December 2018
Profit before tax	2,632.4	3,361.4	4,819.9
Depreciation/impairments	36.1	6.7	8.6
Changes in value, investment properties	-1,699.9	-2,466.7	-3,620.8
Changes in value, interest derivatives	-3.7	-22.5	-26.6
Other changes	5.1	3.0	3.4
Income tax paid	-116.0	-119.6	-162.2
Cash flow from current operations before changes in working capital	854.0	762.3	1,022.3
Increase/decrease in operating receivables	23.3	-79.9	-37.4
Increase/decrease in operating liabilities	80.4	-27.7	18.0
Cash flow from current operations	957.7	654.7	1,002.9
Investments in properties	-606.9	-496.1	-737.7
Investments in other non-current assets	-45.3	-9.0	-17.5
Cash flow from investments	-652.2	-505.1	-755.2
Loans raised	3,950.0	6,250.0	7,100.0
Amortization of loan debt	-3,450.0	-4,850.0	-5,950.0
Amortization of leasing debt	-29.6	-	-
Dividend paid	-763.2	-721.9	-721.9
Cash flow from financing	-292.8	678.1	428.1
Cash flow for the period	12.7	827.7	675.8
Cash and cash equivalents at the beginning of the period	1,070.7	394.9	394.9
Cash and cash equivalents at the period end	1,083.4	1,222.6	1,070.7
Cash flow from current operations per share, SEK	4.64	3.17	4.86
Cash flow for the period per share, SEK	0.06	4.01	3.28

SEGMENT REPORT – SUMMARY

The Group's operations are divided into two segments, property management and parking operations. The property management segment is divided into three 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		Total	
	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Property management:								
Net revenue	785.2	742.8	359.3	347.1	263.1	243.2	1,407.6	1,333.1
Property costs	-177.9	-169.3	-128.0	-125.2	-72.8	-66.7	-378.7	-361.2
Gross profit property management	607.3	573.5	231.3	221.9	190.3	176.5	1,028.9	971.9
Gross profit parking operations			22.3	24.2			22.3	24.2
Central administration							-33.6	-29.7
Changes in value:								
Investment properties							1,699.9	2,466.7
Interest derivatives							3.7	22.5
Operating profit							2,721.2	3,455.6
Financial income and expense							-88.8	-94.2
Profit before tax							2,632.4	3,361.4

PERFORMANCE MEASURES¹⁾

GROUP	September 30, 2019	September 30, 2018	Full year 2018
Property-related			
Rentable floor space, 1,000 m ²	384.4	384.6	384.5
Rental vacancy level, %	7.1	4.1	2.6
Floor space vacancy level, %	8.7	5.2	4.3
Fair value, SEK bn	46.4	42.7	44.1
Financial			
Return on equity, %	7.6	10.7	14.1
Return on capital employed, %	8.2	11.3	14.7
Equity ratio, %	62	63	64
Interest coverage ratio, multiple	11.4	10.0	10.5
Debt/equity ratio, multiple	0.2	0.2	0.2
Net loan-to-value ratio, properties, %	16.2	14.9	14.2
Surplus ratio, %	71.6	71.4	71.0
Data per share			
Profit/loss for the period, SEK	9.91	15.21	20.94
Equity, SEK	146.81	134.86	140.59
Properties, fair value, SEK	224.93	206.98	213.75
Number of outstanding shares, 1,000	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272
EPRA			
Result from property management after nominal tax (EPRA Earnings), SEK m	847	784	1,064
Result from property management after nominal tax (EPRA EPS) per share, SEK	4.11	3.80	5.16
Non-current net asset value (EPRA NAV), SEK m	38,975.7	35,756.7	37,215.9
Non-current net asset value (EPRA NAV) per share, SEK	189.00	173.00	181.00
Current net asset value (EPRA NNAV), SEK m	36,865.3	33,823.7	35,218.8
Current net asset value (EPRA NNAV) per share, SEK	179.00	164.00	171.00
EPRA Vacancy rate, %	3.0	2.5	1.3

¹⁾ The application of IFRS 16 has affected the comparability of certain income statement and balance sheet items and performance measures between the periods. For comparable measures, see tables on page 6.

