

HUFVUDSTADEN

ANNUAL AND SUSTAINABILITY REPORT



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TRENDSETTING, INSPIRING AND STYLISH.

These three words form a shared compass pointing toward NK's goals. They shall permeate the NK brand and the experience in the department stores.

Reference to the statutory annual report and sustainability report. The statutory annual report comprises pages 10–12, 40–52, 57–95, 100–105, 108, 110 and 118–128. Comparative figures in brackets refer to the corresponding figures for the preceding year. The statutory sustainability report as required under the Swedish Annual Accounts Act is provided on pages 10–12, 40–52, 59, 63–65 and 118–128.



Cecil Coworking is our most flexible concept and offers, in addition to office spaces, breakfast and lunch, exercise, first-class service and a unique design.

”

The industry's most satisfied office tenants can be found at Hufvudstaden.

Hufvudstaden develops long-term, environmentally compatible and climate-smart solutions.



Hufvudstaden in brief

Hufvudstaden offers office and retail premises in prime locations in the two largest cities in Sweden: Stockholm and Gothenburg. The Group owns 29 properties that were valued at SEK 48.8 billion at the end of 2021.

AB Nordiska Kompaniet, which owns the NK brand and has department stores in Stockholm and Gothenburg, is included in the Group. In the department stores, the wholly owned subsidiary NK Retail operates approximately 40 departments, corresponding to approximately 25 per cent of the number of departments.

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

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

Hufvudstaden was founded in 1915 and its Class A shares have been listed on what is now Nasdaq Stockholm since 1938. We have been doing business for over 100 years in Stockholm and over 60 years in Gothenburg.

BUSINESS MODEL

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

WE ARE GENERATING LONG-TERM VALUE FOR:

Customers

Have the most satisfied customers in the industry with a focus on long-term relationships.

Employees

Professional employees with deep commitment.

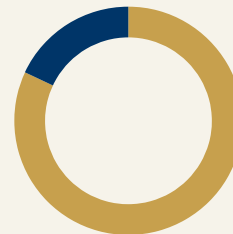
Society

Preserving and developing attractive city centre environments for all.

Shareholders

Good returns at low risk.

SEK 48.8 bn



■ Stockholm SEK 40.7 bn, 83%
■ Gothenburg SEK 8.1 bn, 17%

WINNER – CUSTOMER SATISFACTION INDEX 2021



The industry's most satisfied office tenants can be found at Hufvudstaden. For the fourth year in a row, we have taken the top spot in the Fastighetsbarometern Customer Satisfaction Survey among large companies*. In 2021, we received our best result to

date with an index of 86 out of 100. The ranking is proof that our customer focus is a winning concept and confirmation that we maintain a high service level in relation to our customers, regardless of the economic situation. Fastighetsbarometern was

launched in 1997 and Hufvudstaden has ranked in the top three ever since.

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

In Stockholm, Hufvudstaden owns and manages 24 properties, all located in the most attractive and central areas of the city.



Attractive marketplaces and financial strength

OVERVIEW

Net revenue from property management was SEK 1,783 million (1,724), an increase of 3 per cent. Elimination of intra-Group rent revenue amounted to SEK 153 million (44), attributable primarily to NK Retail.

Gross profit from property management increased by 2 per cent, totalling SEK 1,221 million (1,194), which was mainly attributable to higher rent revenue. Elimination of intra-Group rent revenue amounted to SEK 153 million (44).

The net profit for the year was SEK 2,955 million (-1,462), equivalent to SEK 14.61 per share (-7.13). The increase is attributable to positive unrealised changes in value in the property holdings.

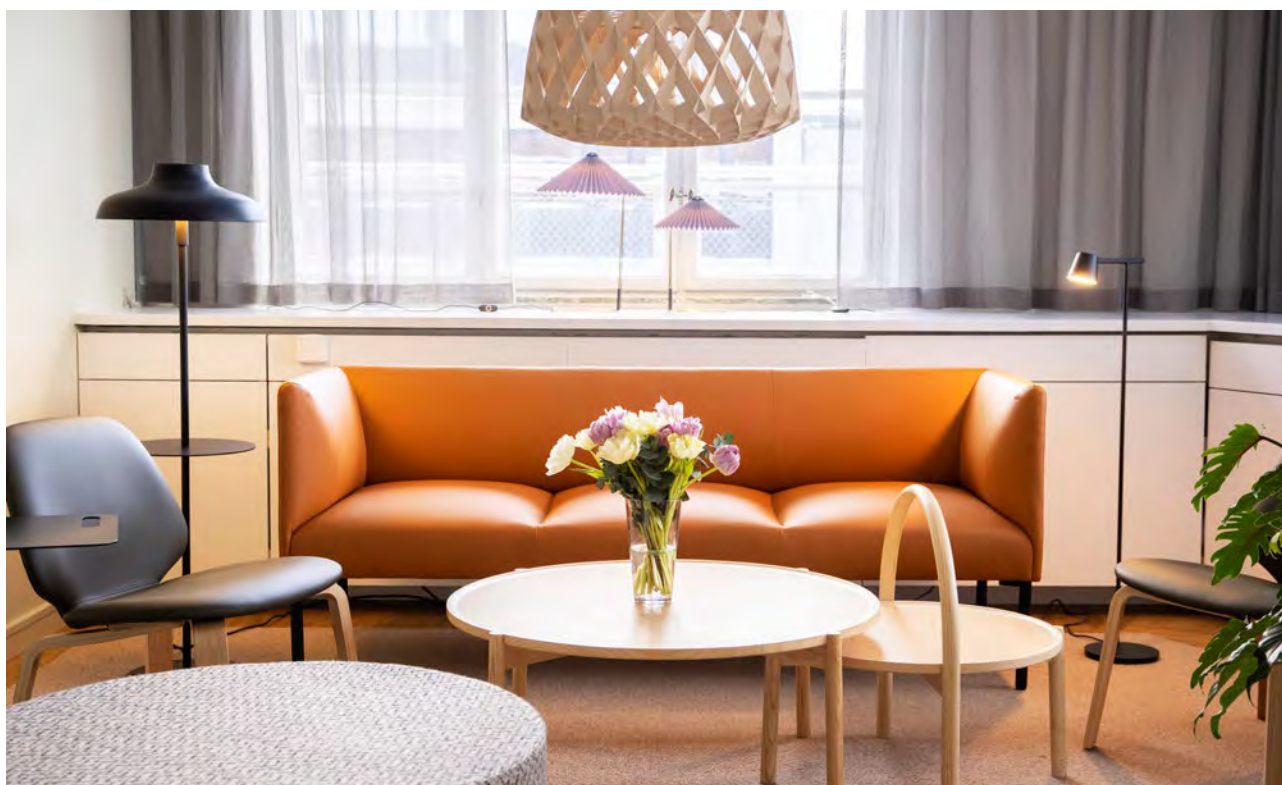
In February 2021, the subsidiary NK Retail AB accessed the NK business within Departments & Stores Europé AB.

The Board proposes an increase in the dividend to SEK 2.60 per share (2.50).

The fair value of the property holdings was SEK 48.8 billion (45.6), resulting in net tangible assets (EPRA NTA) of SEK 188 per share (173). Unrealised changes in the value of the property holdings amounted to SEK 2,579 million (-2,930) for the year.

The equity ratio was 61 per cent (60), the net loan-to-value (LTV) ratio was 18 per cent (19) and the interest coverage ratio multiple was 9.3 (9.1).

The rental vacancy rate at the end of the period was 7.3 per cent (8.2). Excluding current development projects, the rental vacancy rate was 5.9 per cent (6.7).

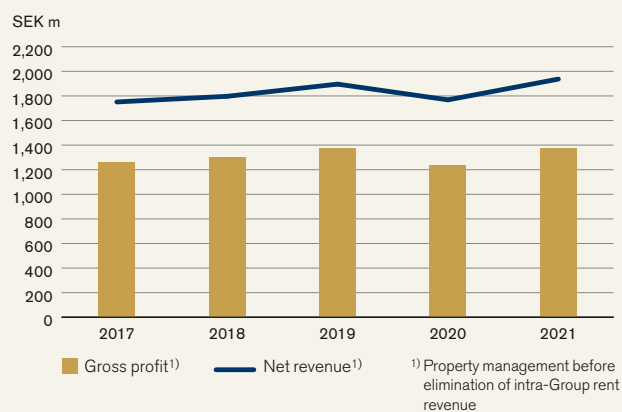


Hufvudstaden offers three concepts: Own office, REDO and Cecil Coworking. The three concepts complement each other and provide increased flexibility for our tenants.

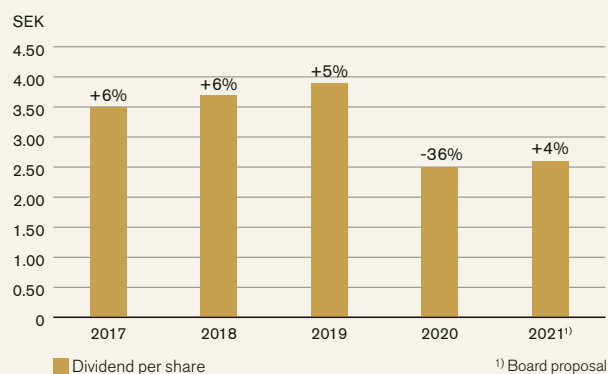
FINANCIAL SUMMARY

SEK m	2021	2020	2019	2018	2017
Net revenue, property management	1,936	1,768	1,896	1,797	1,751
Rent revenue, intra-Group	-153	-44	-43	-42	-41
Net revenue, property management, net	1,783	1,724	1,853	1,755	1,710
Gross profit, property management, net	1,221	1,194	1,330	1,260	1,221
Changes in value, investment properties	2,579	-2,930	2,727	3,621	2,848
Operating profit/loss	3,865	-1,702	4,087	4,940	4,031
Profit/loss for the year	2,955	-1,462	3,146	4,320	3,035
Net profit from operating activities	911	834	973	915	876
Fair value of properties, SEK bn	48.8	45.6	47.7	44.1	39.7
Rental vacancy rate, %	7.3	8.2	5.0	2.6	3.9
Net loan-to-value ratio, properties, %	17.9	18.8	15.5	14.2	14.6
Interest coverage ratio, multiple	9.3	9.1	11.4	10.5	9.3

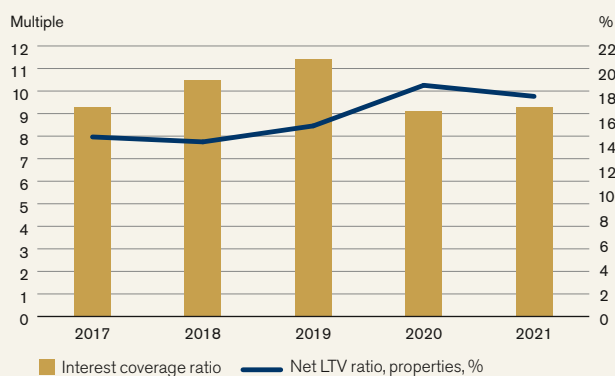
GROSS PROFIT AND NET REVENUE



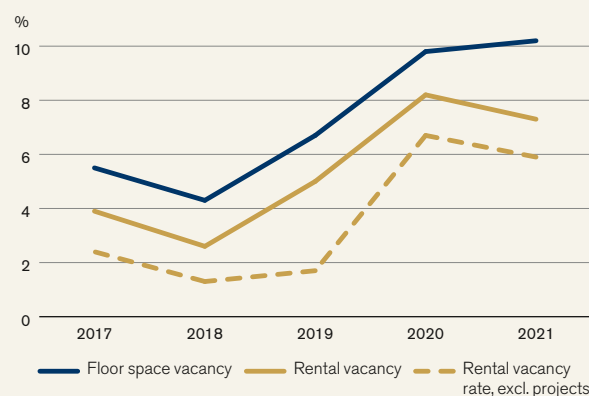
DIVIDEND GROWTH



INTEREST COVERAGE RATIO AND NET LTV RATIO



VACANCY



The recovery has begun



It is with humility and great confidence about the future that I take over as President after Ivo Stöpnér, who chose to retire at the end of 2021. I have worked at Hufvudstaden for 15 years in roles that included Head of Property Development and most recently as Head of the Stockholm Business Area and Vice President.

I look forward to continuing to develop Hufvudstaden together with our employees to meet the changes in the society and further strengthen our unique position in the market. The aim is to create long-term added value for the city, our customers and shareholders.

The world has been affected by the coronavirus pandemic for more than two years. Despite this, the global economy made a strong recovery in 2021, largely thanks to the increased vaccination rate. In Sweden, GDP growth was about 5 per cent, mainly driven by industry and the service sector. Inflation rose, largely due to rising energy prices, though the repo rate remained unchanged at zero per cent. In response to the higher inflationary pressure, several central banks signalled a raise of the interest rates from current low levels. Hufvudstaden has a low loan-to-value ratio and index-linked leases, which means the company is well positioned should inflation remain at higher levels.

Sweden's domestic politics were characterised by management of the pandemic and the rise in gang crime as well as government formations and elections to appoint a new Prime Minister. Internationally, geopolitical tension grew in both Europe and Asia.

Record-strong property market

The Swedish property market was very strong during the year. Access to capital remained favourable and there was substantial interest in acquiring properties. Transactions were completed for approximately SEK 370 billion, which is the highest turnover ever. Offices, logistics, residential and public buildings were the properties that changed ownership most frequently. A few property transactions in central Stockholm and Gothenburg completed at the end of the year demonstrated decreasing yield requirements.

At year-end, Hufvudstaden's property holdings were valued at SEK 48.8 billion (45.6), up by approximately 7 per cent. The increase in value of SEK 3.2 billion is due the effect of lower yield requirements, higher office rents and investments. NAV at the end of the year was SEK 188 per share (173) and the share price was SEK 135.20 per share.

Development of marketplaces

Hufvudstaden works actively to develop its property holdings to create attractive spaces for people and companies. Current and planned development projects in Hufvudstaden's properties amount to approximately SEK 3 billion at the present time.

The foundations have been completed and rebuilding has commenced of the new, unique Vildmannen 7 property in Bibliotekstan that was previously destroyed by fire. A lease agreement has been signed for about 2,200 square metres of office space so far and there is substantial interest in the remaining space. The building will be accessed in stages during 2023. The completion of Vildmannen 7 will further strengthen Bibliotekstan.

The women's floors at the NK department stores in Stockholm and Gothenburg have been developed to meet changed needs in the retail sector. A more efficient floor plan has been created with smaller departments and improved customer flows to attract new strong brands.

Preparatory work has been taking place in Gothenburg ahead of the start of the major development project Johanna in the Inom Vallgraven 12 block. We have previously obtained a new local plan that allows for approximately 15,000 square metres of additional gross area, and building permission for the entire project was obtained at the end of the year. Production will commence in 2022 and when it is completed, the Johanna project will contribute to strengthening the Fredstan area.

Increased activity in the office market

Activity in the office rental market gradually increased during the year in both Stockholm and Gothenburg. The demand for modern, flexible office premises in prime locations remained good, with a slight improvement in rent levels. Top rents in Stockholm were approximately SEK 9,000 to 9,500 per square metre and year. Equivalent levels in Gothenburg were about SEK 4,000 to 4,500 per square metre. The leasing processes took slightly longer, which led to a backlog effect with rising vacancies. Remote working has demonstrated the important role offices have as a meeting place to build corporate culture, contribute to creative processes and do business. Offices in central locations with good communications and proximity to service, stores, restaurants and culture are expected to benefit from changed working methods.

Increasingly, office tenants are seeking leases with a high level of flexibility. To meet this, Hufvudstaden has broadened its

offer with Cecil Coworking. Members are offered a unique environment with a high degree of flexibility as regards use of the premises, the term of the lease and level of service. There has been substantial interest in Cecil and the facility was almost fully let at the end of 2021. Hufvudstaden also offers the turnkey REDO concept with flexible contract terms.

The year's renegotiations of office leases resulted in a rent increase of around 17 per cent.

Recovery for an evolving retail sector

The retail sector in central areas of Stockholm and Gothenburg was affected by the coronavirus pandemic for a large part of 2021. Continuing recommendations to work from home as well as restrictions on physical distancing and on opening hours have reduced the flow of people and sales for stores and restaurants in city centres. The recommendations and restrictions were eased as the vaccination rate rose. People returned to our areas and sales recovered swiftly for both stores and restaurants. The market for retail premises in central areas also improved during the autumn. Interest in establishing operations in our marketplaces increased and several new leases were signed. At the end of the year, the spread of infection again grew, which had a negative effect on the retail sector.

The pandemic has hastened change in consumer behaviours and accelerated the growth of e-commerce. To meet the change in the retail sector, greater demands are being made to develop both physical and digital marketplaces.

In the NK department stores, the development of NK's e-commerce is a top priority, with a focus on a wider product range. The subsidiary NK Retail has operated about 25 per cent of NK departments since early 2021. The close cooperation between AB NK and NK Retail has increased our overall competence in retail and promotes the development of both the department stores and NK's e-commerce.

Hufvudstaden's centrally located properties have an excellent potential to continue to offer consumers attractive meeting points and marketplaces with unique purchasing experiences.

Sustainable business

A major focus in world politics has been global warming and how to reduce the climate footprint of people. Hufvudstaden has been working actively for a long time to attain its ambitious goals concerning economic, social and environmental sustainability. Using the company's sustainability plan, we have developed measures and worked on ways to further reduce climate impact. The target is to achieve climate-neutral property management by 2025. Since 2019, the climate-impacting emissions from property management have decreased by 39 per cent. Moreover, energy use is to be reduced by at least 16 per cent between 2019 and 2025. To date, energy use has decreased by 11 per cent.

During the autumn, Hufvudstaden launched a Green framework to finance climate-smart solutions in projects and properties certified under green building programmes. The first green bond was issued for SEK 1 billion. More than 70 per cent of the company's properties are environmentally certified.

Hufvudstaden was ranked first in the Large Company category in this year's Customer Satisfaction Index survey of office tenants, with the highest ever score since the survey began in the 1990s. This is clear proof that our systematic quality management is working effectively and that our customers view us as a solid partner even in challenging times. A satisfied customer is essential for a long-term business relationship, which is positive for both profitability and the environment.

It is also gratifying that once again this year we were ranked first among property companies in Europe in the international Global Real Estate Sustainability Benchmark (GRESB) in the office and retail category. This confirms that we have adopted the right approach from a broad perspective on sustainability.

Improved earnings

Hufvudstaden reported a recovery in profit from operating activities. Gross profit from property management increased by 2 per cent, totalling SEK 1,221 million (1,194). This is primarily a result of higher rent revenue from both offices and retail space. Elimination of intra-Group rent revenue amounted to SEK 153 million (44).

The profit after tax for the year was SEK 2,955 million (-1,462). The strong improvement is attributable to positive unrealised changes in value in the property holdings driven by decreasing yield requirements and higher office rents.

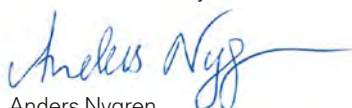
The future

The foundation of our operations is to optimise profitability in the day-to-day management of commercial properties in the most central and attractive locations in Stockholm and Gothenburg. If we are to succeed, our offering must be relevant and attractive over time. The business concept stands firm but the operations are continually evolving based on new needs and behaviours. Work in business and property development creates new customer offerings and contributes to stronger marketplaces, which result in higher property values.

The Johanna project will begin in 2022, one of Hufvudstaden's largest development projects ever, which in the long term and together with other projects will add new cash flows. We will also focus on developing our new operations: NK e-commerce, NK Retail and Cecil Coworking.

Finally, I would like to thank all of our employees for such enormous commitment and fantastic work during a challenging year. I would also like to address a special thank you to Ivo Stopner for his over 30 years of dedicated work for Hufvudstaden, of which 22 years as president. Ivo has done a great job and developed the company into the well-managed operation it is today. I would also like to thank you for the trust given to me to continue to develop this outstanding company and to help create the city of tomorrow.

Stockholm, February 2022


Anders Nygren
President

Society and Hufvudstaden impacted by the coronavirus pandemic

At the beginning of 2021, a third wave of covid-19 infections arose. The high transmission of the virus resulted in a strained burden on health care services. Public authorities encouraged continued social distancing. Vaccination against covid-19 began at the end of 2020 and by the summer, approximately 50 per cent of the population had received two doses of the vaccine. The spread of infection declined and restrictions and recommendations were successively removed. On 29 September, the recommendation to work from home was lifted along with the last restrictions for restaurants, stores and events.

Tourism has been sharply curtailed during the pandemic, with the largest negative impact in the urban regions of Stockholm and Gothenburg. At the beginning of the autumn, a positive turnaround was noted in the number of visitors, primarily for Swedish tourists. People returned to their office workplaces and flows in the central areas of Stockholm and Gothenburg began to recover, although from low levels. Sales in stores and restaurants increased and for some months, the levels of 2019 were exceeded.

The omicron mutation of coronavirus resulted in a rise in transmissions at the end of the year. On 23 December, the recommendation were re-established that those who could work from home should do so. Restrictions were again imposed on stores and restaurants regarding the number of visitors and opening hours. Despite the high spread of infection, the number of seriously ill people did not rise to the levels measured during the earlier waves of infection. The vaccination rate for two doses was more than 80 per cent at the end of 2021 and an increasing proportion of the population had received the third dose.

Hufvudstaden's centrally located properties and marketplaces remained impacted by the effects of the covid-19 pandemic in 2021. However, the effects were less severe than during 2020, especially from the summer and toward Christmas. The payment capacity of retail and restaurant tenants was strengthened, although several continued to be impacted financially by the recent years' restrictions and recommendations.

Earnings for 2021 were charged with rent reductions of approximately SEK 107 million (163) attributable to covid-19, before recognised compensation from the state commercial rent support scheme. Compensation recognised from the state totalled SEK 47 million (40), which yielded a net effect of approximately SEK 60 million (123).

The leasing processes for offices took somewhat longer than normal for most of 2021. This resulted in an increase in the vacancy rate in both Stockholm and Gothenburg. However, the activity in the market increased during the autumn and several leases were signed.

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. The company is following official recommendations and directives on how to manage transmission of the virus. The relatively rapid recovery in the autumn in terms of sales in our marketplaces shows that properties that offer consumers attractive meeting places and retail spaces with unique shopping experiences have good possibilities to respond to changed consumer behaviours in the future as well.

Hufvudstaden's financial position is strong with good conditions to continue develop our properties and marketplaces.

The pandemic has in all likelihood accelerated social changes, but we firmly believe that people will still want to – and need to – meet in the future, both professionally and socially. Face-to-face encounters create opportunities to exchange ideas, innovate and do business, as well as arts- and culture experiences. Therefore, the assessment is that offices, stores and restaurants in centrally located properties in the two largest cities in Sweden will remain attractive, and we are convinced that our business model will be the foundation of favourable profit growth over time.

Brunnsparken, between Fredstan and Nordstan, has been refurbished in collaboration with nearby property owners and the City of Gothenburg to improve the environment and make the park more welcoming.



High quality, good service and a long-term approach



Hufvudstaden's marketplaces are continuously developed with a focus on sustainability and long-term approach.

Hufvudstaden was founded in 1915 and rapidly became one of the leading property companies in Sweden. Today, it is one of the country's strongest brands in the property sector. The brand is well-known and represents high quality, good service and a long-term approach to management and develop-

ment of our own commercial properties in prime business locations in Stockholm and Gothenburg.

Vision

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

Business concept

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

Purpose

Shaping the city of the future together since 1915.

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

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

Skills development

Employee skills development will be systematically assured with focus on professional knowledge and values.

Business development

Active business development and adaptation to digital advances in society will create added value in the property holdings.

Sustainability

Hufvudstaden is committed to working actively and long-term towards economic, environmental and social sustainability.

FINANCIAL OBJECTIVES

Objective

Outcome

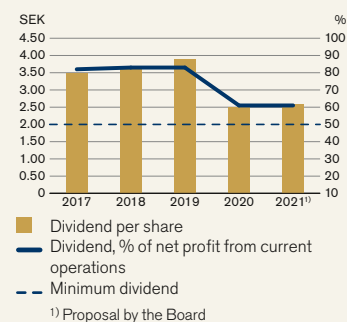
Dividend and dividend share

>50%

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

58%

The Board is proposing an increase in the dividend to SEK 2.60 per share (2.50), corresponding to a total of SEK 526 million. The dividend corresponds to 58 per cent of net profit from current operations.



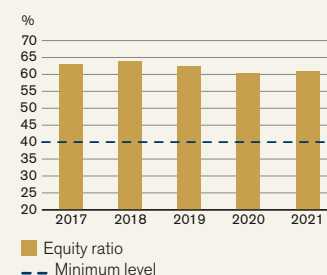
Equity ratio

>40%

Equity ratio of at least 40 per cent over time.

61%

The equity ratio was 61 per cent at year-end 2021.



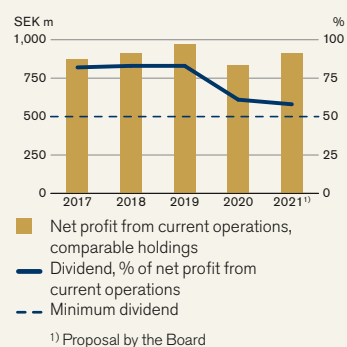
Net profit and dividend share

+

Hufvudstaden will gradually increase profit from current operations.

+9%

Net profit from current operations increased by 9 per cent.



OPERATING AND SUSTAINABILITY OBJECTIVES

Objective

Outcome

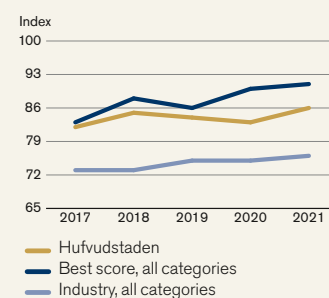
Customer Satisfaction Index

First place

Hufvudstaden will have the most satisfied customers in the industry.

First place

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



Source: CFI Group

Well-developed property holdings

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

During 2021, several major development projects were in progress and approximately 26,000 square metres of floor space were adapted. The Customer Satisfaction Survey asks questions about how office tenants perceive our properties.

Subject	Hufvudstaden	Sector average	Maximum
Location	90	81	100
Property	85	75	100
Premises	83	77	100
Environmental consideration	81	71	100

Source: CFI Group

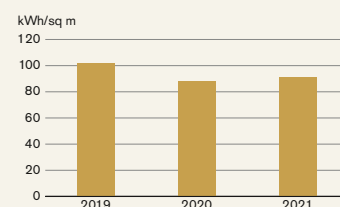
Energy consumption

-16%

16 per cent reduction in energy use per square metre between 2019 and 2025.

-11%

In total, energy use has decreased by 11 per cent since 2019.



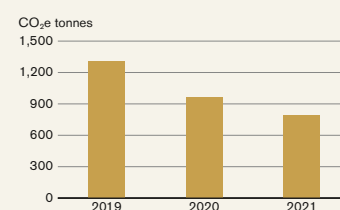
Climate-neutral property management

+/- 0

Property management to be climate-neutral by 2025.

-39%

To achieve the target, climate-impacting emissions must be reduced to 0. Since 2019, emissions have decreased by 39 per cent.



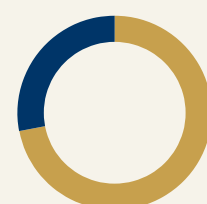
Green building certification

100%

All properties to have a green building certification by 2025.

72%

During the year, our properties Skären 9, Pumpstocken 10 and Grönlandet Södra 11 were certified in accordance with BREEAM.



■ Certified 72%
■ Not yet certified 28%



With its 200-year history as a hub for Gothenburg's commercial life, Fredstan provides an attractive offering of local and international brands and well-visited restaurants.

Economic growth and record-strong property market

Economic conditions

The economic recovery was significant during 2021. Vaccinations administered against covid-19 contributed to making the health risks manageable. The central banks' expansive monetary policy continued with low interest rates and large assets purchases. In pace with the receding spread of infection, social lockdowns were eased and restrictions successively removed.

Many sectors developed well despite the covid-19 pandemic, while others experienced significant negative effects, including the entertainment-, culture- and travel industries, as well as parts of the retail sector. As countries reopened, demand in the service sector was strong and provided further support for economic growth. Most of the world's stock markets rose and the majority ended the year with a double-digit increase.

Inflation increased in several countries, primarily due to high demand, rising energy prices and bottlenecks that occurred for goods and labour. The initial assessment was that the higher inflation was temporary, but the uncertainty regarding inflation increased somewhat at the end of the year. A couple of central banks indicated that there will be a need to increase key interest rates during 2022, while others believed in a decrease in inflation in the coming year.

At the end of the year, the omicron variant of the corona virus emerged. The spread of infection increased in several countries, but the number of seriously ill people did not rise to the levels measured during the earlier waves of infection. In Europe, multiple lockdowns and restrictions were reinstated, which mainly affected the service sector.

In Sweden, GDP growth was approximately 5 per cent. There was an upward trend for inflation and the average for the year was slightly more than 2 per cent. During the first half of the year, several industries were negatively impacted by the prevailing restrictions and recommendations. As these were removed, the activity in the service sector increased, largely driven by a pent-up need for consumption. The labour market was strengthened and several industries reported a shortage of labour, particularly the manufacturing industry and the private service sector.

Hufvudstaden's sub-markets

In Stockholm, Hufvudstaden owns and manages 24 properties, all located in the most attractive and central areas of the city. The population of Greater Stockholm amounts to 2.4 million and the number of inhabitants has increased by approximately 16 per cent in the past ten years. Over time, economic growth in the region has been strong. Average growth has been 2.8 per cent per year since the beginning of the 2000s according to Statistics Sweden. The corresponding figure for Sweden as a whole is 2.0 per cent.

Tourism has grown steadily in Stockholm. However, visitor numbers decreased notably during the covid-19 pandemic. From spring 2021, a turnaround was apparent, primarily in terms of Swedish tourists. However, the levels remained considerably lower than before the pandemic.

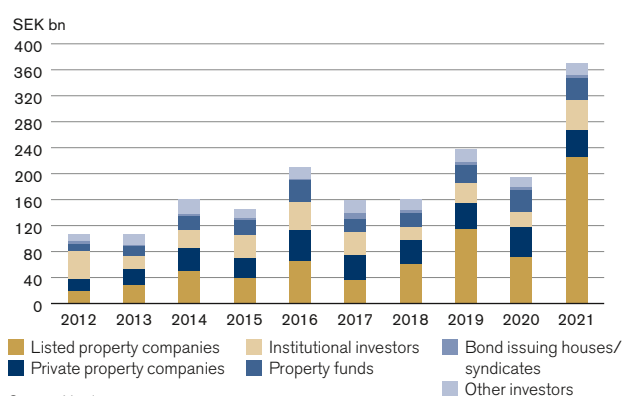
Major infrastructure projects are in progress in Stockholm. The largest projects include the Förbifart Stockholm motorway and an extension of the underground rail system.

The central business district (CBD) in Stockholm comprises approximately 1.9 million square metres of office space located in an area surrounding the Central Station, Hötorget, Stureplan, Östermalmstorg, Norrmalmstorg, Kungsträdgården and Sergels Torg.

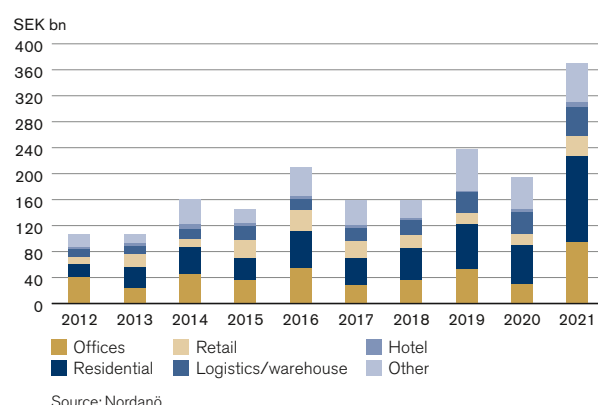
In Gothenburg, Hufvudstaden owns five properties. The population of Greater Gothenburg amounts to 1.1 million inhabitants. The rate of growth has been approximately 13 per cent for the recent ten years. Economic growth in Västra Götaland, an area somewhat larger than that usually referred to as Greater Gothenburg, increased by an average of 2.1 per cent per year in the period 2001–2020.

Several infrastructure projects were completed recently or are in production in Gothenburg. During the year, a new bridge over the Göta River ("Hisingsbron") was inaugurated and the old bridge ("Götaälvbron") was replaced. The largest project in progress is the West Link, a dual-track rail connection that is partly underground, with three new stations.

TRANSACTION VOLUME PER INVESTOR CATEGORY



TRANSACTION VOLUME PER PROPERTY TYPE



The prime locations for offices in central Gothenburg are assessed as the city districts Inom Vallgraven, especially the blocks nearest the “harbour streets” of Östra Hamngatan, Västra Hamngatan, Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungssportsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Office space in the Gothenburg CBD amounts to about 0.8 million square metres.

Investor market

The property market was very strong in 2021, with a transaction volume amounting to SEK 370 billion. This is the highest annual transaction volume ever. The transaction volume was impacted by several consolidations and acquisitions of property companies. The possibility of financing was favourable, both in the capital market and through bank financing. International investors accounted for about 15 per cent of the transaction volume. The property types that most frequently changed hands were residential, office and logistics/warehouse properties and public buildings.

The number of transactions in central Stockholm and central Gothenburg was limited in 2021. This was due to low supply. The propensity to acquire properties was high, which was demonstrated at the end of the year when a few transactions were conducted at a lower yield requirement than noted previously in corresponding locations. These transactions strengthened the general assessment of declining yield requirements. At year-end 2021, the yield requirement for commercial properties with offices and retail premises in the Stockholm CBD was estimated at between 3.00 and 3.50 per cent. In the Gothenburg CBD, the yield requirement was estimated at between 3.50 and 4.25 per cent.

Rental market

Office

The office rental market in both of Hufvudstaden's sub-markets was positive in 2021. During part of the year, the leasing process took a somewhat longer time, which was attributable to the effects of the covid-19 pandemic. This resulted in a backlog effect, which led to an increase in the vacancy rate. In Gothenburg,

vacancies were also affected by the completion of project properties. In accordance with official recommendations and directives, people largely worked from home until the autumn. This resulted in faster changes in working methods with increased use of digital communication. At the same time, the importance of the physical workplace was illustrated. Daily and spontaneous conversations with colleagues, the establishment of personal networking and the building of company culture are examples of things that have proven to be more difficult to implement in the context of remote working. Accordingly, offices will remain important, although their physical design could be changed.

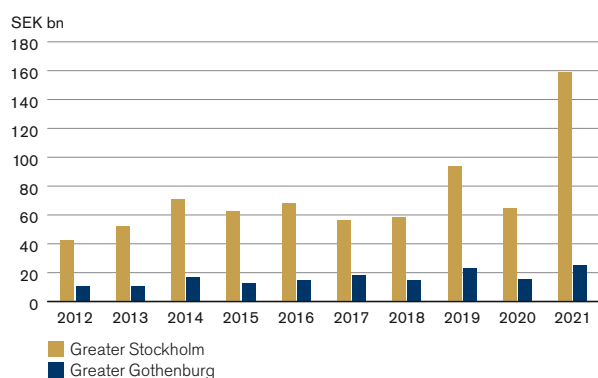
Attractive city locations are judged to have the best conditions in the future, with proximity to customers, service, restaurants, stores, culture and entertainment. This will be an important factor in attracting employees with the right expertise. The demand for shorter, more flexible leases is expected to increase, which can be met by coworking spaces and other turnkey rental concepts.

In the Stockholm CBD, the vacancy rate amounted to between 7 and 8 per cent at the end of 2021. Market rents were in the range of SEK 6,400–8,800 per square metre, excluding property tax supplement. In the Gothenburg CBD, the vacancy rate was 7–8 per cent and the market rents were between SEK 3,000 and 3,900 per square metre and year, excluding the property tax supplement.

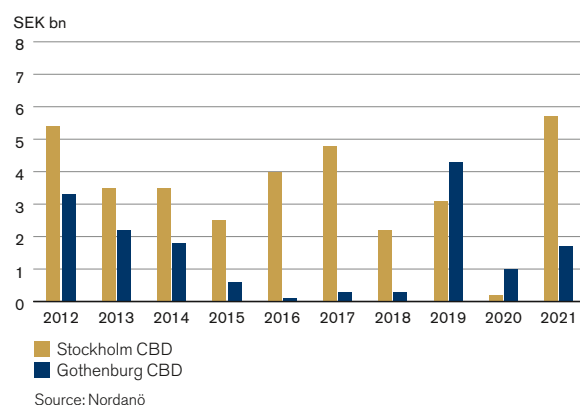
Retail

The retail sector was already under change prior to the covid-19 pandemic. New consumer behaviours with an increasing element of online shopping have entailed profitability problems and needs for the transformation of physical stores in most industries within consumer durables. The segments of consumer durables that have noted a positive sales trend in stores in recent years are found mainly in the discount and luxury segments. However, in recent times, it has become more apparent that e-commerce sales benefit from being supplemented by physical stores in selected locations.

TRANSACTION VOLUME IN GREATER STOCKHOLM AND GREATER GOTHENBURG



TRANSACTION VOLUME IN STOCKHOLM CBD AND GOTHENBURG CBD



At the beginning of the year, restrictions and recommendations continued to impact and divide the retail sector. Some areas were positively affected, such as electronics and home furnishing. For other areas, the effects were strongly negative, including clothing and shoes. The largest loss in sales took place in central locations in urban areas.

Sales and footfall stabilized in accordance with vaccinations, a decline in the spread of infection and the return to working in offices. In the autumn, sales recovered and for a few months, exceeded 2019 levels. Restaurants and the entertainment sector also recovered relatively quick from the effects of covid-19. This shows that properties that offer consumers attractive meeting places and retail spaces with unique shopping experiences are in a prime position to respond to changed consumer behaviours in the future as well.

The retail rental market was restrained and difficult to assess during the first part of the year. Market rents are estimated to have been negatively affected, at least temporarily. The demand for retail premises in central Stockholm and central Gothenburg recovered somewhat towards the autumn and more leases were signed. The assessment is that market rents in prime commercial locations in Stockholm were in the range of SEK 12,000–24,000 per square metre and year, excluding property tax supplement. Östra Nordstan, Fredstan and Kungsgatan between Östra Hamngatan and Västra Hamngatan are considered prime retail locations in central Gothenburg. Market rents for primary sales floor space in these locations ranged from SEK 4,000 to 13,000 per square metre and year, excluding the property tax supplement.

LARGEST PROPERTY OWNERS IN STOCKHOLM CBD

	Rentable floor space, sq m
Vasakronan	366,000
AMF Pension	310,000
Hufvudstaden	265,000
Pembroke Real Estate	120,000
Skandia Fastigheter	119,000
SEB Trygg Liv	103,000

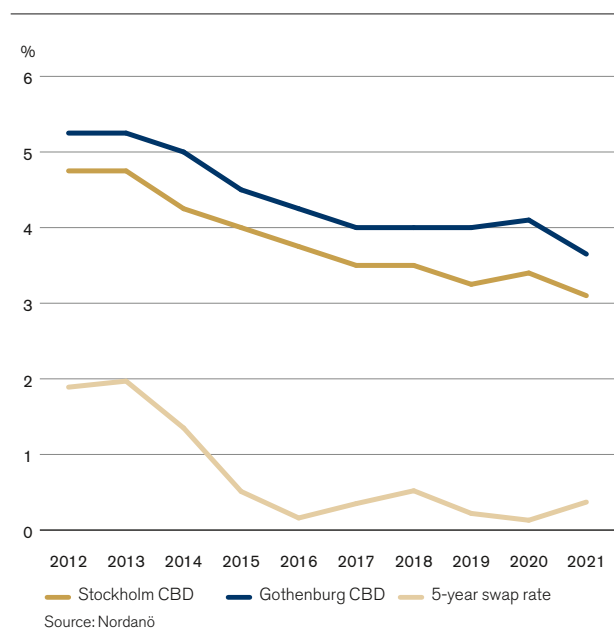
Source: Nordanö

LARGEST PROPERTY OWNERS IN GOTHENBURG CBD

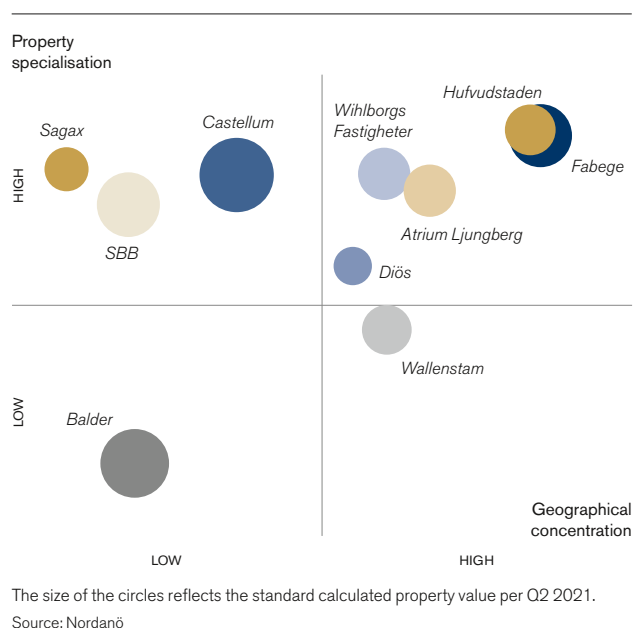
	Rentable floor space, sq m
Vasakronan	336,000
Wallenstam	231,000
Balder	158,000
Hufvudstaden	105,000
Bygg-Göta Gothenburg	91,000
Platzer	82,000