PERFORMANCE MEASURES PER QUARTER

GROUP	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017
Share price, series A share, SEK	178.20	157.90	161.30	136.90	135.20	128.30	123.90	131.40
Net revenue, SEK m	489	487	493	487	465	464	467	480
Return on equity, %	7.8	6.4	4.1	14.7	10.7	9.4	5.3	12.9
Return on equity, adjusted, %	3.2	3.0	3.2	4.1	3.4	3.3	3.5	4.0
Equity ratio, %	62	62	62	64	63	63	61	63
Surplus ratio, %	72.3	71.2	71.2	69.9	71.1	71.4	71.6	68.5
Profit per share for the period, SEK	2.73	4.76	2.42	5.73	2.73	9.13	3.35	4.38
Equity per share, SEK	146.81	144.07	139.31	140.59	134.86	132.13	123.00	123.15
Result from property management after nom. tax (EPRA EPS) per share, SEK	1.38	1.39	1.34	1.36	1.26	1.28	1.27	1.22
Net asset value (EPRA NNAV) per share, SEK	179.00	176.00	170.00	171.00	164.00	161.00	153.00	152.00
Cash flow per share from current operations, SEK	2.23	1.37	1.04	1.69	1.08	1.40	0.69	1.25

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	September 30, 2019	September 30, 2018	Full year 2018
Net asset value (EPRA NNAV) see page 4.			
Net debt			
Non-current interest-bearing liabilities	6,200	5,700	5,700
Non-current leasing liabilities	720	-	-
Current interest-bearing liabilities	1,650	1,900	1,650
Current leasing liabilities	41	-	-
Cash and bank holdings	-1,083	-1,223	-1,071
Net debt	7,528	6,377	6,279
Equity ratio			
Equity	30,281	27,817	29,000
Total assets	48,472	44,167	45,375
Equity ratio, %	62	63	64
Net loan-to-value ratio, properties			
Interest-bearing liabilities	8,611	7,600	7,350
Interest-bearing assets	-1,083	-1,223	-1,071
Total	7,528	6,377	6,279
Carrying amount, properties	46,395	42,693	44,089
Net loan-to-value ratio, properties, %	16.2	14.9	14.2
Interest coverage ratio			
Profit before tax	2,942 ¹⁾	3,652 ¹⁾	4,820
Reversal of changes in value	-1,704	-2,489	-3,647
Interest expense	119 ¹⁾	129 ¹⁾	123
Total	1,357	1,292	1,296
Interest expense	119 ¹⁾	129 ¹⁾	123
Interest coverage ratio, multiple	11.4	10.0	10.5
Result from property management after nominal tax (EPRA Earnings)			
Operating profit before changes in value	1,018	966	1,293
Financial income and expense	-89	-94	-120
Result from property management	929	872	1,173
Current tax, result from property management	-82	-88	-109
Result from property management after nominal tax (EPRA Earnings)	847	784	1,064
Number of outstanding shares, million	206,3	206,3	206,3
Result from property management after nominal tax (EPRA EPS) per share, SEK	4.11	3.80	5.16

¹⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 954.1 million (895.6). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax has increased slightly as a result of a provision for a new property tax assessment and the cost has mainly been passed on to the tenants. Costs totalled SEK -577.9 million (-468.8). Gross profit was SEK 376.2 million (426.8). Net financial income and expense was SEK -71.9 million (-94.2). The decrease in financial expense can be attributed to a lower average rate of interest on borrowings.

Cash and cash equivalents at the period end amounted to SEK 1,080.4 million (1,222.1). Investment in properties and other non-current assets was SEK 174.9 million (89.8).