Source: Nordanö

YIELD REQUIREMENTS IN STOCKHOLM CBD AND GOTHENBURG CBD

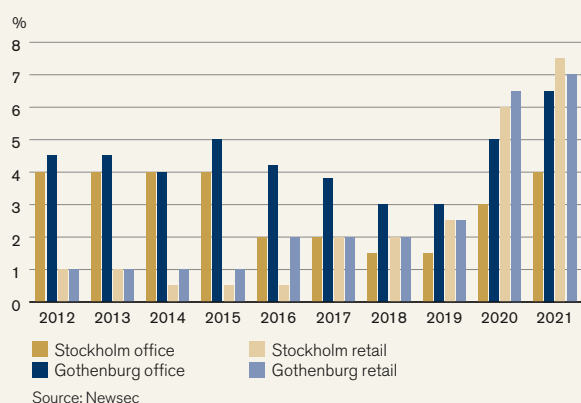


POSITIONING AMONG LARGER PROPERTY COMPANIES

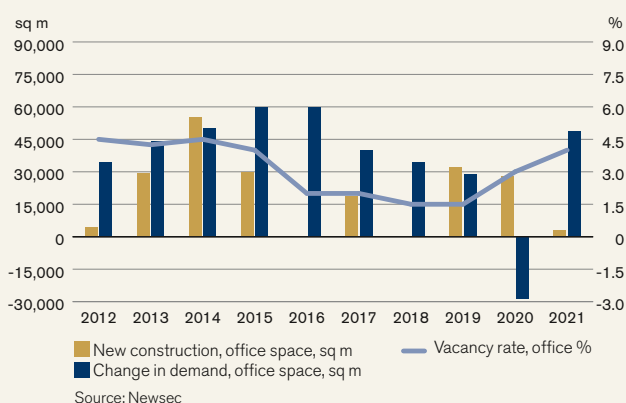


THE PROPERTY MARKET

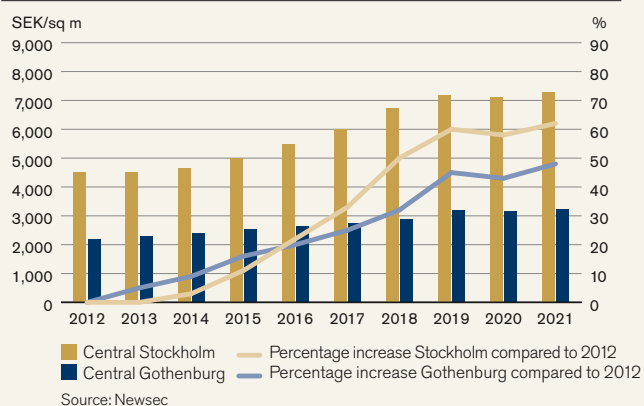
VACANCY RATE, OFFICE AND RETAIL SPACE IN PRIME LOCATIONS



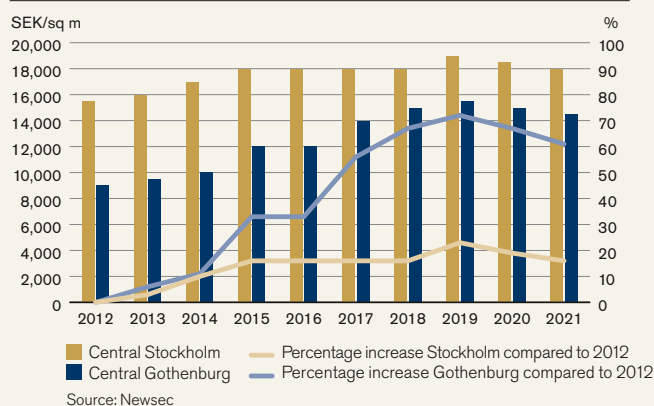
NEW CONSTRUCTION, DEMAND AND VACANCY RATE FOR CENTRALLY LOCATED OFFICE SPACE IN STOCKHOLM



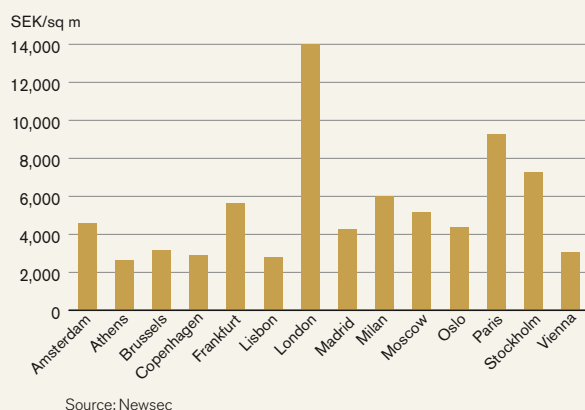
MARKET RENT TREND PRIME LOCATION OFFICE SPACE, NOMINAL (excluding the property tax supplement)



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



PRIME LOCATION OFFICE RENTS IN EUROPEAN CITIES, DECEMBER 2021



























MARKET RENTS, DECEMBER 2021 (excluding the property tax supplement)

Stockholm	Offices, SEK per sq m and year	Retail, SEK per sq m and year
Bibliotekstan/NK	7,400–8,800	12,000–24,000
Other CBD	6,400–8,800	3,000–12,000
Östermalm	3,900–6,600	2,500–7,000
Gamla Stan	3,200–5,100	2,000–5,000
Södermalm	3,000–4,900	2,000–6,000
Kungsholmen	3,600–6,000	2,000–6,000
Liljeholmen	2,200–3,600	2,000–5,000
Globen	2,200–3,200	2,000–4,000
Arenastaden	2,800–3,800	2,500–10,000
Kista	2,000–2,800	2,000–5,000
Gothenburg	Offices, SEK per sq m and year	Retail, SEK per sq m and year
CBD	3,000–3,900	4,000–13,000

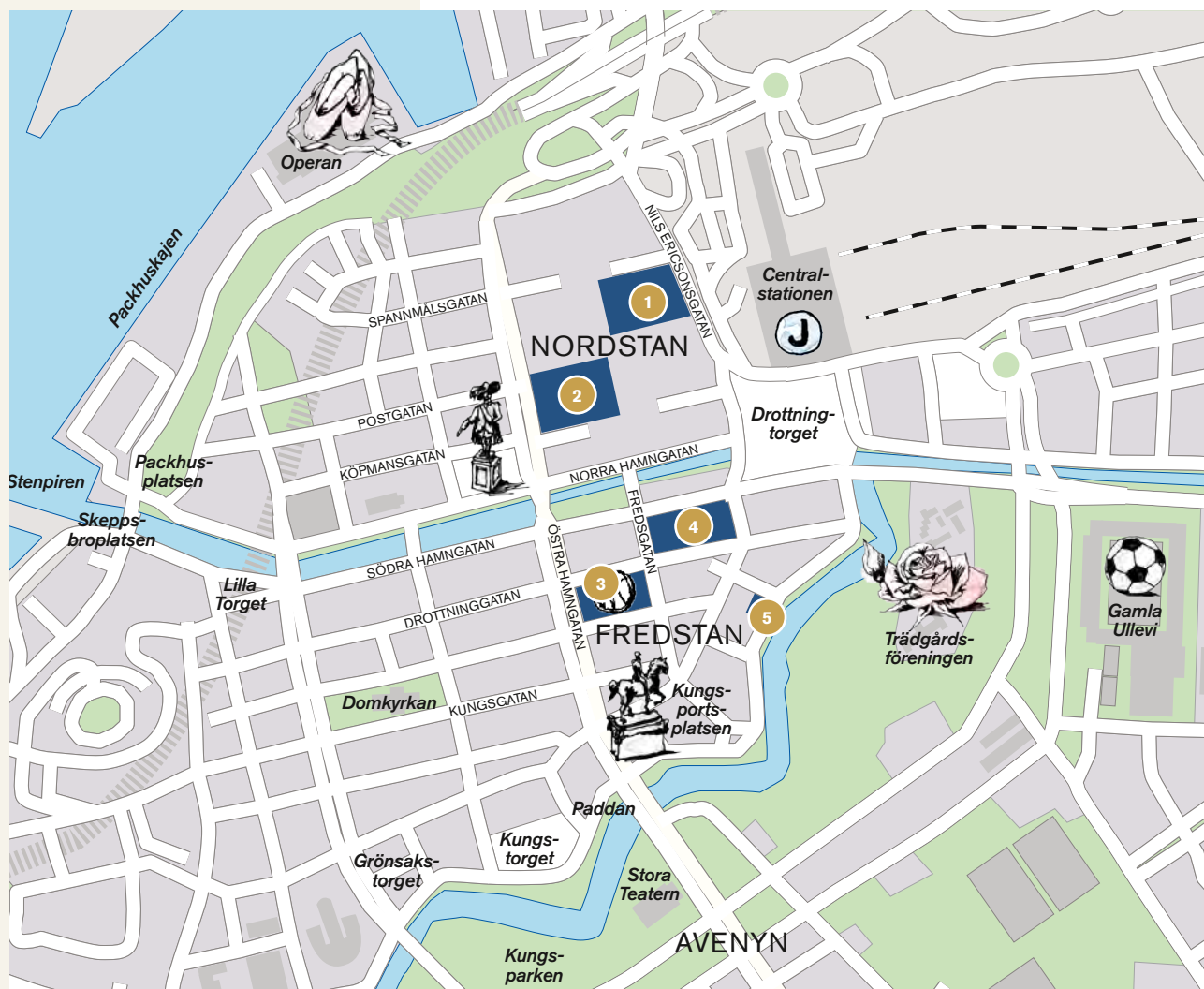
The map shows the Hufvudstaden property holdings in Stockholm.
For further information, see the property list on pages 114–115.



THE PROPERTY MARKET

Property/Construction year/Rentable Space	Property/Construction year/Rentable Space	Property/Construction year/Rentable Space
1  <p>Grönlandet Södra 11 Construction year: 1911 Rentable space: 9,133 sq m</p>	9  <p>Hästen 19, 20 (NK) Construction year: 1915 Rentable space: 39,397 sq m</p>	15  <p>Pumpstocken 10 Construction year: 1865 Rentable space: 12,467 sq m</p>
2  <p>Svärdfisen 2 Construction year: 1851 Rentable space: 7,465 sq m</p>	10  <p>Kungliga Trädgården 5 Construction year: 1984 Rentable space: 2,764 sq m</p>	16  <p>Rännilen 8 Construction year: 1900 Rentable space: 2,775 sq m</p>
3  <p>Orgelpipan 7 Construction year: 1964 Rentable space: 30,463 sq m</p>	11  <p>Vildmannen 7 Construction year: 1897 Rentable space: 0 sq m</p>	16  <p>Rännilen 11 Construction year: 1902 Rentable space: 2,913 sq m</p>
4  <p>Hästhuvudet 13 Construction year: 1919 Rentable space: 7,077 sq m</p>	12  <p>Kvasten 2 Construction year: 1987 Rentable space: 4,708 sq m</p>	16  <p>Rännilen 18 Construction year: 1888 Rentable space: 6,952 sq m</p>
5  <p>Oxhuvudet 18 Construction year: 1931 Rentable space: 29,484 sq m</p>	12  <p>Kvasten 6 Construction year: 1917 Rentable space: 7,070 sq m</p>	16  <p>Rännilen 19 Construction year: 1902 Rentable space: 11,284 sq m</p>
6  <p>Järnplåten 28 Construction year: 1958 Rentable space: 9,208 sq m</p>	12  <p>Kvasten 9 Construction year: 1978 Rentable space: 3,440 sq m</p>	17  <p>Normalm 2:63 Construction year: 1993 Rentable space: 194 sq m</p>
7  <p>Kåkenhusen 40 Construction year: 1926 Rentable space: 22,564 sq m</p>	13  <p>Skären 9 Construction year: 1984/2020 Rentable space: 13,769 sq m</p>	18  <p>Medusa 1 Construction year: 1878 Rentable space: 2,206 sq m</p>
8  <p>Hästskon 10 Construction year: 1964 Rentable space: 35,757 sq m</p>	14  <p>Packarhuset 4 Construction year: 1932 Rentable space: 15,357 sq m</p>	19  <p>Achilles 1 Construction year: 17th century Rentable space: 4,958 sq m</p>

The map shows the Hufvudstaden property holdings in Gothenburg.
For further information, see the property list on pages 114–115.



Property/Construction year/Rentable Space

1



Nordstan 8:24
(Femman)
Construction year:
1972/2011
Rentable space:
44,699 sq m

2



Nordstan 8:24
(Fyran)
Construction year:
1972
Rentable space:
21,203 sq m


Property/Construction year/Rentable Space

3



Inom Vallgraven 10:9
(NK)
Construction year:
1964
Rentable space:
16,443 sq m

4



Inom Vallgraven
12:10
Construction year:
1975
Rentable space:
16,449 sq m


Property/Construction year/Rentable Space

4



Inom Vallgraven 12:11
Construction year:
1875/1929/30
Rentable space:
4,704 sq m

5



Inom Vallgraven 3:2
Construction year:
1856
Rentable space:
1,564 sq m



The NK block is located in Gothenburg's historic city centre and is one of the city's most central commercial areas.

Development for a vibrant Stockholm

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



At the beginning of the year, Cecil Coworking opened in Bibliotekstan. The facility has approximately 3,000 square metres and space for about 300 members. Cecil offers a large number of individual offices, but also the possibility to network in shared spaces – the café, the lounge, the kitchen and the superb atrium, which is the heart of the entire premises.

Cecil has been created for those who seek flexible, shared office solutions – both for business and work satisfaction. At Cecil, service is essential and to us, service is primarily about getting to know our members and their specific needs and requests. In this way, we can create a unique solution for every company. In addition to the personal service, it is the facility's prime location, our eye for design and furnishings, but above all, our members, who create the atmosphere. Cecil is a place where new ideas are born and networks are interwoven. This is where we are collaborating to establish a positive culture, in which people and companies thrive, grow and achieve their full potential.

Portfolio development

In 2021, the development of Bibliotekstan continued as the number one destination in Scandinavia for Swedish and international fashion in the premium and luxury segments. The first three quarters of the year were affected by the recommendations of the Public Health Agency of Sweden, with directives to work from home, social distancing and restricted opening hours. This resulted in reduced footfall and sales for stores and restaurants. In spite of the consequences of the pandemic and the fact that the retail trade is in a state of transition, we saw sustained interest in the district from both Swedish and international brands. New, strong brands that opened stores in our properties were Asket, Diesel, Lynk & Co, Maria Nilsdotter and Samsøe Samsøe. The restaurant Flippin' Burgers, with its high-class hamburgers, became established in the area and is an excellent complement to the existing restaurant offering.

The pandemic also resulted in continued loss of footfall and sales in the business area's other sub-areas of Kungsgatan, Drottninggatan, Klarabergsgatan

and Gamla Stan. In spite of the somewhat restrained situation, there was interest in new establishments.

Hufvudstaden extended its office offering during the year to include Cecil Coworking and now offers three concepts: Own offices, REDO and Cecil Coworking. The three concepts complement each other and provide increased flexibility for our tenants. The product with the highest demand by far is Own offices and longer contracts are often signed for these, with the tenant becoming involved in designing the premises according to their needs. REDO offers turnkey premises with the possibility of rapid move-in and flexible leases. During the year, two new REDO offices were completed, one on Drottninggatan and one on Mäster Samuelsgatan. Cecil Coworking is our most flexible concept and offers, in addition to office spaces, catering in the form of breakfast and lunch, exercise, first-class service and unique design, which takes its inspiration from successful boutique hotels. The facility, which is located in Bibliotekstan, opened in February and was 85 per cent leased at the end of 2021. Major office

tenants who moved into Own offices during the year included Cavendo, Jefferies, Mindset and Stillfront.

In Bibliotekstan, reconstruction work was conducted on the Vildmannen 7 property, which was destroyed by fire. Excavation and foundation works were completed and construction of the new frame commenced behind the preserved facade of Roslagen sandstone. A lease agreement was signed for the majority of the office spaces and there is considerable interest in the remaining offices and retail premises.

Rental market

The office rental market in the business area was somewhat tentative in the first part of the year, but activity intensified in the autumn. Demand is greatest for flexible offices in attractive locations. Renegotiations were conducted with several customers and leases were signed with a number of new tenants. The rental vacancy rate for the business area at the end of the year was 4.6 per cent, excluding current development projects. At the end of the year, market rents for offices in the Stockholm CBD were between

PROPERTY HOLDINGS

	December 31, 2021	December 31, 2020
Number of properties	22	22
Rentable space, sq m	206,251	206,227
– of which, office	133,043	133,077
– of which retail and restaurants	42,107	42,254
Annual rent, SEK m	1,245	1,203
Rental vacancy rate, %	5.0	5.8
Floor space vacancy rate, %	6.8	6.8
Number of rentable parking spaces	619	619

LARGEST TENANTS

Office	Sq m
Danske Bank	10,800
Vinge	7,800
Swedish Financial Supervisory Authority	7,200
KG10	4,800
Knowit	3,700
Retail & Restaurant	Sq m
Zara	2,900
Eataly	2,800
Alewalds	1,300
Adidas	1,200
Ströms	1,100

PROFIT FROM PROPERTY MANAGEMENT¹⁾

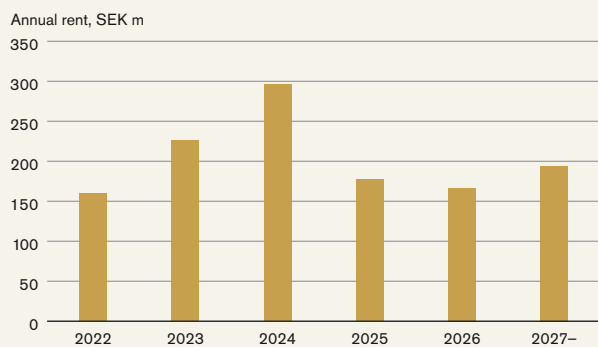
SEK m	2021	2020
Net revenue	1,167.5	1,052.6
Maintenance	-14.7	-14.4
Operations and administration	-116.7	-109.0
Other costs	-121.1	-117.1
Total costs	-252.5	-240.5
Gross profit	915.0	812.1

¹⁾ Stated before intra-Group rent elimination.

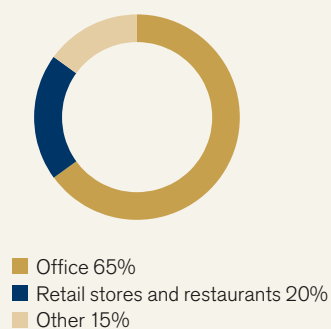
NEW LEASES & RENEGOTIATIONS

	2021	2020
New leases, sq m	12,400	18,500
New leases, annual rent, SEK m	93	111
Renegotiated leases, sq m	25,200	22,200
Renegotiated annual rent, SEK m	144	134

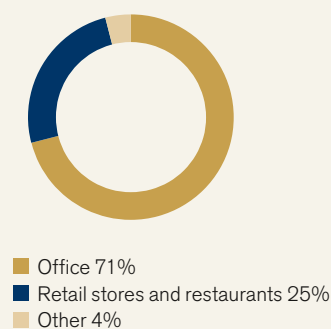
RENEWAL STRUCTURE



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



SEK 6,400 and 8,800 per square metre and year, excluding the property tax supplement.

Market rent levels for retail premises were difficult to assess, but are assumed to have declined slightly, at least temporarily. The market rents in prime commercial locations were in the range of SEK 12,000 to 24,000 per square metre and year, excluding the property tax supplement.

Customers

Our office tenants in Stockholm are companies with a need for centrally located, high-quality office premises. The predominant businesses are banking and finance, law firms and consultancies in the fields of recruitment, IT, management and media. Long-term office tenants include Brummer & Partners, Danske Bank, Erik Penser Bank, the Swedish Export Credit Agency, Finansinspektionen, Öhman and the law firms of Alrutz, Vinge and White & Case. The business area has 346 customers. The ten largest customers lease 50,000 square metres (49,000) and generate total annual rent of SEK 332 million (318).

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

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

Brands in the business area

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

Birger Jarlspassagen. The historic arcade, located between Birger Jarlgatan and Smålandsgatan, is a well-known meeting place offering exciting dining concepts.

Cecil Coworking. The business comprises approximately 3,000 sq m in Bibliotekstan and offers members first-class service and flexible office workspaces for development and networking.

Norrmalmstorg 1. The building is a unique profile property and a commercial hub in central Stockholm.

In 2021, the development of Bibliotekstan continued as the number one destination in Scandinavia for Swedish and international fashion in the premium and luxury segments.





Recovery during the autumn for NK's department stores

The NK business area comprises the NK properties in Stockholm and Gothenburg and the Hästskon 10 property in Stockholm. In addition to department stores, the NK business area includes modern and space-efficient office premises in the NK properties. It also includes parking operations in Parkaden AB and, as of February 2021, the retail operations in NK Retail AB.

Portfolio development

A project to upgrade the women's floor in the Stockholm department store was conducted during the year. The purpose of the project is to create a more attractive destination with several, smaller departments targeted at the fashion-conscious customer. Several new departments will open successively during the first half of 2022. The NK Padel & Social fitness centre located on the roof of NK Parkaden, opened during the spring. The facility comprises four padel courts, an outdoor gym and a lounge, where light meals are served.

A corresponding redevelopment project was carried out on the women's floor in Gothenburg. New aisles and several new departments were created, giving the floor a more comprehensive offering and making it more exciting.

Most of the project was completed in time for Christmas shopping.