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is mainly exposed to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2018 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	July- September 2019	July- September 2018	January- September 2019	January- September 2018	January- December 2018
Net revenue ¹⁾	317.8	303.3	954.1	895.6	1,210.8
Operating expenses	-170.5	-159.0	-577.9	-468.8	-656.5
Gross profit	147.3	144.3	376.2	426.8	554.3
Central administration	-11.4	-9.9	-33.6	-29.7	-43.5
Changes in value, interest derivatives	0.4	5.0	3.7	22.5	26.6
Operating profit	136.3	139.4	346.3	419.6	537.4
Group contributions received	-	-	-	-	158.2
Other financial income and expense	-23.9	-34.1	-71.9	-94.2	-120.4
Profit after financial items	112.4	105.3	274.4	325.4	575.2
Appropriations	-	-	-	-	136.4
Profit before tax	112.4	105.3	274.4	325.4	711.6
Tax	-32.0	-31.4	-83.2	-37.9	-96.5
Profit for the period	80.4	73.9	191.2	287.5	615.1
Statement of comprehensive income, SEK m					
Profit for the period	80.4	73.9	191.2	287.5	615.1
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	80.4	73.9	191.2	287.5	615.1

¹⁾ Service revenue totalled SEK 32.5 million, equivalent to 3% of the total net revenue for Jan-Sep 2019. The figure for Jan-Sep 2018 was SEK 28.0 million, equivalent to 3%, and for Jan-Dec 2018 SEK 38.7 million, equivalent to 3%.

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	September 30, 2019	September 30, 2018	December 31, 2018
Investment properties	8,014.8	7,986.9	7,980.7
Other non-current assets	2,913.1	2,907.8	2,908.4
Total non-current assets	10,927.9	10,894.7	10,889.1
Current assets	1,781.9	1,814.3	1,711.0
Total assets	12,709.8	12,709.0	12,600.1
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,020.5	1,264.9	1,592.5
Total equity	2,999.2	3,243.6	3,571.2
Untaxed reserves	340.5	516.2	340.5
Provisions	895.1	885.8	887.8
Non-current liabilities	6,253.0	5,745.6	5,745.1
Current liabilities	2,222.0	2,317.8	2,055.5
Total equity and liabilities	12,709.8	12,709.0	12,600.1

Stockholm, November 7, 2019

Bo Wikare
Acting President

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

DEFINITIONS AND GLOSSARY

Finance

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

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

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

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

EPRA Earnings - Result from property management after nominal tax. Operating profit before items affecting comparability and changes in value with a deduction for financial income and expense and computed actual tax, excluding a carry-forward of unutilized tax losses. The tax deducted has been calculated with account taken of, among other things, tax-deductible depreciation and investments.

EPRA NAV - Non-current net asset value. Shareholders' equity plus reversal of interest derivatives and deferred tax on property holdings.

EPRA NNAV - Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax on property holdings.

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

Interest coverage ratio. Profit after financial items, excluding items affecting comparability and changes in value, plus interest expense in relation to interest expense. In the interim accounts, profit after financial items, excluding items affecting comparability and changes in value, as well as interest expense, have been recalculated on a full-year basis without account being taken of 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 liabilities. Interest-bearing liabilities, including the decided dividend minus current investments and cash and bank holdings.

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

Result from property management. Operating profit before items affecting comparability and changes in value minus financial income and expense.

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

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

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

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

Surplus ratio. Gross profit in relation to net revenue.

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

Shares

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 period-end.

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

Outstanding shares. Total number of shares reduced by the number of shares bought back by the Company.

Properties

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

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

EPRA Vacancy rate. Estimated Market Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio. Current development projects are excluded.

Fair value. The estimated market value of the properties.

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

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

Property tax supplement. Property tax payments received from tenants.

Rental vacancy rate. Estimated Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio.

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 personnel in the industry, with firm commitment to the customer, good business acumen, and professional know-how.

Strategies to achieve the objectives

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

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

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

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



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HUFVUDSTADEN