Rental market

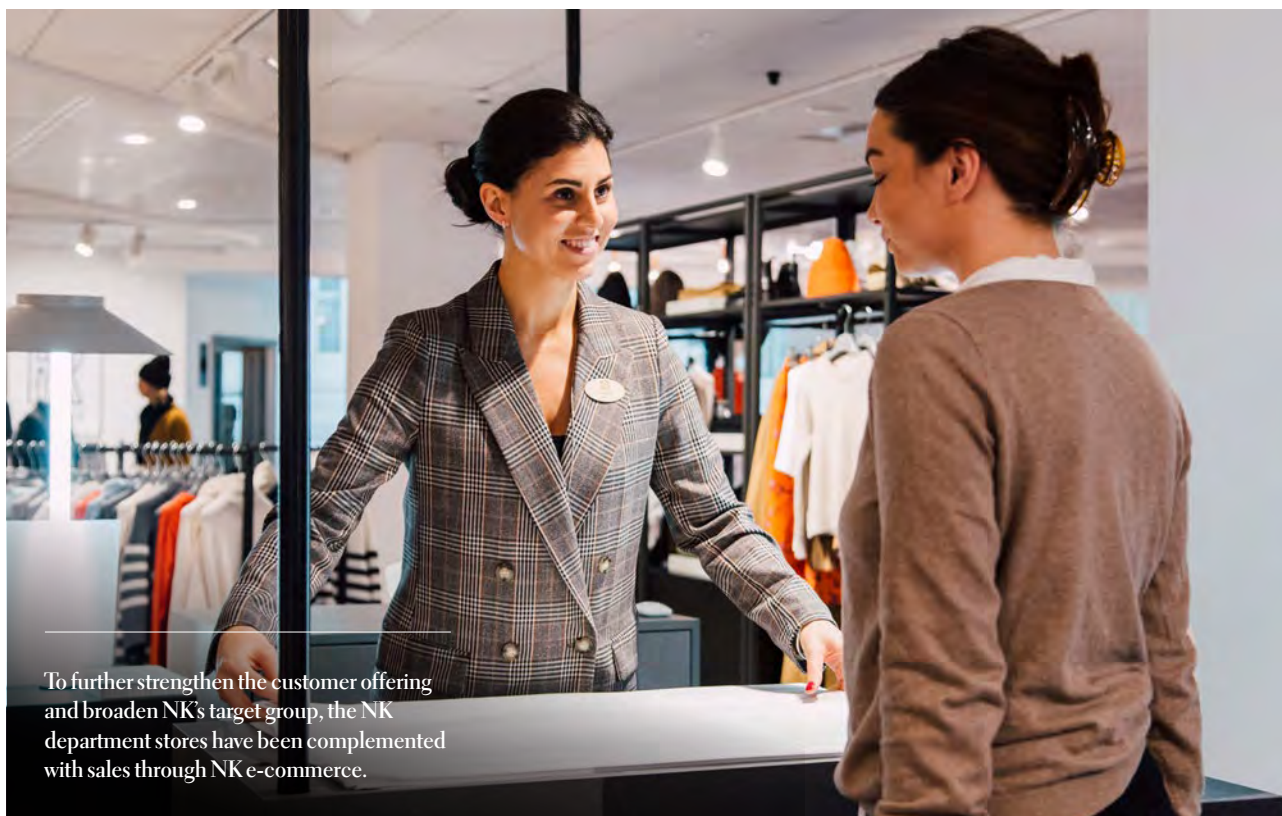
The year continued to be dominated by the coronavirus pandemic, which also impacted sales in the NK department stores. Several NK entrepreneurs continued to experience challenges. To bridge the strained situation, rent reductions of approximately SEK 63 million were granted related to covid-19. Compensation from the state commercial rent support scheme was approximately SEK 29 million and rent reductions, net, were SEK 34 million. The interest in new establishments in the department stores was weak, but with some recovery at the end of the year. As restrictions were eased, sales recovered during the autumn, exceeding 2019 levels in individual months.

Market rents at NK Stockholm are estimated at SEK 12,000 to 24,000 per square metre and year, excluding the turnover-based rent supplement and property tax supplement. The corresponding rent levels for NK Gothenburg were between SEK 4,000 and 13,000 per square metre.

Market rents for office space in prime locations in the Stockholm CBD ranged from SEK 6,400 to 8,800 per square metre and year, excluding the property tax supplement. The corresponding levels in Gothenburg were SEK 3,000 to 3,900 per square metre.

Customers

The business area's ten largest customers lease approximately 29,000 square metres (29,000), of which the subsidiary NK Retail leases approximately 12,000



To further strengthen the customer offering and broaden NK's target group, the NK department stores have been complemented with sales through NK e-commerce.

NK BUSINESS AREA

PROPERTY HOLDINGS

	December 31, 2021	December 31, 2020
Number of properties	3	3
Rentable space, sq m	91,597	91,829
– of which, office	16,010	16,200
– of which retail and restaurants	37,714	37,787
Annual rent, SEK m	487	472
Rental vacancy rate, %	7.1	10.5
Floor space vacancy rate, %	6.7	9.0
Number of rentable parking spaces	665	660

LARGEST TENANTS

Office	Sq m
Starbreeze	2,800
AG Advokat	2,500
Foyen	1,200
UBS	800
Arctic Securities	800
Retail & Restaurant	Sq m
NK Retail ¹⁾	12,000
North Retail Sport	1,600
Cervera	1,500
Rizzo	1,400
Harjak & Månsson	1,300

¹⁾ Wholly owned subsidiary

PROFIT FROM PROPERTY MANAGEMENT¹⁾

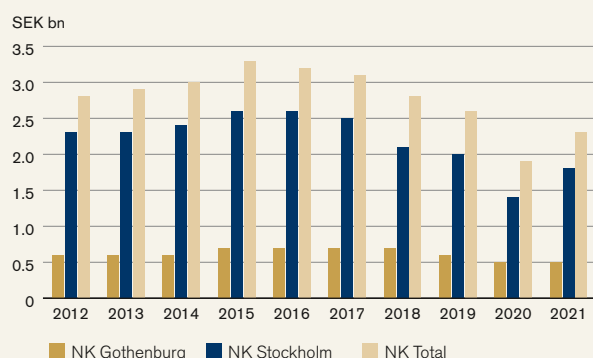
SEK m	2021	2020
Net revenue	446.1	376.0
Maintenance	-6.4	-6.7
Operations and administration	-150.4	-130.7
Other costs	-51.7	-51.2
Total costs	-208.5	-188.6
Gross profit	237.6	187.4

¹⁾ Stated before intra-Group rent elimination.

NK DEPARTMENT STORES

Stockholm	2021	2020
Rentable retail space, sq m	25,350	25,370
Rentable storage space, sq m	9,198	6,148
Total	34,548	31,518
Number of departments	103	103
Number of restaurants	11	11
Sales including VAT, SEK m	1,791	1,432
Gothenburg	2021	2020
Rentable retail space, sq m	10,653	10,646
Rentable storage space, sq m	899	1,019
Total	11,552	11,665
Number of departments	49	44
Number of restaurants	3	3
Sales including VAT, SEK m	476	476

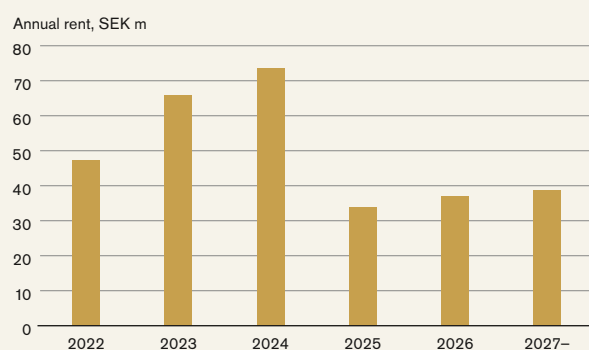
SALES NK DEPARTMENT STORES



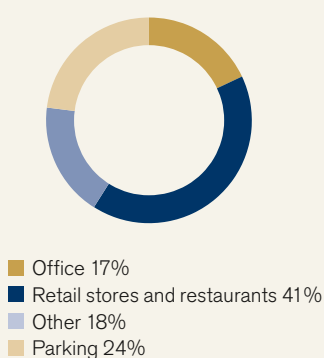
NEW LEASES & RENEGOTIATIONS

	2021	2020
New leases, sq m	5,300	2,800
New leases, annual rent, SEK m	28	21
Renegotiated leases, sq m	6,000	8,100
Renegotiated annual rent, SEK m	39	74

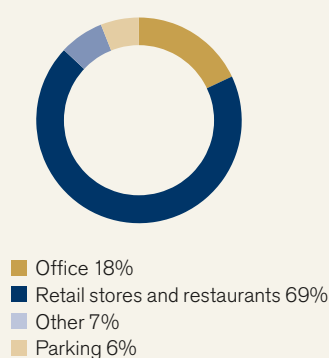
RENEWAL STRUCTURE



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



square metres. The ten largest customers represent annual rent of SEK 245 million (236).

The business area has 111 customers, primarily Swedish and international retail tenants with demands on high standards for store design and marketplace.

AB Nordiska Kompaniet

The NK properties and the NK brand are owned by the wholly owned subsidiary AB Nordiska Kompaniet.

Significant investments continued to be made in the NK e-commerce platform and other digital development projects. Launches on NK.se occur successively as departments join. During the year, 27 departments joined, which corresponds to about 30 per cent of the total number of departments. The purpose of the NK e-commerce platform is to respond to changed consumer behaviours and offer NK customers a digital alternative to the department stores.

During the autumn, the Nordic Museum of Cultural History launched its exhibition "Grand Old, Brand New," which presented the new products for the autumn, while at the same time, honoring the "Paris of the North" exhibition that tells the story of the French Dressmaking Department that operated at NK from 1902 to 1966.

The NK Gala was held for the sixth year running, aimed at strengthening NK's fashion status.

The NK brand

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

NK Retail AB, Retail operations

In January, AB Nordiska Kompaniet reached an agreement to acquire the NK business within Departments & Stores Europé AB. The business was acquired by NK Retail AB, a wholly owned subsidiary of AB Nordiska Kompaniet and was transferred on February 3, 2021.

NK Retail runs about 40 departments within fashion, cosmetics and jewellery at NK Stockholm and NK Gothenburg,

together comprising around 25 per cent of the total number of departments in the two stores. Approximately 400 employees work in the operations, corresponding to approximately 280 full-time equivalents.

The acquisition led to synergies in several areas. This involved, for example, more rapid launch of the departments at NK.se, IT development work, marketing activities, as well as brand relocations and activation of spaces for pop-ups.

Parkaden AB, Parking operations

The wholly owned subsidiary Parkaden AB runs parking operations in two of Hufvudstaden properties in Stockholm. NK Parkering at Hästskon 10 offers 665 parking spaces. Continentalgaraget in the property Orgelpipan 7, which belongs to the Stockholm business area, offers 435 spaces.

The number of electric cars is still rising, which is leading to a greater need for charging points in parking facilities. To meet this demand, the number of charging points was increased to 219 at NK Parkering and 46 at Continentalgaraget. NK Parkering is the parking facility that offers the most charging points in central Stockholm.



In an increasingly changing world, AB Nordiska Kompaniet and NK Retail jointly create the prerequisites for a world-class department store. Just like the interaction between the commercial and cultural theatre that is NK, opportunities also arise in the interaction between retail and property. Working closely together and sharing knowledge and competence in retail contributes to a customer-centric focus, more rapid decision-making paths, and increased flexibility. Using passion, curiosity and knowledge, NK offers that little extra for customers and visitors to create memorable experiences.



The women's floors in the NK department stores in Gothenburg and Stockholm have been upgraded to attract new, strong brands and to meet evolving customer needs.



Our office tenants are companies that appreciate high-quality premises in prime locations.

Project to develop Nordstan and Fredstan

The properties are located in Gothenburg's most central business district and are divided into two areas, Fredstan and Nordstan. The property holdings in Fredstan comprise the development properties in the Inom Vallgraven 12 block and Inom Vallgraven 3:2 block. The property in Nordstan comprises two units, Fyran, opposite Östra Hamngatan, and Femman, opposite the Central Station.

Portfolio development

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

The retail trade in central Gothenburg has been heavily impacted by the pandemic. For the first three quarters of 2021, the footfall in the city centre was about 10 per cent lower than in 2020 and about 40 per cent lower than in 2019. After the removal of the restrictions and recommendations on working from home, footfall recovered in the fourth quarter.

The Femman shopping centre comprises approximately 16,000 square metres of retail space on three floors. The restaurant offering was strengthened during the year by the addition of Hawaii Poké and Vietnamhaket, while Lidl extended its store on the basement level. Around eight million shoppers visited Femman in 2021, a decrease of 4 per cent compared to 2020. Retail turnover in Nordstan was around SEK 3 billion, of which Femman accounted for more than SEK 600 million and Fyran for almost SEK 250 million.

The Cooperative Association and property owners continued their joint planning during the year for how the shopping centre and parking structure can be adapted and developed to incorporate the planned West Link entrance at the Central Station. The work also includes a long-term plan to revitalise the existing marketplace. During 2021, the work to replace large sections of the shopping centre's floor with Nordic granite was completed.

Hufvudstaden has partnered with the City of Gothenburg and other property owners to establish the name "Fredstan" for the area surrounding the Fredsgatan shopping district. The cooperation with other property owners covers, for example, marketing and the physical environment. During 2021, this resulted in measures including new lighting on Fredsgatan and digital and physical marketing activities according to the shared marketing plan.

Planning and design of the major Johanna development project in the Inom Vallgraven 12 block proceeded. The new local plan allows for expanded building permissions of approximately 15,000 square metres in gross area. At the end of 2021, building permission was obtained and the project will commence in 2022. Completion is scheduled for late 2025 or early 2026.

During 2021, premises adaptations were conducted for several office tenants in conjunction with new and renegotiated



Nordstan is one of Sweden's largest shopping centres in terms of visitors.

PROPERTY HOLDINGS

	December 31, 2021	December 31, 2020
Number of properties	4	4
Rentable space, sq m	88,619	88,703
– of which, office	50,356	50,518
– of which retail and restaurants	31,094	31,261
Annual rent, SEK m	363	345
Rental vacancy rate, %	15.9	13.7
Floor space vacancy rate, %	21.9	17.9
Number of rentable parking spaces	51	51

LARGEST TENANTS

Office	Sq m
Alektum Group	5,500
Folksam	3,800
Vinge	3,300
Grant Thornton	2,000
Previa	1,700
Retail & Restaurant	Sq m
H&M	2,100
Lidl	2,100
Lager 157	1,800
KappAhl	1,800
Stadium Outlet	1,700

PROFIT FROM PROPERTY MANAGEMENT¹⁾

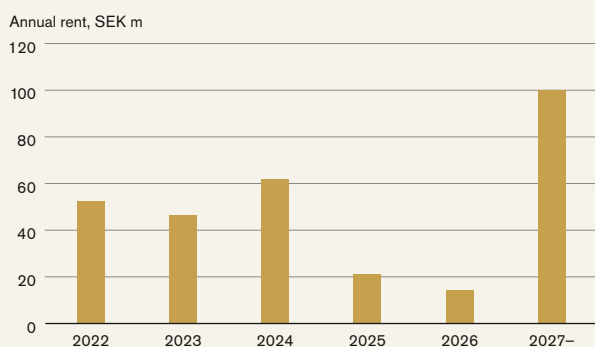
SEK m	2021	2020
Net revenue	322.9	339.3
Maintenance	-5.2	-5.9
Operations and administration	-59.0	-58.4
Other costs	-37.2	-37.1
Total costs	-101.4	-101.4
Gross profit	221.5	237.9

¹⁾ Stated before intra-Group rent elimination.

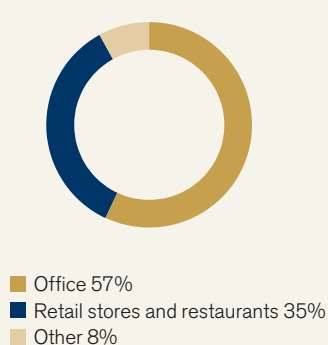
NEW LEASES & RENEGOTIATIONS

	2021	2020
New leases, sq m	4,400	5,400
New leases, annual rent, SEK m	13	20
Renegotiated leases, sq m	11,400	8,100
Renegotiated annual rent, SEK m	48	34

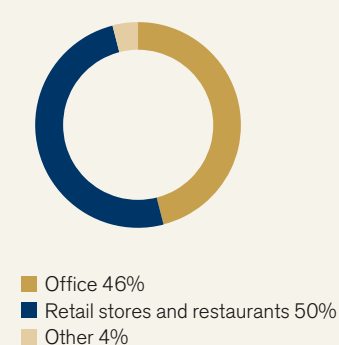
RENEWAL STRUCTURE



RENTABLE SPACE BY USE



ANNUAL RENT BY USE



leases. In Fyran, Grant Thornton's premises were adapted in conjunction with lease extension, and in Femman, Axactor and Engström & Hellman moved into larger premises.

In the third quarter, a new tenant, Trygghetsrådet, was welcomed to a new office in Femman.

The rental vacancy rate excluding current development projects was 10.3 per cent for the business area at year-end 2021.

Rental market

The rental market for office space in the Gothenburg CBD was somewhat tentative for much of the year. Vacancies rose from previously low levels. At the end of the year, demand in the market increased and more leases were signed.

Market rents for modern offices in prime locations ranged from SEK 3,000 to 3,900 per square metre and year, excluding the property tax supplement. The market rent levels for retail premises were difficult to assess, but are estimated to have decreased somewhat during the pandemic, primarily in poorer locations. The assessment is that market rents in prime commercial locations were in the range of SEK 4,000–13,000 per square metre and year, excluding the property tax supplement.

Customers

Customers in Gothenburg operate locally, nationally and internationally. The business area's office customers prefer high-quality premises in prime locations. The predominant sectors are law firms, accountancy firms and finance companies, as well as public authorities and organisations. Retail customers appreciate attractive marketplaces and shopping centres in prime locations. Retail trade is changing, which is putting increasingly high demands on property owners and retail entrepreneurs. Strong and unique marketplaces like Femman, Nordstan and Fredstan are expected to remain attractive in the future. The business area has a total of 130 customers. The ten largest customers lease 25,000 square metres (28,000) and generate total annual rent of SEK 113 million (111).

Brands in the business area

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

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

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

Femman is a modern mall on three levels, with both Swedish and international retail tenants, complemented by a broad range of restaurants.





The NK Padel & Social fitness centre opened on the roof of NK Parkaden during the spring. The facility comprises four padel courts, an outdoor gym and a lounge, where light meals are served.

Urban development in central Stockholm and Gothenburg

Hufvudstaden is working actively to develop existing properties and increase rentable space. The areas surrounding our properties are being developed to create vibrant and attractive shopping and meeting places, often in partnership with other property owners and local authorities. Development lays the foundation for good, long-term value growth. Although the pandemic dominated the year, project operations proceeded without major interruptions and disruption. We see continued demand for primarily modern, flexible and high-quality office and retail space in attractive locations.

Business development

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

Hufvudstaden's transformation work proceeded in pace with the rapid changes occurring in society and, not least, the changed behaviour, needs and expectations during the pandemic. The purpose is to raise the company's capacity to continuously develop and adapt its methods, operations and business processes.

New trends and behaviours are identified through business intelligence and are evaluated by a change management group, in which decisions are made. Thereafter, change and development projects are carried out with a focus on responding to changes in society and the needs of our tenants. Over the years, projects have been conducted to address the structural transformation that is under way in the retail sector, changed purchasing behaviours resulting from the pandemic, and the core values of sustainability. An example of this is development of NK's customer offering in the department stores' physical environment and in the digital presence at NK.se.

In February, Hufvudstaden's coworking facility, Cecil, opened in Bibliotekstan. The operation was designed on the basis of the market's increased focus on service and flexibility. Coworking is a new concept for Hufvudstaden and entails a broader offering to office tenants.

There was extensive focus on the development of the commercial concept for the Johanna block in Gothenburg, where a large redevelopment project has commenced.

Property development

Hufvudstaden's properties are continuously developed in a process rooted in sustainability and a long-term approach. The Property Development department runs renovation and development proj-

ects. Operations are divided into two main segments, maintenance projects and adaptations, and major development projects based on existing or new building permissions. The projects are conducted in cooperation with business development and the management organisation, as well as with our customers and suppliers.

The company's sustainability plan, with the watchwords "minimise", "future-proof" and "collaborate", comprise one of the basic features of the development work. Through active collaboration between internal and external parties, we minimise energy consumption, demolition and use of materials. We future-proof our properties by building effective solutions that can be used over a long time and prepare for climate changes. This ensures the long-term development of our high-quality properties that instils the perception of the properties as attractive now and well into the future.

To meet the rigorous demands on quality, flexibility and a long-term approach, Hufvudstaden has its own project managers at all stages of project implementation. The project managers handle matters related to project management, coordination with tenants and health and safety on a daily basis.

Hufvudstaden has invested approximately SEK 760 million per year in projects for the past five years. Investments in projects in 2021 amounted to around SEK 580 million (950). Large-scale development projects account for almost 35 per cent, adaptations around 40 per cent and maintenance projects around 25 per cent.

Current major projects NK Stockholm

The NK Padel & Social fitness centre opened on the roof of NK Parkaden during the spring. The facility comprises four padel courts, an outdoor gym and a lounge, where light meals are served.

A development project was conducted on the women's floor in the NK depart-

ment store in Stockholm, which was aimed at creating a more attractive floor targeted at the fashion-conscious customer. Several new departments will open successively during the first half of 2022.

NK Parkering increased the number of full-power charging points for electric cars and retained its position as the most well-developed parking structure for fossil-free car traffic in central Stockholm. There are approximately 220 charging points, corresponding to 33 per cent of the parking spaces.

NK Gothenburg

In the department store, a comprehensive redevelopment project was conducted on the women's floor, intended to improve customer flows and create more attractive department spaces. The work included the upgrade of installations and surfaces, as well as adaptation of department spaces. Most of the project was completed in time for Christmas trading and led to the floor being perceived as having a more comprehensive offering and being more exciting.

To prepare a proposal for the expansion and redevelopment of the NK building, a parallel project was conducted with four architectural firms. In collaboration with the City of Gothenburg, an architectural firm was selected and the work to prepare the documentation for a new local plan commenced at the start of 2022.

Inom Vallgraven 12, Gothenburg

Planning ahead of the development of the Inom Vallgraven 12 block entered a new phase and the project was assigned the name Johanna. A demolition permit was granted and the building permission process for new construction and redevelopment continued throughout the year. The initial work commenced with light demolition and preparatory foundation reinforcements. During 2022, works will intensify with heavy demolition and framework reinforcements for future

expansions. The extended building permission for approximately 15,000 square metres in gross area creates a new overall concept for the block, where the new total building permissions could be up to 45,000 square metres in gross area. In total, the project is expected to result in an increase in the rentable floor space of approximately 11,600 square metres. The Fredstan city district will gain modern and flexible store and office premises that strengthen and develop the core of the city. The development is being carried out in close collaboration with the City of Gothenburg and the entire project is expected to be completed at the end of 2025.

Inom Vallgraven 3:2, Gothenburg

During the year, redevelopment was conducted to convert the property's offices into residential units. This change is being implemented to replace existing residential units in the Inom Vallgraven 12 block. In conjunction with the residential project, large-scale maintenance measures are being performed to ensure that the property continues to be perceived as attractive for many years to come. The project is expected to be completed around late 2022 or early 2023.

Bibliotekstan, Stockholm

A major expansion and redevelopment project at Skären 9, at Norrmalmstorg, was completed at the start of the year. The office spaces are fully leased to law firm Vinge and Cecil Coworking. During the year, streamlining and adaptation of the retail premises also continued for the

retail trade of tomorrow. The property was certified as green building under BREEAM In-Use with a rating of Excellent.

Vildmannen 7 was heavily damaged by fire in late 2017 and large parts of the building were totally destroyed. Since then, preparatory work for restoration has been under way and, during 2021, excavation and foundation work for the new building were completed. The foundation work also included lowering the basement floor to create leasable spaces on the basement level. At the end of the year, the reconstruction work commenced with the building of the new frame structure. The new building, with the original facades facing the street preserved, is expected to be completed in 2023.

Adaptations

A large share of the properties' development occurs in conjunction with adaptation of premises for new and existing tenants. When premises become vacant, they are assessed to determine their renovation and development requirements. The assessment is conducted in close collaboration with the property management organisation. Tenants are increasingly demanding open floor plans for more efficient use of space, which increases the need for ventilation and cooling in the premises. Older technical systems often need to be replaced with the latest technology to achieve an optimal indoor climate.

Hufvudstaden owns many properties that are adjacent to each other, which facilitates integration of premises with

adjoining spaces and provides a great deal of flexibility. In all redevelopment projects, there is considerable emphasis on preserving the character and architectural value of the building. Hufvudstaden takes responsibility for building and developing in a sustainable, long-term and eco-friendly way to meet the needs of today and tomorrow.

During the year, approximately 50 adaptations were conducted for a total of about 26,000 square metres. The adaptations were carried out for both new and existing tenants.

In Stockholm, large-scale adaptations were conducted in the Oxhuvudet 18 property for De Lage Landen, Stillfront and Vator Securitas of approximately 2,300 square metres. In the Achilles 1 property, a comprehensive premises adaptation of approximately 800 square metres of office space was made for the tenant Mindset. In the NK building in Stockholm, a premises adaptation comprising 1,200 square metres was made for the law firm Foyen. In Skären 9, new stores were created for such brands as BLK DNM, Lynk & Co and Samsøe Samsøe.

In Gothenburg, premises adaptations were completed for both new and existing tenants. In the Femman property, the new tenant, Trygghetsrådet, moved into new office premises of approximately 1,100 square metres, and the tenant Axactor expanded its space by about 850 square metres. In NK Gothenburg, a premises adaptation comprising approximately 1,800 square metres was completed for the audit firm Deloitte.

MAJOR CURRENT AND PLANNED PROJECTS AT THE END OF THE YEAR

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment ¹⁾ (SEK m)	Estimated completion (year)
Stockholm	Vildmannen 7	Current	Office, retail & residential	4,800	4,800	800	2023
Stockholm	Orgelpipan 7	Local planning	Office	–	–	–	–
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	–	160	2022/2023
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 charged to the income statement as well as costs for evacuation. The investment in the Vildmannen 7 property includes extraordinary costs resulting from the fire in 2017.

PILOT PROJECT IN FEMMAN

Hufvudstaden has conducted a number of projects, where the focus was on preserving existing materials, enabling the re-use of materials to a greater extent, and increased materials recycling. One of the pilot projects comprises the former office premises of Swedish Customs in Femman. The project comprises approximately 7,000 square metres of redevelopment of an interior that was nearly 50 years old and well used. From an environmental perspective, it is positive that products have been used for a long time. From a re-use perspective, there were challenges in finding projects that required or could re-use these older products. Despite the low re-use potential, most units could be re-used, primarily doors, suspended ceilings, kitchen equipment, locks and mounts, toilet bowls, sinks and plumbing. Success factors in enabling re-use within the project included performing an inventory of the materials at an early stage. A well-performed inventory of the materials provided the demolition contractor with clear documentation to help with the dismantling work and the logistics.

Materials that could not be re-used were carefully separated and thorough investigations were made of the possibilities for materials recycling. The focus was mainly on the materials that the project had an abundance of, such as rock mineral wool insulation and gypsum. This demonstrated that there are functioning recycling systems, but that there is major potential for improvement in other parts of the waste system, particularly in the phase between the construction site and the final destination. In total, about 188 tons of gypsum and six tons of rock mineral wool insulation were separated for materials recycling. In conventional projects, rock mineral wool is separated for landfill.

The project's foremost lessons were to make demands and clarify the ambitions for all parties involved at an early stage. Awareness of materials and how they are managed after sorting has increased. This created an awareness of materials choices, which we will bring to future projects.





RECONSTRUCTION OF VILDMANNEN 7

In November 2017, an extensive fire broke out in the Vildmannen 7 property, located at the junction of Biblioteksgatan and Jakobsbergsgatan. The inside of the property was completely destroyed, but it was gratifying that the stone facade remained standing. Work is now under way to erect a new building inside the unique 120-year-old facade of Roslagen sandstone.

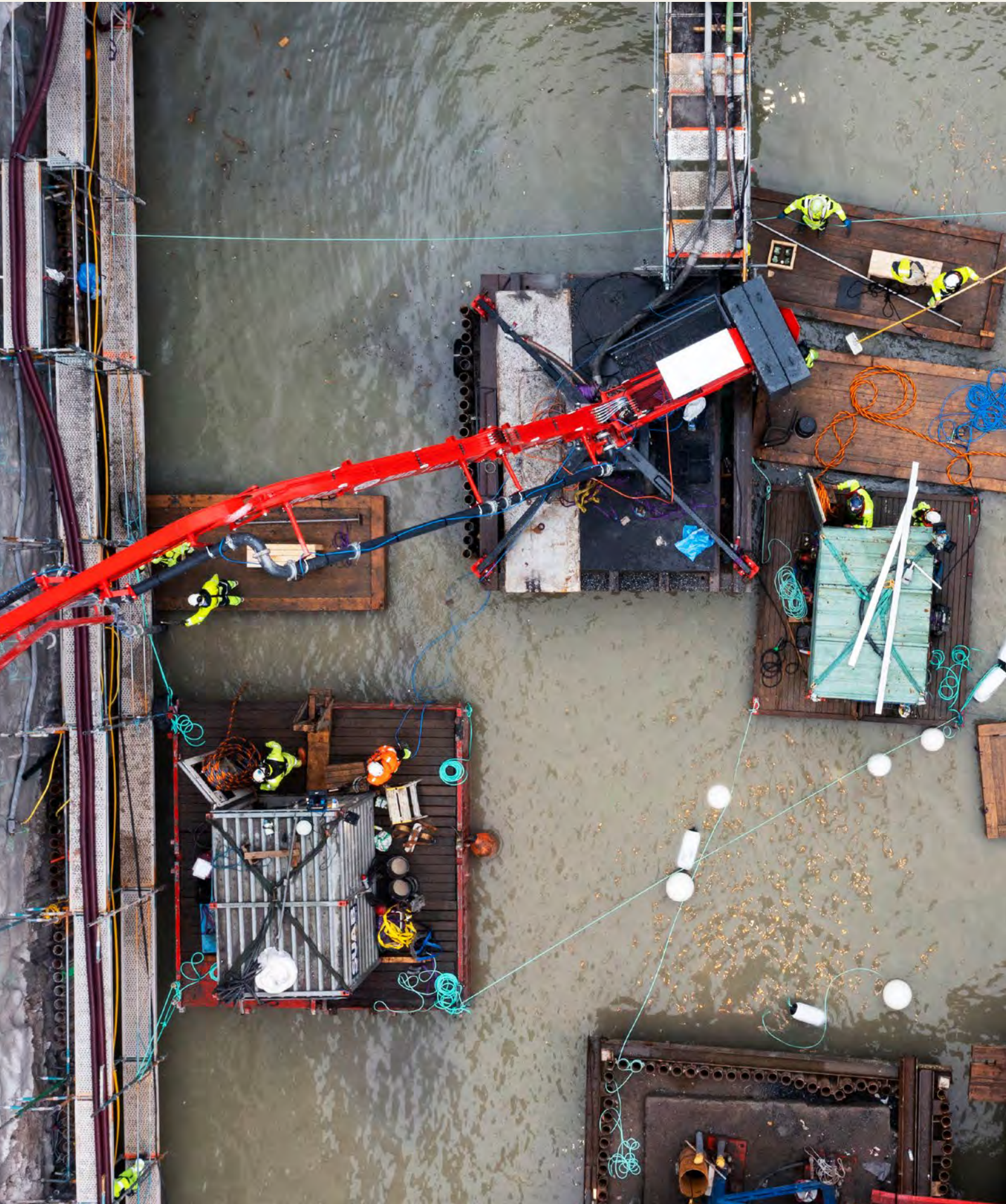
To establish a better ceiling height in the basement, the basement floor has been lowered about 1.5 metres. As a result of this measure, the basement floor is below the groundwater level, which created a water basin of approximately 800 square metres within Vildmannen. Underwater concreting was conducted here by skilled professional divers using the same methods as when a bridgehead is cast. After the concreting, the basement floor was watertight and all of the groundwater was pumped out. The foundation work continued until the summer of 2021.

At the new Vildmannen 7, cultural history meets modern, high-quality architecture, which is evident in the choice of material throughout the property. The building will receive a timeless design and a functionality that will allow it to offer offices, stores and residential for at least another 100 years. The plan is for the new Vildmannen 7 to be ready for access in 2023.



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The building has a timeless design and a functionality that will allow it to offer offices, stores and residential for at least another 100 years.



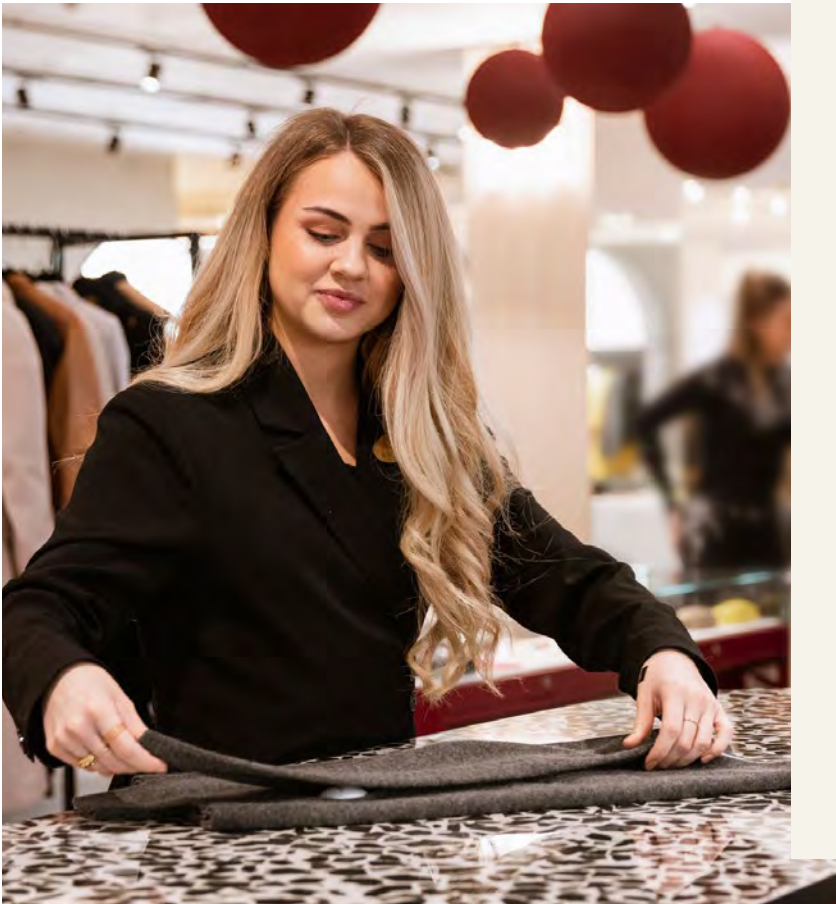
Value-driven corporate culture

Hufvudstaden's company culture is one of deep employee commitment and support for our distinct values and philosophy, which are reflected in everything we do. The values are our most important tool for leading and guiding the business towards the company's purpose, vision and objectives. They are also a prerequisite for driving operations towards sustainable business. Our values are **quality, honesty, attentiveness** and **commitment**. With these words as our guide, we are working together for the city of tomorrow.

QUALITY	HONESTY	ATTENTIVENESS	COMMITMENT
<i>“We think long-term”</i>	<i>“We build trust by keeping our word”</i>	<i>“We listen and learn”</i>	<i>“We are passionate about the business”</i>
<p>The right quality is important to us. This means providing the quality our customers expect within the framework of our business concept. It applies equally to our property holdings and service offering, customer relationships and in-house cooperation. We nurture a long-term perspective to promote quality. Aimed at developing the business and preventing problems, we act rather than react. We work to exceed expectations by means of sustainable solutions in every aspect of operations.</p>	<p>We always act professionally and reliably. That means we keep our word and abide by our agreements. As we see it, honest intent is the foundation of successful business and long-term relationships. We are honest and straightforward with our colleagues. Everyone should be able to express their opinions and stand by their thoughts and ideas.</p>	<p>We are attentive and open to impressions from outside the company and from our colleagues. We actively embrace and evaluate new ideas. We endeavour to recognise our colleagues' needs for support and concern and we stand up for each other and work together. We are attentive to the needs of our customers and always strive to be one step ahead. Our stakeholders inspire us to nurture and develop our business relationships.</p>	<p>We are proud of our history and our success and are committed to the business as a whole. We regard ourselves as a key partner for our customers, and we show an active interest in their businesses and their success. We are interested in our colleagues, celebrate their progress and help each other develop and succeed. Pride, a willing attitude and keen interest are the foundations of our organisation.</p>

Employees – we achieve success together

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



NK RETAIL

In January, Hufvudstaden reached an agreement to acquire the NK business within Departments & Stores Europé AB. The business was acquired by NK Retail AB, a wholly owned subsidiary of NK and was accessed on 3 February 2021.

NK Retail operates approximately 40 departments in fashion, clothing, accessories, jewellery and cosmetics at NK in Stockholm and Gothenburg, as well as e-commerce on NK.se. The departments comprise around 25 per cent of the total number of departments in the department stores. Approximately 400 employees work for NK Retail, corresponding to about 280 full-time equivalents.

In the Group, the values are the foundation of the culture and an important tool in steering the operations. The nature of the operations differs between the property and retail operations, which is why the expression of the values differs slightly. The shared factor is that we all make the customer our central focus.

Our objective is to have the most skilled and professional employees in the industry. Hufvudstaden endeavours to create a situation in which all employees develop and thrive at work and are able to contribute using their competence. To achieve this, we work actively with skills development and issues related to health, well-being, leadership and culture. Our values are integrated in everything we do.

The past year

The year was impacted by the ongoing coronavirus pandemic. Most of our employees in the offices worked from home for large parts of the year, while the employees who work in the department stores and properties worked on

site. This situation created additional challenges and meant that leadership and self-leadership became even more important. Internal communication was prioritised and digital tools have become natural features of everyday work. One positive consequence is that we have, at the company level, become more digital in our work and in our processes.

Recruitment and introduction

A long-term approach is essential when we recruit new employees. Diversity and equal opportunities are always integrated as a natural part of our recruitment processes.

To ensure that recruitment is based on skills and governed by our values, most

recruitment takes place in-house. In doing so, we build up a candidate base of the people who are interested in our business. New roles in areas including e-commerce and digital channels, combined with our recently started operations Cecil Coworking and NK Retail have also led to further expansion of our candidate base.

In order to meet future recruitment needs, we also build relationships via social media, where we market ourselves by telling what is happening at Hufvudstaden and advertise vacancies. This is one of our strategies to find the most professional employees in the industry while simultaneously building our brand.

All new employees are offered an individualised introduction programme

EMPLOYEES

adapted to their role and virtual introductory training with general company information. Additionally, the “New at Hufvudstaden” introductory training course is held regularly and this enables new employees in the property operations to meet some of our managers to better get to know each other and the company. All new employees in NK Retail attend introductory training within the NK School, which also offers continuous skills development.

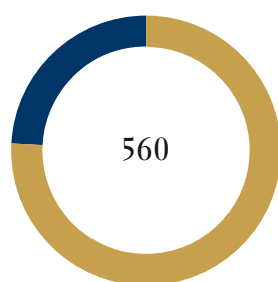
Leadership

We strive for leadership that is courageous, inspirational, forward-thinking and exemplary. These four leadership criteria are the basis of our view on leadership and serve as guiding principles in the day-to-day work of all of our managers. These are also a main focus for the assessment of managerial development and performance.

Situation-adapted leadership is applied throughout the organisation.

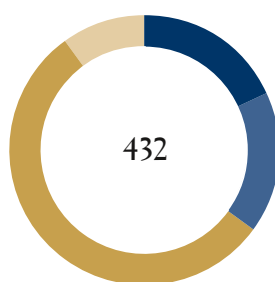
Continuously identifying and developing employees who demonstrate leadership qualities is a priority. Young employees are given the opportunity to grow into the role of manager at an early stage. Management training is conducted continuously and this year, a training course focused on personal development was held for all managers at NK Retail. The aim is to enhance self-management and drive at both management and employee

EMPLOYEES



Women 76%
Men 24%

FULL-TIME EMPLOYEES¹⁾

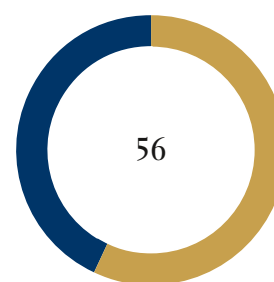


Property operations, 150
Women 52%
Men 48%

NK Retail, 282
Women 85%
Men 15%

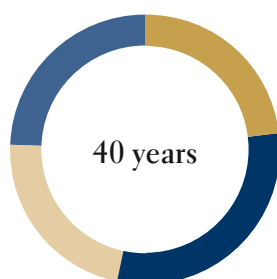
¹⁾ Restated as full-time equivalents on an annual basis.

MANAGERS



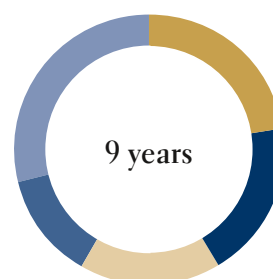
Women 57%
Men 43%

AGE



<30 years, 23%
30–39 years, 30%
40–49 years, 22%
>50 years, 25%

DURATION OF EMPLOYMENT



<1 year, 23%
1–3 years, 19%
4–6 years, 17%
7–10 years, 13%
>10 years, 28%

All diagrams relate to 31 December 2021



We endeavour to create a work environment in which all employees develop and thrive at work.

levels. It creates the right conditions for succeeding in a rapidly evolving world.

A conference is arranged annually for managers in the property operation for the sharing of experiences and discussion of leadership issues. This year's management conference was virtual and the theme was how to manage the workplace of tomorrow. All managers have access to a digital managers' handbook.

Skills and learning

Internal recruitment is a key aspect of our company culture and a way to define various career paths. We make every effort to fill open positions internally at both management and employee levels. To succeed in this work, the skills requirement is reviewed continuously. New challenges give employees opportunities to grow while gaining wider knowledge of our various areas of operations.

Performance and career development reviews are based on situation-adapted leadership and employeeship. Values,

”

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

goals, goal achievement and future challenges are discussed in these reviews. An action plan is subsequently prepared, in which each employee is given the possibility to influence their own development. The goal is for all employees to have an annual performance and career development review.

A work environment to thrive in

The skills, commitment and involvement of our employees contributes to running the business in a long-term and high-quality manner. We prioritise health,

wellness and workplace satisfaction to create a good working environment in which employees feel engaged and are thriving.

Management of the consequences of the coronavirus pandemic remained a major focus this year. Personnel meetings were mostly organised virtually and the importance of effective internal communication was clarified. Pulse- and employee surveys were conducted with questions regarding well-being, commitment, collaboration and leadership. During the autumn, a successive return to working in the office commenced, but with a continued possibility to work remotely part-time.

We take a preventative approach to health by offering all employees health checks and an annual fitness allowance. We are making a concerted effort to maintain low absenteeism due to illness by encouraging physical activity and arranging group activities to promote better health and workplace satisfaction.



Inspiring and creative environments contribute to a high level of satisfaction and strong commitment among employees.

During the year, two digital personnel conferences were arranged for employees in the property operations. The respective themes were sustainability and Hufvudstaden's objectives and purpose. The Hufvudstaden purpose was formulated on the basis of discussions, surveys, lectures and workshops.

Health and safety work is followed up in groups made up of representatives of various parts of the organisation. The health and safety groups identify risks, recommend actions and work with continuous improvement. During the year, we trained managers and others in health and safety topics, with a special focus on remote working.

Attractive employer

Hufvudstaden shall be an attractive employer and employees should be proud to work for us. Employees should be happy, enjoy their work and feel motivated. We carry out employee surveys and pulse surveys to evaluate how we

are perceived as an employer. The year's survey of the property operations had a response frequency of 87 per cent and the result showed that 86 per cent were satisfied with their work situation and that 92 per cent felt motivated in their daily work. The share of employees who would recommend Hufvudstaden as an employer has increased each year since 2016. NK Retail conducted a pulse survey with a focus on well-being, commitment, cooperation and leadership.

Diversity and equal opportunities are key perspectives in everything from recruitment to the day-to-day work. To support this work, we have a Diversity and Equal Treatment Policy, which helps us create an equal opportunity workplace with understanding for differences and counteracts discrimination and victimisation. Based on this, an equal treatment plan was prepared with goals within: health and safety, parenthood, harassment, recruitment, skills development, promotion and equal pay for equal

work. The equality goal is to achieve an even gender structure with at least 40/60-per cent proportion between women and men at the corporate level as well as among managers and in all departments. Within the property operations, the proportion is approximately 50/50 between women and men, although some groups are not as equal. Within NK Retail, most of the employees are women. There is also an ambition to achieve the equality goals for this area of the operations. The distribution between women and men in the management group became more balanced during the year.

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

City locations with pleasant surroundings and a large offering of culture, restaurants and service are appreciated by the employees.



With sights set on the cities of the future

Hufvudstaden has been developing city centres for people and commerce for more than 100 years, and we will do so for at least another 100 years. We manage and develop properties from a long-term perspective. This is positive for the planet, cities, and our businesses and tenants.



In 2021, Hufvudstaden was awarded five stars in the annual GRESB ranking of Sustainability performance in the real estate sector. In addition, Hufvudstaden placed first in the "Office and Retail" category in Europe and was thus recognised as overall regional Sector Leader, acknowledging Hufvudstaden as an industry leader in sustainability.

Green roof and two courtyards of the Skären 9 property. Green spaces close to the workplace enhance people's well-being.

Hufvudstaden and sustainability

Hufvudstaden owns and manages property and develops city centres, with a focus on a vibrant city. Our cities evolve over time and we make an active contribution to development. To us, responsible and ambitious sustainability work is a success factor and a prerequisite for our continued business. Our sustainability work generates profitability and long-term value for us, our owners and society at large.

The prevailing climate crisis is one of the greatest challenges of our time and it requires joint solutions. The development and management of buildings has a major climate impact, primarily deriving

from material and energy usage. In total, the construction and property sectors account for more than a fifth of Sweden's greenhouse gas emissions. Moreover, Swedish buildings account for about 40 per cent of Sweden's energy use. This is an enormous challenge, but also means that the construction and property sectors can contribute solutions.

The city and its environments are key to a successful transition to sustainable development. Hufvudstaden manages and develops properties with the ambition that they will remain attractive for the next century. We are aiming to reduce emissions from our building and renovation projects and our energy usage in line

with the Paris Agreement. This requires that we work together with our operations and people in and around our properties.

Hufvudstaden's sustainability work encompasses all of our subsidiaries. For AB Nordiska Kompaniet, here is a supplementary sustainability strategy for the department store operation with a focus on range, department store and experiences. During the year, NK continued to work to implement its sustainability strategy and to integrate NK Retail in NK's sustainability work.

HUFVUDSTADEN'S SUSTAINABILITY PLAN

Our sustainability plan sets the direction for our sustainability work and how we will contribute to creating the best conditions for sustainable development. The sustainability plan helps us to act responsibly and to develop the operations in the long term from economic, environmental

and social perspectives. Our plan is organised into three focus areas: minimise, future-proof and collaborate.

During the year, the work to implement the sustainability plan continued. All of Hufvudstaden's employees have received an introduction to Hufvud-

staden's sustainability plan and the overall sustainability goals. Based on the overall sustainability goals, employees have collaborated in their departments to then prepare sustainability goals for their specific departments.

MINIMISE

“We will minimise our footprint to achieve climate-neutral property management not later than 2025.”



FUTURE-PROOF

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



COLLABORATE

“Through collaboration, we will create vibrant and sustainable environments that promote sustainable urban development.”



UN Sustainable Development Goals

Hufvudstaden's sustainability plan has been further developed to align with the UN Sustainable Development Goals. Of the 17 SDGs, we have identified goals 3, 5, 7, 8, 11, 12 and 13 as those where Hufvudstaden has the strongest points of contact, and have thus chosen to focus on these goals in particular.

SUSTAINABILITY GOALS

Ongoing goals

- 0 serious workplace accidents
- Future-proofed properties for climate change
- 100% sustainability-assessed main suppliers
- 40–60% gender-equal organisation all professional categories

Outcome 2021

- 2 serious workplace accidents
- In-depth analysis in progress of the properties' climate risks
- 77% sustainability-assessed suppliers
- 76% women and 24% men

Goal 2025

- Minimum of 16% energy saving compared with 2019
- Climate-neutral property management
- 100% green building certified properties
- All new financing to be green

Outcome 2021

- 11% reduced energy consumption
- 39% reduced emissions¹⁾
- 72% certified properties
- Framework launched, first green bond issued

Goal 2030

- Emissions in project development halved compared with 2019

Outcome 2021

- Calculations in progress

¹⁾ Climate-impacting emissions from property management shall be reduced to 0. Since 2019, emissions have decreased by 39 per cent.

As a property company, we have major responsibility to reduce our climate-impacting emissions. We have adopted ambitious goals that are followed up regularly. By not later than 2025, our property management will be climate-neutral and climate emissions from our project development are to be halved between 2019 and 2030. Energy usage from our management activities

is one of our largest impact factors and accordingly, we have set the goal for energy usage per square metre to be reduced by 16 per cent between 2019 and 2025.

It is a major challenge to convert the industry and it will require technical development, as well as behavioural changes and regulation.

MINIMISE

We support the Paris Agreement and are determined to do everything we can to minimise our emissions. Our focus is on doing more with less to contribute to sustainable development. This entails more efficient use of energy and materials, smarter waste flows and well-chosen investments. We are aiming for climate-neutral property management by 2025 and to halve emission levels from our project development by 2030.

Minimised climate impact

Hufvudstaden supports Sweden's climate goal of zero emissions by 2045. We will work to achieve climate-neutral property management by 2025. In 2021, 98 per cent of our total energy usage was fossil-free. One requirement for ensuring that we achieve this goal is that local energy producers become fossil-free and climate-neutral. For Hufvudstaden's definition of climate-neutral property management, see page 121.

By 2030, emissions from our project development activities are to be halved. Operations are divided into two main segments, maintenance projects and adaptations, and major development projects based on existing or new building permissions. Adaptations account for the majority of our projects during a year and thus also for large portions of our indirect emissions. Accordingly, we conducted a project during the year to calculate these emissions. When we know the extent of the climate impact generated by a project, we can establish goals and measures to minimise it. The calculations show that a representative adaptation in Hufvudstaden's holdings corresponds to approximately 80 kilos of carbon dioxide equivalents per square metre. Since the calculations are based on a large number of generic values and made roughly, they are not to be considered completely accurate, but provide us with a guideline. Read more about how we calculated our indirect emissions on page 122.

Energy consumption

Reducing energy consumption in our properties is work that is constantly in progress and is achieved through optimisation of operations and investments in

80 kg
*CO₂e per sq m in
indirect emissions from
adaptations.*

energy-efficient technology. Since 2010, Hufvudstaden's energy use has decreased by 34 per cent. The goal is to reduce emissions by 16 per cent in the period 2019 to 2025. Since 2019, energy use has decreased by 11 per cent. Our electricity use is sourced from 100 per cent renewable, origin-labelled hydropower. We have conducted several energy-efficiency measures, such as investing in energy-efficient technology with smart controls, and installed geo-energy facilities and solar panels in recent years.

Recycling of waste

We work to increase the degree of sorting and to reduce the amount of waste that goes to landfill. There are waste disposal rooms in all Hufvudstaden properties with facilities to recycle waste in several categories. Coordinated waste management gives our tenants the possibility to work together to improve the efficiency of their recycling and reduce the number of transports to and from our properties.

Large amounts of waste arise from our adaptations and large projects, such as construction and redevelopments. Hufvudstaden imposes strict standards on suppliers and partners concerning recycling and waste management. In our construction projects, we continuously follow up the sorting of building and

demolition waste. During the year, the focus has been on improving data compiled from building and demolition waste, and on collaborating with recycling companies and contractors to enhance the conditions for more circular flows of materials. Hufvudstaden implemented a number of pilot projects with a focus on further minimising building and demolition waste. For an example of this, refer to page 37 on the Femman project.

Framework for green bonds

In October, Hufvudstaden launched a green framework for the financing of investments and projects in green properties and climate transition. The framework makes it possible for Hufvudstaden to issue green bonds and identify, select, manage and report on eligible projects and assets in line with the Green Bond Principles. Borrowed funds are earmarked for projects in green buildings, energy-efficient technology, green mobility and green urban environments. During 2021, the first green bond of SEK 1 billion was issued. The goal is for all financing to be green not later than 2025.

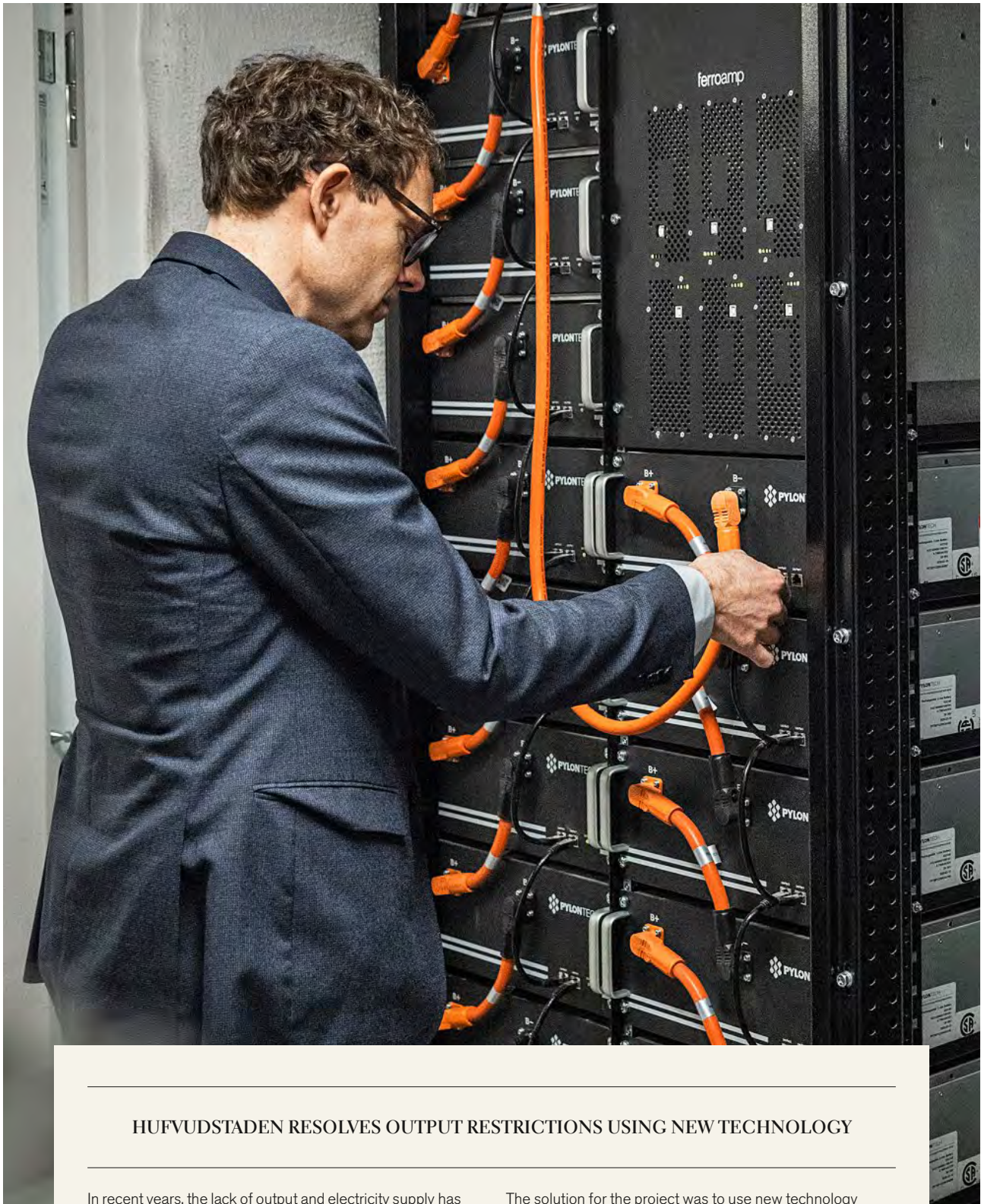
Pre-loved at NK Retail

By selecting quality, taking care of and repairing things that have broken, we can extend the useful life of existing products and reduce the impact on the environment. This also creates favourable conditions for the products to live on and be sold as second hand. With the aim of allowing more people to discover used products, reduce waste and extend the useful life of existing products, NK Retail dedicated part of its department floor space in the NK department store in Stockholm to second hand products, or so-called pre-loved.

34%
*reduced energy
consumption
since 2010.*

39%
*reduced climate-impacting
emissions from property
management since 2019.*

98%
*of our energy use
was fossil-free.*



HUFVUDSTADEN RESOLVES OUTPUT RESTRICTIONS USING NEW TECHNOLOGY

In recent years, the lack of output and electricity supply has become increasingly apparent. Hufvudstadens aim is to not burden the electricity network more than necessary. By deploying new technology, we were able to resolve the current output challenge without increasing the pressure on the electricity network.

In the expansion and redevelopment project at Skären 9, the lack of output became a challenge. The grid owner was unable to offer higher output to the property and Hufvudstaden needed to address this.

The solution for the project was to use new technology from Ferroamp, which entailed that we were able to more optimally economise and optimise the use of electricity and output. The technology manages peaks in electricity and output within the property. This is a system with intelligent control that uses energy stored in large batteries to manage temporary output peaks. The batteries are charged using the solar panels on the roof.

FUTURE-PROOFING

We will future-proof our properties and operations for a 100-year perspective.
When the needs of tomorrow change, Hufvudstaden will stand equipped to accommodate them.
Accordingly, the long-term perspective is at the core of our decision-making.
By creating favourable conditions for sustainable development, we are ensuring the future-proofing our organisation and our properties.

Development for the future

Hufvudstaden develops property for long-term ownership – with a perspective of a minimum of 100 years. Our properties shall be competitive and relevant, also for future needs. This is ensured by a focus on creating flexible solutions.

To achieve the climate goals and be prepared for future changes, our development need to be executed in the right way from the very beginning. By selecting material with timeless design, functionality and quality, there is a greater chance that the product will be sustainable over time. Using flexible and adaptable solutions, the properties can be changed without major impact or use of resources. This is a way to ensure more possibilities for use in the properties and to use existing resources.

Adapting the properties to the climate of the future will also be of major importance for our competitiveness over time. In recent years, comprehensive torrential rain and flooding analyses have been conducted for all properties. Based on the results of these, in our large projects, we have future-proofed the properties using, for example, overflow drains from courtyards and check valves for wastewater. During the year, a more in-depth analysis was initiated of each property with continued development and action plans and proactive measures that need to be implemented on each property. The purpose is to minimise the risks related to climate changes and to be able to

manage flooding resulting from heavy rainfall or rising water levels. For further information on climate-related risks and opportunities, see pages 64–65.

Degree of usage in properties

One of the largest resource efficiencies that can occur in the construction and property industry is to use existing premises and properties more effectively. Hufvudstaden foresees major potential in resource efficiency and increasing the degree of use of properties, which makes it possible to save the planet's resources while also identifying new sources of revenue.

In February, Cecil Coworking, Hufvudstaden's first coworking facility, opened. Cecil Coworking offers flexible, shared office solutions with space for approximately 300 members. In addition to the facility being flexible and having the possibility to be tailored to the customers' needs, it is also a good example of how resources can be saved. At Cecil Coworking, tenants share the spaces. They share everything from meeting rooms and office spaces to coffee machines and printers. When members move in, grow and require more space or move out, it is possible without unnecessary replacement of resources.

Another example of a high degree of space utilisation is the roof of NK Parkering. The roof remained unused for large parts of the year, which is why Hufvudstaden chose to use the space

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Analysing and prioritising climate-related risks and opportunities have high priority at Hufvudstaden.

as a venue for activities and exercise in central Stockholm. During the spring of 2021, the doors of this venture opened and there are now four padel courts, and activity areas in the form of a gym and a running track.

Green building certified properties

Hufvudstaden's target is for all of our properties to be green building certified not later than 2025. In 2021, three more properties were certified, which entails that a total of 72 per cent of the holdings are green building certified.

Hufvudstaden places great importance on offering vibrant and safe environments for people. With the support of certification of buildings, we gain an independent assessment of the properties from a sustainability perspective and confirmation that the building measures up to standards in areas including energy, the indoor environment and building materials.

72%
of the holdings are green building certified.

→ The training facility NK Padel & Social fitness centre is an exciting health and fitness destination. An example of new use of surface.





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With 219 charging stations, NK Parkering is one of the public parking facilities in Sweden that offers the most charging points.

Increasing numbers of chargeable cars are parking in our parking facilities. There is high demand for commercial charging stations. In our own public parking facilities, we offer more than 260 charging points and approximately another 150 will be created in 2022.

COLLABORATE

Transforming the sector to meet the challenges of today and tomorrow is work that requires joint initiatives. Together with partners, customers, suppliers and other stakeholders, we can create favourable conditions for sustainable development.

Sustainability assessment to ensure our requirements

Safety has high priority in everything we do. We have a vision of zero serious accidents in Hufvudstaden's operations.

We place strict demands on our suppliers being well acquainted with and complying with our requirements and work methods. During the year, we developed our follow-up of suppliers on aspects including work environment, working conditions, taxation, official requirements, health and safety, human rights and onward communication of requirements to subcontractors. In addition to site visit audits and financial analyses, our suppliers are also subject to a digital sustainability assessment, which is then used for risk assessment of suppliers. The aim is that our main suppliers in the property management and project development will undergo annual sustainability assessments. During the year, 77 per cent of our main suppliers were assessed for sustainability. Read more about our work with suppliers on page 123.

Attractive urban environments

Hufvudstaden is partnering with other property owners and organisations, as well as the cities of Stockholm and

Gothenburg, in several different projects with the aim of creating safer and more attractive urban environments. In central Gothenburg, Hufvudstaden is participating in a collaborative project based on the Purple Flag model, with the aim of creating a better and safer city centre at nighttime. In Stockholm, we have collaborated for many years to create more attractive environments in the city through, for example, new lighting, improved streets and bike paths, planting of trees and flowers, and the climate adaptation of the city. During the year, Hufvudstaden, in cooperation with the City of Stockholm, Ellevio and the Swedish Property Federation, obtained government support to jointly identify a strategy to reduce the risk of flooding at Norrmalmstorg.

Tenants

Our tenants' interest in collaborating on such issues as waste management, the indoor climate, reduced energy use and reduced emissions, is increasing. Hufvudstaden gives its tenants the opportunity to sign Green leases, meaning that we and our tenant agree jointly on an action plan of measures to contribute to, for example, reduced or more efficient energy use and increased waste sorting. As of the end of

the year, green leases covered 37 per cent of rentable office space.

Hufvudstaden continued to offer the popular bike service to tenants in Stockholm and Gothenburg during the year, with the hope that more people will opt to use bikes in cities. The fact that the service was fully booked on occasions demonstrated the high demand among our tenants, and we subsequently provided additional opportunities. We have offered bike parking and changing rooms at many of our properties for several years. During 2021, we added further bike parking to promote sustainable travel.

NK's product assortments and NK Retail's supplier requirements

During the year, we developed and updated our monitoring of NK's product assortments. NK's product assortments sets out the demands we place on the assortment of products sold at NK. NK's product assortments sets out the demands we place on the assortment of goods sold at NK and comprises, for example, requirements relating to human rights, work conditions in production, animal rights, chemicals and some product-specific requirements. In conjunction with the acquisition of NK Retail, we also developed and updated the company's supplier standard with the aim of promoting and securing more sustainable supply chains. During 2021, 81 per cent of NK Retail's suppliers signed the supplier standard.



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*Popular
bike service continues.*

There is increasing demand from tenants for bike parking, changing facilities and bike service, since many use the bike to commute.



People will still want to – and need to – meet in the future, both professionally and socially. Face-to-face encounters create opportunities to exchange ideas, innovate and do business, as well as arts and culture, and experiences.

Long-term ownership

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million and 6,000 shares with a par value of SEK 100. At year-end 2021, share capital amounted to SEK 1,056.4 million with a quotient value of SEK 5 per share.

Share structure

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

The Articles of Association include a conversion clause, by which owners of series C shares have the right to request conversion of their shares to series A shares. Since the delisting 3,211 series C shares have been converted to series A shares, of which 33 shares this year.

At year-end, the total number of shares outstanding was 202,306,933 of which 194,035,080 were series A shares and 8,271,853 were series C shares. In addition, Hufvudstaden held 8,965,000 series A shares.

Ownership structure

The number of shareholders at the year-end was 40,530. The largest shareholder was L E Lundbergföretagen AB

with 46.8 per cent of the total number of shares outstanding and 88.5 per cent of the votes. State Street Bank and Trust was the second largest shareholder with 4.7 per cent of shares outstanding and 0.9 per cent of the votes.

Institutions and companies with holdings of 100,000 shares or more owned a combined total of 172,270,781 shares as of December 31, 2021, equivalent to 85.2 per cent of total shares outstanding and 96.2 per cent of the votes. Of these, 62 were Swedish institutions and companies, who had a combined holding of 125,338,556 shares equivalent to 62.0 per cent of shares outstanding and 91.6 per cent of the votes. There were 51 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 46,932,225 shares equivalent to 23.2 per cent of shares outstanding and 4.6 per cent of the votes. In addition, ten Swedish private individuals who each owned 100,000 shares or more. The number of shareholders decreased during the year by 4,641. The proportion of foreign ownership decreased during the year from 28.0 to 24.9 per cent of shares outstanding.

Buy-back of shares

The Annual General Meeting held in 2003 authorised the Board to buy back series A shares to a maximum of 10 per cent of all shares in the Company. The authorisation was renewed at the 2021 Annual General Meeting. At the end of the year, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent

of all issued shares. No shares were bought back in 2021.

Market capitalization and trading

At year-end 2021, Hufvudstaden's total market capitalization was SEK 28,564 million based on the price of series A shares. The yield was 1.9 per cent based on the market price for the series A share as of December 31, 2021. In total, 231 million shares were traded during the year, equivalent to 114 per cent (149) of total shares outstanding. The turnover rate calculated in relation to shares available for trading (free float) was 215 per cent (276). On average, 930,000 (1,210,000) shares in Hufvudstaden were traded on each trading day. Swedish shares are being traded to an increasing extent in marketplaces other than Nasdaq Stockholm. In 2021, 53 per cent (47) of trading in Hufvudstaden's shares took place in marketplaces other than Nasdaq Stockholm, such as Cboe 41 per cent, LSE 6 per cent and Turquoise 1 per cent.

Dividend

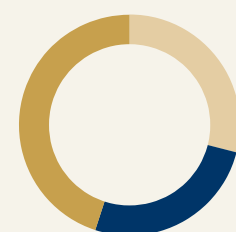
Unless a deviation is justified by investments or the Company's financial position in other respects, Hufvudstaden shares will deliver good dividend growth over time and the distribution will amount to more than half of the net profit from current operations. The Board of Directors is proposing a dividend of SEK 2.60 per share (2.50) for 2021, corresponding to 58 per cent of net profit from current operations.

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2021

Antal aktier	Number of shareholders	Proportion of shareholders, %	Number of issued shares	Proportion of shares, %
1-999	35,724	88.1	5,261,290	2.5
1,000-9,999	4,214	10.4	9,403,796	4.5
10,000-99,999	467	1.2	12,058,791	5.7
100,000-	125	0.3	175,583,056	83.1
Shares outstanding	40,530	100.0	202,306,933	95.8
Hufvudstaden			8,965,000	4.2
All issued shares			211,271,933	100.0

Source: Euroclear Sweden

OWNERSHIP STRUCTURE



■ Lundbergs, 47%
 ■ Swedish shareholders, 28%
 ■ Foreign shareholders, 25%

SHARES AND SHAREHOLDERS

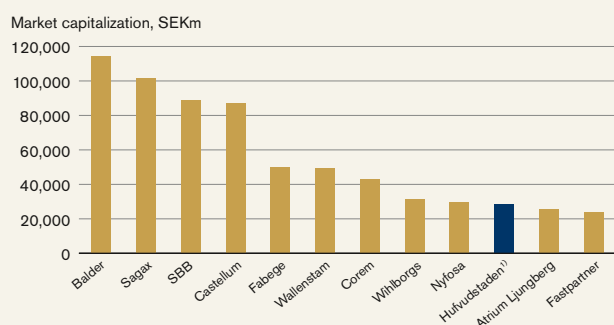
THE LARGEST SHAREHOLDER GROUPS AS OF DECEMBER 31, 2021

	Number of series A shares	Number of series C shares	Total number of Shares	Shares outstanding, %		Issued shares, %	
				Capital	Votes	Capital	Votes
L E Lundbergföretagen	86,414,000	8,177,680	94,591,680	46.8	88.5	44.8	87.8
State Street Bank and Trust	9,571,280	0	9,571,280	4.7	0.9	4.5	0.9
BNY Mellon Funds	8,834,825	0	8,834,825	4.4	0.9	4.2	0.9
Citi Bank	7,333,235	1	7,333,236	3.6	0.7	3.5	0.7
JP Morgan Funds	6,279,453	0	6,279,453	3.1	0.6	3.0	0.6
BNP Paribas	4,392,788	0	4,392,788	2.2	0.4	2.1	0.4
Spiltan Aktiefond	2,657,012	0	2,657,012	1.3	0.3	1.3	0.3
SEB Funds	2,617,116	0	2,617,116	1.3	0.3	1.2	0.2
The Northern Trust Company	2,173,131	0	2,173,131	1.1	0.2	1.0	0.2
Other shareholders	63,762,240	94,172	63,856,412	31.5	7.2	30.2	7.1
Shares outstanding	194,035,080	8,271,853	202,306,933	100.0	100.0	95.8	99.1
Hufvudstaden	8,965,000		8,965,000			4.2	0.9
All issued shares	203,000,080	8,271,853	211,271,933			100.0	100.0
Votes (excluding treasury shares)	194,035,080	827,185,300	1,021,220,380				
Votes (including treasury shares)	203,000,080	827,185,300	1,030,185,380				

Source: Euroclear Sweden

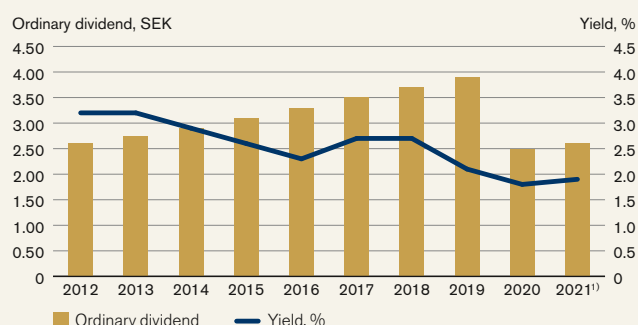
LARGEST LISTED PROPERTY COMPANIES

As of December 31, 2021



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

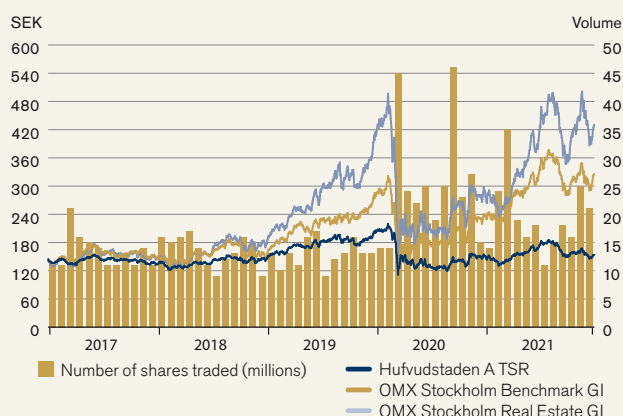
DIVIDEND AND YIELD



¹⁾ Proposal by the Board

SHARE PRICE PERFORMANCE AND TURNOVER

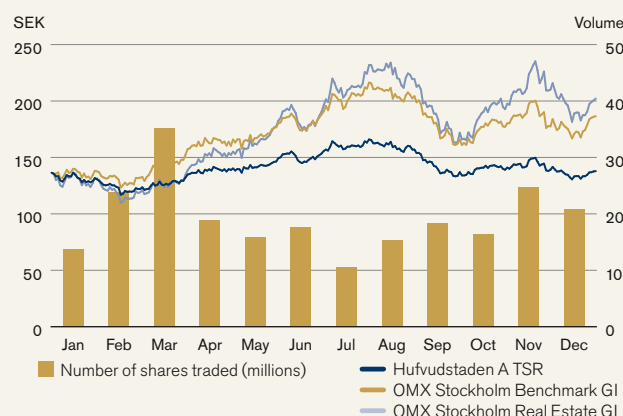
Including dividend in relation to index



Source: Nasdaq Stockholm, Fragulator

SHARE PRICE PERFORMANCE AND TURNOVER 2021

Including dividend in relation to index



Source: Nasdaq Stockholm, Fragulator



Administration Report

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

Hufvudstaden is listed on Nasdaq Stockholm Large Cap. L E Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group.

It is proposed that the Income Statements and Balance Sheets included in the Annual Report be adopted at the Annual General Meeting to be held on March 24, 2022.

The Corporate Governance Report is part of the Administration Report and is presented on pages 100–105.

Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden's business concept is to offer successful companies high-quality office and retail premises in attractive marketplaces.

Key events during the financial year

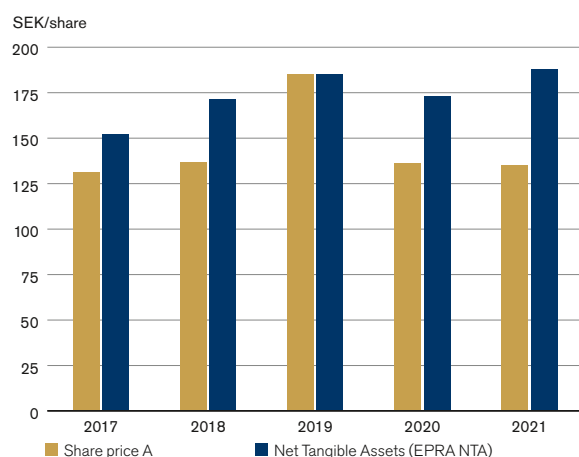
The recovery in the economy was strong during 2021. The vaccine against covid-19 helped to reduce the health risks. Society continued to be affected by restrictions and recommendations, which were gradually removed. The effects of the measures on the city centres of Stockholm and Gothenburg were largely negative. Inflation was rising and the central banks continued to stimulate the economy with large asset purchases and low interest rates. At the end of the year, the omicron mutation of the coronavirus emerged. The spread of infection increased, but the number of seriously ill people did not rise as it did in earlier waves of infection. The authorities imposed recommendations and restrictions, including work from home and restricted opening hours.

The office rental market was generally positive. The leasing processes were somewhat protracted, which was attributable to the effects of the covid-19 pandemic. At the end of the year, activity increased with more contracts finalised in the market. The vacancy rate increased during the year in both Stockholm and Gothenburg. Market rents increased somewhat and in the Stockholm CBD ranged from SEK 6,400 to 8,800 per square metre and year, excluding the property tax supplement. The corresponding levels in the Gothenburg CBD were SEK 3,000 to 3,900 per square metre. Work from home has entailed a changed way of working, while at the same time it has clarified the importance of the physical workplace.

The retail sector has been in a state of transition for the past few years and the pandemic has accelerated the digital transformation. Restrictions and recommendations had a varied impact on the market. The clothing and shoes sector experienced the largest negative impact. As the restrictions and recommendations were removed, sales in city locations recovered. Restaurants and the entertainment sector also recovered relatively quickly from the effects of covid-19. The retail rental market was difficult to assess and cautious during the first part of the year. Market rents were estimated to have been negatively affected, at least temporarily. The demand for premises increased somewhat toward the autumn and more leases were signed.

On 3 February, the subsidiary NK Retail accessed the NK business in Departments & Stores Europé AB. NK Retail operates around 40 departments in the NK department stores, which comprises about 25 per cent of the total number of departments. Approximately 400 employees work for NK Retail, corresponding to about 280 full-time equivalents. Cecil Coworking opened its operations in Bibliotekstan in February. At the end of the year, the occupancy rate was around 85 per cent. In Vildmannen 7, the foundation was completed and the construction of the frame was commenced behind the preserved stone facades. An initial lease was signed for about 2,200 square metres. The new building will be completed during 2023.

SHARE PRICE AND NET ASSET VALUE, DECEMBER 31



NET ASSET VALUE, DECEMBER 31, 2021

	SEK m	SEK/share
Equity according to the balance sheet	31,066.0	154
<i>Reversal</i>		
Deferred tax ¹⁾	9,274.0	45
Long-term EPRA NRV	40,340.0	199
<i>Deduction</i>		
Intangible assets	-96.7	0
Estimated fair liability, deferred tax 5%	-2,251.0	-11
EPRA NTA	37,992.3	188
<i>Reversal</i>		
Intangible assets as above	96.7	0
Deferred tax in its entirety	-7,023.0	-34
EPRA NDV	31,066.0	154

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

In Gothenburg, planning and preparatory work continued ahead of the extensive redevelopment and expansion of the Johanna project in the Inom Vallgraven 12 block. The development work in the NK department stores continued during the year, with a focus on developing the women's floors and expanding the offering within NK e-commerce.

Ivo Stopner chose to retire at the end of 2021 after more than 30 years in the service of Hufvudstaden and 22 years as CEO. The new CEO is Anders Nygren, former Vice President and Head of the Stockholm Business Area.

The payment capacity of stores and restaurants was weakened for most of 2021. Rent reductions attributable to covid-19 amounted to approximately SEK 107 million before recognised compensation from the state commercial rent support scheme. After compensation recognised from the state, the rent reductions totalled around SEK 60 million. The effects of covid-19 declined compared with 2020, which combined with higher gross rents, contributed to an improvement in profit from current operations during the year. Hufvudstaden's financial position continues to be solid. The net loan-to-value ratio was 18 per cent, the equity ratio was 61 per cent, and the interest coverage multiple was 9.3.

Property holdings

At the end of the year, Hufvudstaden owned 29 properties (29). Rentable floor space was 281,400 square metres in Stockholm and 105,100 square metres in Gothenburg, making a total of 386,500 square metres (386,800).

The total rental vacancy rate as at December 31, 2021 was 7.3 per cent (8.2), and the floor space vacancy rate was 10.2 per cent (9.8). Excluding current development projects, the rental vacancy rate was 5.9 per cent (6.7). In Stockholm, the rental vacancy rate was 5.4 per cent and in Gothenburg 14.4 per cent. Excluding current projects, the figures were 5.1 per cent and 9.1 per cent.

During the year, 42,600 square metres (38,400) were renegotiated at a total rental value of SEK 231 million per year, and new leases were signed for 22,100 square metres (26,700).

Property value and net asset value

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as at December 31, 2021. To assure the

valuation, external valuations were commissioned from three independent valuation companies. The external valuations made at the turn of the year were equivalent to 47 per cent of the internally assessed fair value. The corresponding proportions were 50 per cent at mid-year and 29 per cent during the first quarter of the year.

The fair value of the property holdings as at December 31, 2021 was assessed to SEK 48.8 billion (45.6). The unrealised change in value amounted to SEK 2,579.3 million (-2,929.9), the increase was due to the effect of decreasing yield requirements and higher rents for offices.

Valuation method

A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place based on a valuation made according to a variant of the location price method, known as the net capitalization method, where the market yield requirement is set in relation to the net operating income of the properties.

The table below shows the key factors that influence the valuation and the consequent impact on profit or loss before tax.

A presentation of the valuation method and assumptions can be found in Note 17.

Net asset value

Based on the valuation of the property holdings, the long-term net asset value (EPRA NRV) was SEK 40.3 billion or SEK 199 per share. Net tangible assets (EPRA NTA) was SEK 38.0 billion or SEK 188 per share following a deduction for assessed deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The assessed deferred tax has been set at 5 per cent.

Sensitivity analysis, result

The effects on pre-tax profit on a full-year basis, excluding changes in value, in the event of changes in a number of factors are reported in the table below. The rent level, vacancy rate, operating and maintenance costs and depreciation, property tax, and interest rates, refers to the effects that would have occurred, calculated using current information at the end of the financial year.

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change +/-	Effects on pre-tax profit, SEK m	
Rental revenue	SEK 100 per sq m	+/-	1,120
Property costs	SEK 50 per sq m	-/+	560
Vacancy rate	1.0 percentage point	-/+	660
Yield requirement	0,25 percentage point	-/+	3,550

¹⁾ Valuation date December 31, 2021.

SENSITIVITY ANALYSIS, RESULT

	Change +/-	Impact on profit, excluding changes in value before tax, SEK million	
Rent level	SEK 100 per sq m	+/-	39
Vacancy rate ¹⁾	1 percentage point	-/+	22
Maintenance, operating costs and depreciation	10 per cent	-/+	16
Property tax ²⁾	1 percentage point	-/+	27
Interest level	1 percentage point	-17	+10

¹⁾ Estimated vacant floor space at SEK 5,800 per sq m.

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

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

Guidelines for remuneration to senior executives

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

CSR Report

Corporate social responsibility, both internally and externally, is key element in the Company's operations. Hufvudstaden contributes to the development of the society by taking responsibility for its properties and the surrounding environment. The Company ensures that it complies with current laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are a valuable tool in their day-to-day work. The Company's CSR Report is included in the Annual Report on pages 10–12, 40–52, 59, 63–65 and 118–128.

EU Taxonomy

The purpose of the taxonomy is to classify which investments are environmentally sustainable. The taxonomy is an important tool for achieving the EU climate targets. At a review of the operation, Hufvudstaden has determined that owning, managing and developing properties is covered by the EU taxonomy, since it is possible for the economic activities included to be attributed to one of the activities that the taxonomy has developed for the real estate industry. The activities are contained in items 7.7 Acquisition and ownership of buildings, 7.2 Renovation of existing buildings, and 7.1 Construction of new buildings. The proportion of overall operations that are considered to be attributable to the various economic activities is presented below.

	Total, SEK m	Share of taxonomy, eligible, %	Share of taxonomy, ineligible, %
Net revenue	2,488	72	28
Investments (CapEx)	629	91	9
Operating costs (OpEx)	56	100	0

Net revenue, SEK 1,792 million (72 per cent), refers to rent revenue from property management. Intra-Group rent revenue was excluded from the calculation. Rent revenue from external partners to other operations in the subsidiaries Parkaden AB and Cecil Coworking AB was included. The amounts are presented in Note 4. Net revenue not covered by the taxonomy mainly relates to revenue from the sales of goods in NK Retail AB and service revenue.

Investments, SEK 574 million (91 per cent), comprise value-enhancing measures and are presented in Note 17 on the line Investments in properties. The proportion of investments not covered by the taxonomy relates to acquisition of the operation in NK Retail and investments in equipment and intangible assets, which are presented in Note 16, 18 and 19.

Operating expenses, SEK 56 million, include service, repairs, maintenance and property management required to maintain the properties' basic standard and functionality. Operating costs for electricity, heating, water and waste, etc. are excluded.

Stock market information

All publishing of information is governed by the Company's information policy. The Annual Report and interim reports are published in Swedish and English and are distributed to shareholders and other parties who have expressed an interest.

Reports and press releases are available on the Company's website, where subscription applications can be made as well as requests for information.

The future

Hufvudstaden will continue to optimise the profitability of the day-to-day property management. Our customer offering will remain relevant and attractive going forward. The company's well-established business concept stands firm, but we will be attentive and develop the business according to new behaviours and needs, both for offices and retail.

Interest in high flexibility and a great level of service is growing in the office market. To address the changed demand, our office offering was broadened to include Cecil Coworking. We now offer three concepts: Own offices, REDO and Cecil Coworking.

Our marketplaces will continue to be developed to offer unique environments and shopping experiences. NK Retail's acquisition of the NK business from Departments & Stores will contribute to further enhance NK's customer offering, both in our NK department stores and within NK e-commerce. Bibliotekstan is today a very strong marketplace in the premium and luxury segment. The work to establish new Swedish and international brands will continue to further strengthen the area.

Current and planned development projects amount to approximately SEK 3 billion at the present time. Vildmannen 7 will be completed in 2023, which will strengthen Bibliotekstan and Hufvudstaden's cash flow. During 2022, the Johanna project in Gothenburg, one of our largest ever development projects, will commence. Hufvudstaden will contribute to reducing the climate footprint and our sustainability work has ambitious goals, which permeate our entire operation.

The pandemic has in all likelihood accelerated social changes, but we firmly believe that people will still want to – and need to – meet in the future, both professionally and socially. Therefore, the assessment is that offices, stores and restaurants in centrally located properties in the two largest cities in Sweden will remain attractive, and we are convinced that our business model will be the foundation of favourable profit growth over time.

Dividend and allocation of unappropriated earnings

The Board of Directors is proposing an increase of the dividend to SEK 2.60 per share (2.50), corresponding to a total dividend of SEK 526.0 million. The proposed dividend is equivalent to 58 per cent of net profit from current operations. The Board of Directors' proposed allocation of unappropriated earnings is presented in full in Note 26 and on page 95.

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

Financing

Hufvudstaden is a long-term property owner with a solid financial position and limited financial risk. The company's financing primarily comprises equity, cash flow from current operations and borrowings. The financing requirements are met through loans and facilities from several of the major Nordic banks and investors in the capital market. The company works actively to manage its long-term relations with the financiers. The ambition is to have a loan portfolio comprising various financing forms with a spread of credit maturities to optimise the operations' growth and meet the shareholders' expectations of favourable earnings development and dividend growth over time.

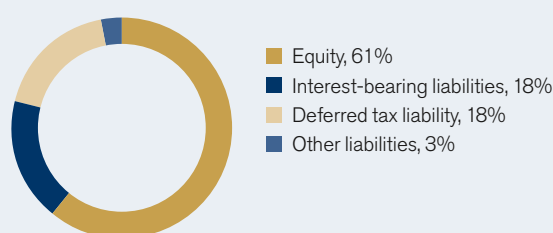
Finance Policy

Hufvudstaden's financing is controlled on the basis of a Finance Policy approved by the Board of Directors. The purpose of the Policy is to secure the Group's financing requirements at the lowest possible cost and risk. The Policy also contains clear guidelines regarding powers and authorisations for the financing work.

All financing is managed by the Parent Company. Within the Finance function, there are instructions, systems and segregations of duties to achieve good internal control and follow-up of operations. Major financing solutions should be approved by the Chairman of the Board, and the Board is informed at each Board meeting about the financial development and planning.

Capital structure

The Group's operations are financed using equity, interest-bearing liabilities, deferred tax liabilities and other liabilities.



Interest-bearing liabilities

The Group's total borrowing as at December 31, 2021 amounted to SEK 9,200 million (8,650). Of total borrowing, financing via the capital markets through bonds amounted to SEK 7,700 million (6,200) and commercial paper to SEK 500 million (1,450). Secured bank loans within the scope of the company's loan commitments were SEK 1,000 million (1,000) and unutilised loan commitments amounted to SEK 3,500 million (3,500). Hufvudstaden ensures that at any point in time there are unutilised loan commitments to cover all outstanding commercial paper.

Financing facilities, SEK m, December 31, 2021

Loan/facility type	Framework/ facility volume	Utilised
MTN programme	12,000	7,700
Comm. paper programme	3,000	500
Bank loans incl. loan commitments	4,500	1,000

Green financing

Hufvudstaden launched a framework for green bonds during the year. The aim is to finance green properties and investments in projects promoting climate transition and sustainability. The framework has undergone an independent evaluation by Cicero, which issued a second opinion with the grade of "Medium Green" in terms of the level of greenness and a score of "Excellent" for governance. The framework is based on Green Bond Principles. The company's first green bond loan of SEK 1 billion was issued within the framework in October.

Financial key ratios

The average fixed interest period was 2.2 years (1.8) and the average capital tie-up period was 2.6 years (2.6). The average annual equivalent interest rate (AER) was 1.3 per cent (1.3), including, and 1.2 per cent (1.1) excluding the cost of unutilised 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 6,500 million carries a fixed rate of interest.

Fixed interest structure, December 31, 2021

Maturity, year	Credit, SEK m	AER, % ^{1), 2)}	Proportion, %
2022	2,700	1.4	29
2023	2,000	1.3	22
2024	1,000	1.4	11
2025	1,000	1.0	11
2026	2,500	1.2	27
Totalt	9,200	1.3	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 the cost for unutilised loan commitments was 1.2 per cent.

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

Maturity, year	Credit agreements	Utilised:			Unutilised
		Bank loans	Bonds/Commercial paper	Total	
2022	2,200	500	1,700	2,200	-
2023	3,000	500	2,000	2,500	500
2024	3,000	-	1,000	1,000	2,000
2025	2,000	-	1,000	1,000	1,000
2026	2,500	-	2,500	2,500	-
Totalt	12,700	1,000	8,200	9,200	3,500

Interest-bearing net debt was SEK 8,018 million (7,866). In addition, leasing debt according to IFRS 16 amounted to SEK 716 million (720), and total net debt amounted to SEK 8,734 million (8,586). The net loan-to-value ratio was 17.9 per cent (18.8), the equity ratio – which should be at least 40 per cent over time – amounted to 61 per cent (60), and the interest coverage ratio multiple was 9.3 (9.1).

Financial risks

Hufvudstaden is mainly exposed to financing risks, interest risks and credit risk. The Group endeavours to have a loan portfolio with a diverse credit maturity structure that facilitates possible

amortisations. No loans are raised in foreign currency, and consequently the Group has limited exposure to currency exchange risk. Borrowing normally takes place both with short and long fixed interest periods.

Hufvudstaden's aim is to use surplus liquidity to amortise existing loans. Surplus liquidity not used for amortisation may only be invested in instruments with high liquidity and low risk.

Financing risk

Financing risk consists of difficulties to obtain financing for the business at a given point in time. To minimise the risk, the company works actively with a capital structure with spread maturities and differentiated distribution toward the capital and bank markets. In addition, the company has loan commitments that secure the financing requirement when refinancing loans and current investments. The aim is to have financing from at least three of the major banks and satisfactory margins with regard to the lenders' covenants in the loan agreements. Hufvudstaden's commitments regarding covenants comprise listing on the stock exchange, an interest coverage ratio of more than 2 and a loan-to-value ratio of less than 65 per cent.

Interest risk

Interest-bearing borrowings entails that the Group is exposed to an interest risk. Interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income and expense. To limit the risk, fixed interest periods are structured based on the development of the financial market. The differentiation in the fixed interest period, with short – normally 3–6 months – and long – normally 5–7 years – maturities, is based on a business environment analysis and the criteria contained in the Finance Policy. The company works actively to limit exposure to interest risk through that most of the borrowing is conducted at a fixed rate. Of long-term borrowing, SEK 6,500 million carries a fixed rate of interest.

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. To minimise the credit risk, rents are mainly invoiced in advance and credit transactions are only conducted with major financing institutions.



To an increasing extent, office tenants are seeking leases with a high level of flexibility.

Risks and risk management

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

Area of risk	Description of risk	Description of opportunity	Approach
Market and business risks			
Change in the value of properties	Increased yield requirements, lower market rents, increased vacant space, and higher property costs lead to reduced property values.	Lower property values on the market lead to increased acquisition potential.	Hufvudstaden has focused on acquiring and developing properties in prime commercial locations in the largest cities in Sweden – Stockholm and Gothenburg – which is considered to limit the risk over time.
Political decisions	A decision to increase property tax constitutes a risk. Other political decisions that have repercussions include increases in energy tax and corporation tax.	Reducing property tax and corporation tax, or more beneficial conditions for meeting Hufvudstaden's energy requirements.	The cost of property tax is mainly passed on to Hufvudstaden's tenants. Part of the energy costs are also passed on. Hufvudstaden has adopted a focused, long-term approach to reducing energy consumption.
A change in the economy could affect consumer purchasing power	Hufvudstaden's commercial properties house mainly offices and retail. Stores are subject to fluctuations in consumer purchasing power, with a resulting impact on Hufvudstaden's profitability, both in terms of rental payments and sales for NK Retail.	Increased purchasing power among consumers is resulting in higher sales for stores, which allows rent increases for retail premises and facilitating higher sales for NK Retail.	Hufvudstaden is striving to secure longer leases for retail operators with a high guaranteed minimum rent, thus limiting the risk of loss of rental revenue, supplemented by the revenue-generating potential of applying a turnover-based rent supplement.
E-commerce	E-commerce create changes in consumer behaviour, which could affect demand for retail premises and payment capability.	E-commerce operators see benefits with complementing their sales with physical stores, especially in strong marketplaces. NK Retail conducts e-commerce on nk.se.	Continuous development aimed at offering consumers attractive meeting points and marketplaces with unique purchasing experiences. Enhance the presence in digital channels and continue to develop NK e-commerce.
Health and society	A rapidly changing society in a connected world where events can have local, national and global effects, such as diseases, geopolitical concerns, IT, the economy and energy.	A solid financial foundation makes it possible to adapt the Company's operations to changes, whether for the short or long term.	Allocating resources for horizon scanning (business intelligence), maintaining a good company culture, geographical concentration and a long-term approach creates the prerequisites for rapidly managing and changing course to respond to events that occur.
Operating risks			
Development of properties	Incorrect assessments in the calculation process. Greater complexity leads to higher costs. Time schedules put under pressure.	Higher yield on the property holdings.	Hufvudstaden is running expansion and redevelopment projects under its own auspices. Own project managers procure and manage implementation together with partners.
Rent trend	Reduced rent revenue as a result of falling market rents leads to lower earnings and reduced cash flow, which has a negative impact on property values.	Positive growth in rent revenue as a result of rising market rents leads to higher earnings and improved cash flow, which has a positive impact on property values.	Hufvudstaden's concentration on properties in prime commercial locations limits the rental risk. The rent for premises with lease terms of three years or longer is linked to the consumer price index and many agreements also have a minimum indexation level. Changes in rent take place when a lease is renegotiated or when a new lease is signed.
Rent losses on vacant premises	An increase in vacancy rate due to a fall in demand results in a decrease in earnings and reduced cash flow and has a negative impact on property values.	A decrease in vacancy rate due to a rise in demand results in higher earnings and improved cash flow and has a positive impact on property values.	There should always be a certain level of vacant office space to offer customers the potential to expand, to facilitate redevelopment, and to test the market's willingness to accept higher rent levels. Hufvudstaden works in close ongoing dialogue with tenants to meet their needs.
Property costs	Rising property costs as a result of higher prices and taxes as well as effects from climate changes.	Improvements in efficiency and procurement result in unchanged or lower property costs.	Hufvudstaden is working actively to optimize its property operations. Procurement of electricity takes place with the aid of forward agreements to reduce sensitivity to fluctuations in energy prices. The property holdings are well maintained, which reduces the risk of unforeseen cost increases.
Human resources	Not being perceived as and acting as an attractive, modern employer, thus reducing the ability to retain and recruit the desired level of expertise.	Capitalise on the employees' pride in and commitment to the properties, Hufvudstaden as a company and the NK brand.	Hufvudstaden is a value-governed company that, among other things, works with competence development and equality. We offer a work environment to thrive in with investments in wellness and health in centrally located workplaces.

ADMINISTRATION REPORT

Area of risk	Description of risk	Description of opportunity	Approach
Tax	Hufvudstaden's operations are primarily affected by income, property and value-added tax. Changes in tax laws related to these could have an effect on Hufvudstaden's operations and impact its results. Failure to comply with tax legislation could entail a risk of penalties.	Correct and responsible management will have positive effect on the brand.	Clear processes and an effective control environment, together with competent employees with experience of tax legislation, minimises the risk of non-compliance. Hufvudstaden continuously monitors developments in the tax area and is proactive in taking action and implements changes as required.
Cyber risks	External attacks that render IT services inaccessible or that damage information in some manner.	Offers possibilities to challenge our infrastructure and competencies through testing.	Hufvudstaden has installed firewalls, antivirus services, spam and web filters and cloud-based security services, which counteract attacks. Furthermore, vulnerability tests and ongoing improvements are carried out, in addition to raising security awareness in the organisation in order to increase security. We have implemented a risk-based distribution of services between cloud services and services operated locally, with comprehensive back-up procedures.

Financial risks and regulatory compliance

Currency risk	The risk of revenue being lower and costs higher in the event of exposure in a currency other than Swedish kronor.	Higher revenue and lower costs if hedging currencies is performed in favorable market situation.	In the newly started operations in NK Retail, large share of purchases of goods is performed in foreign currency, mainly euro (EUR). During the year, no currency hedging occurred, but the main approach going forward is that large shares of the anticipated net flow of foreign currency will be hedged using currency futures.
Financial reporting	Hufvudstaden's financial reporting form the basis for a whole series of decisions, both in-house and externally, whereas the reliability and accuracy are vital.	Transparency in reporting commands trust and provides a basis for favourable business relations.	Structured processes and good internal control ensure the reliability and accuracy of the financial reporting.
Information leaks	An external party gains access to sensitive information with a purpose of harming the company.	Improve awareness of these issues among staff and new processes are developed to work in a more purposeful manner with information.	Hufvudstaden has technical multilayer protection of sensitive information assets. Access controls have been implemented that control account authority and IT equipment, combined with multifactor authentication (MFA). We also provide training in information security and processing of personal data.

Hufvudstaden is also exposed to financing, interest and credit risks. For information, see the financing section on pages 60–61.

Sustainability risks

Construction and management of properties	The risk of workplace accidents among our own employees and among external contractors working on our properties. Increased risk of damage on buildings during ongoing project.	A workplace without personal injuries is mandatory to create positive brand value.	Hufvudstaden works systematically and in line with our work environment plan and it carries out ongoing audits of the work environment and natural environment. Our project managers procure and supervise implementation together with our partners. We have processes in place for segregation of duties and responsibility throughout the whole project.
Social responsibility	In the construction and property industry, there is a risk of corruption, unhealthy competition, tax crime (work-related criminality), and human rights violations (workforce exploitation) in the supply chain.	Being a responsible and attractive partner and social actor generates a positive effect for our brand. This also creates better conditions for an effective work environment and quality in the design of our construction sites.	Hufvudstaden works according to a Code of Conduct. We are clear about the expectations and demands we make on our contractors. Procurement takes place according to clearly defined processes. We conduct background checks on our contractors and internal and external checks of construction sites, including unannounced site inspections. Inconsistencies and irregularities can be reported anonymously using our whistleblower system. Irregularities that affect Hufvudstaden are highlighted and investigated as early as possible.
Negative environmental impact	The construction and property industry is responsible for a large proportion of energy use and emissions in society and it generates a large proportion of waste.	Properties without negative climate footprint and high environmental performance.	Hufvudstaden has strategies and goals in place to reduce its environmental impact. Our environmental programme sets out our goals and demands, ensuring environmental impact is minimized. Contractors and suppliers that work for Hufvudstaden also work in accordance with the environmental programme. The aim is to certify all of our properties as green buildings.
Climate change	The risk of a change in precipitation and temperature patterns resulting in deluges and drought.	Long-term property ownership and knowledge of our buildings offer the opportunity to plan and prevent.	Hufvudstaden makes climate change risk assessments of its property holdings. Climate change events include extreme precipitation and changes in water level. Assessments are made to understand, assess, and facilitate the management of future risks. Read more on pages 64–65.

Climate-related risks and opportunities

Hufvudstaden's efforts to identify and analyse climate-related risks and opportunities continued during the year. This work helps us to understand, assess and enable the management of future risks and to minimise any negative financial impact, as well as future-proofing our business. Identifying and further developing opportunities is also a way for Hufvudstaden to achieve competitive advantages through its sustainability work.



Hufvudstaden supports the recommendations of Task Force on Climate-related Financial Disclosures (TCFD). See also page 127 for an index of where our TCFD-related information can be found.

Climate risk analysis

Hufvudstaden performs regular assessments of the property holdings in relation to climate change. During 2021, we conducted a scenario analysis based on TCFD's recommendations. The analysis is based on two different climate scenarios – one in

which emissions essentially follow the current levels (RCP 8.5) and one in which we manage to meet the Paris Agreement (RCP 2.6). Climate-related risks include both transition risks and physical risks. Transition risks include technology-related risks, regulatory and legal risks, market risks and reputational risks. Physical risks can be of an acute type, such as extreme weather and chronic physical risks that are connected with recurring changed weather patterns or elevated water and temperature levels.

Management of climate-related risks and opportunities

What we can say about the future is that we do not know exactly what it will be like. It is probable that several aspects of both scenarios will occur, as well as events that we cannot forecast today. To ensure that we have a busi-

ness model that is profitable and attractive in the long term, regardless of what we encounter in the future, we carefully monitor developments and work continuously to evaluate whether needs have changed.

As a complement to the scenario analysis, we conducted a major torren-

tial rain and flooding analysis of all of our properties, with accompanying action plans. The analyses are based on the scenario "Business as usual emissions" (RCP 8.5). Read more on page 50.

SCENARIO: IN LINE WITH THE PARIS AGREEMENT

The average temperature in Sweden have risen by about 2 degrees by 2100. This is the result of functioning global cooperation between politicians, companies, industries and communities, who are driving strict regulation and rapid technological development. Demands and requirements for climate-adapted products and services from customers and investors are high. Carbon emissions will be halved by 2050 and carbon tax will be increased. Weather events are becoming stronger and more frequent. The energy intensity is low and large-scale renewable energy technology is being introduced. Regulations that include sustainability requirements affect construction and place more stringent demands on reporting.

Source: smhi.se/klimat/framtidens-klimat

RISKS:

- Higher taxes and fees, as well as increased regulations for carbon emissions and construction.
- Older and/or culturally protected properties are difficult to make energy-efficient, making them less attractive.
- Requirements to minimise emissions in the value chain place high demands on changes in business and the company.
- Higher prices for energy, materials and transport due to higher demands.
- Increased need for investment to enhance the energy efficiency of and climate adapt properties.

OPPORTUNITIES:

- Increased urbanisation and densification in city centres and proximity to established services and infrastructure make Hufvudstaden's holdings attractive.
- Increased demand for innovation and new technology offered by Hufvudstaden.
- Increased demand for high utilisation of properties.
- Reduced need for energy due to more efficient use of resources results in lower energy costs.
- Customers and investors' increased sustainability requirements make Hufvudstaden to a more attractive property owner and investment.

POTENTIAL FINANCIAL IMPACT:

- More investments in the transition.
- Increased costs for climate adaptations.
- Possibility of higher rents for highly climate-adapted properties.
- Higher valuation for climate-adapted properties.
- Increased utilisation of properties provides new revenue opportunities.
- Increased operating costs.
- Green financing provides lower financing costs.

SCENARIO: EMISSIONS CONTINUE AT TODAY'S LEVELS

Climate and transformation policies have failed and there are no climate demands from investors and customers. The average temperature in Sweden will increase by approximately 5 degrees by 2100. Rainfall levels will increase strongly by approximately 20–40 per cent and sea levels and sea temperatures will continue to rise. Extreme weather will occur more frequently, which will mean that the operations will be increasingly governed according to sudden events. The energy intensity is high and fossil fuels continue to be used frequently. Climate change will lead to more uninhabitable places around the world, with people forced to flee, leading to higher population density in Sweden.

Source: smhi.se/klimat/framtidens-klimat

RISKS:

- Damage to property from extreme weather, for example storms and heatwaves.
- Water damage to properties that have been flooded due to increased heavy rainfall and/or water level increases.
- Greater shortage of electricity and energy due to the increasing need for electrification and energy in society.
- Failed climate adaptation of properties means that buildings could need to be closed periodically and be unusable.
- Failed or low level of climate adaptation makes properties less attractive.
- Considerable need for increased maintenance and repairs due to a warmer and more humid climate having a negative impact on technology and construction material.
- Increased costs not covered by insurance policies.

OPPORTUNITIES:

- Increased need for climate adaptation in major cities raises the willingness of the city and other players regarding joint efforts and collaboration, such as building flood defences.
- Increased willingness to pay for climate adaptation in cities where many players and persons are affected.
- Climate-adapted properties make Hufvudstaden a more attractive property owner.

POTENTIAL FINANCIAL IMPACT:

- Increased investments in the management of climate change.
- Increased costs for climate adaptations.
- Increased energy costs.
- Increased operating and maintenance costs.
- Higher insurance premiums/costs.
- Reduced value of properties that are not climate-adapted.
- Increased value for properties that are climate-adapted.
- Reduced rent revenue, for example, for basement levels that cannot be leased.

Statement of profit or loss – Group

SEK m	Note	2021	2020
Net revenue	3–5		
Property management, gross		1,936.5	1,767.9
Rent revenue, intra-Group		-153.0	-43.9
Property management, net		1,783.5	1,724.0
Other segments		704.4	71.7
		2,487.9	1,795.7
Property management expenses			
Maintenance		-26.3	-27.0
Operation and administration		-326.1	-298.1
Property tax		-204.2	-200.3
Depreciation	6	-5.8	-5.1
Property management expenses		-562.4	-530.5
Other segments, gross expenses		-734.9	-69.2
Rental expenses, intra-Group		153.0	43.9
Other segments, net expenses		-581.9	-25.3
Operating expenses	6–10	-1,144.3	-555.8
Gross profit		1,343.6	1,239.9
– of which Property management		1,221.1	1,193.5
– of which Other segments		122.5	46.4
Central administration	6–10	-57.9	-47.4
Operating profit before items affecting comparability and changes in value		1,285.7	1,192.5
Items affecting comparability	11	–	35.9
Changes in value, investment properties	17	2,579.3	-2,929.9
Operating profit or loss		3,865.0	-1,701.5
Financial income and expense			
Interest and financial income	12	0.0	0.0
Interest and financial expense	13	-138.9	-131.7
		-138.9	-131.7
Profit or loss before tax		3,726.1	-1,833.2
Tax	15	-770.8	371.5
PROFIT OR LOSS FOR THE YEAR		2,955.3	-1,461.7
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME OR LOSS FOR THE YEAR		2,955.3	-1,461.7
Net earnings per share for the year, before and after dilution, SEK	26	14.61	-7.13
Dividend per share, SEK (proposed)		2.60 ¹⁾	2.50

¹⁾ Board proposal

COMMENTS

Property management

Net revenue from property management after elimination of intra-Group rents amounted to SEK 1,783.5 million (1,724.0) during the year, an increase of 3 per cent. The increase was attributable primarily to decreased rent reductions and bad debt for stores and restaurants in conjunction with covid-19, as well as higher gross rents related to renegotiations, new leases and indexation. Earnings for 2021 were charged with rent reductions of approximately SEK 107 million (163) attributable to covid-19. Compensation recognised from the state totalled SEK 47 million (40), which yielded a net effect of approximately SEK 60 million (123).

Hufvudstaden renegotiated leases during the year corresponding to around SEK 231 million in annual rental revenue. The outcome of renegotiations was negative for retail premises and positive for offices. On average, the renegotiations resulted in a rent increase of approximately 5 per cent.

The rental vacancy rate was 7.3 per cent (8.2). Excluding current development projects, the rental vacancy rate was 5.9 per cent (6.7).

The turnover-based rent supplement was SEK 8.8 million (4.6), of which the NK department stores accounted for SEK 6.3 million (3.3). Turnover in the NK department stores totalled SEK 2,267 million (1,908). Apart from the turnover-based supplement, there are no other material seasonal variations in rents.

Maintenance costs amounted to SEK -26.3 million (-27.0). Operating costs were SEK -219.8 million (-196.8). Administrative costs amounted to SEK -106.3 million (-101.3). Property tax totalled SEK -204.2 million

(-200.3) and has mainly been passed on to tenants. Depreciation, referring primarily to depreciation of right-of-use assets, amounted to SEK -5.8 million (-5.1). The total costs for property management amounted to SEK -562.4 million (-530.5).

Gross profit for the year amounted to SEK 1,221.1 million (1,193.5) after elimination of intra-Group rents of SEK 153.0 million (43.9).

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 2021. Net revenue amounted to SEK 604.0 million (-). Revenue from NK Retail demonstrates seasonal variations. During the financial year, the first quarter is usually the weakest while the last quarter is the strongest. Costs after elimination of intra-Group rents of SEK -98.6 million (-) were SEK -507.9 million (-). Profit for NK Retail excluding intra-Group rental costs was SEK 96.1 million (-).

Net revenue for other operations amounted to SEK 100.4 million (71.7). The increase is attributable primarily to the newly-started Cecil Coworking and NK e-commerce operations as well as increased parking revenue. Costs after elimination of intra-Group rents of SEK -54.4 million (-43.9) were SEK -74.0 million (-25.3). The increase is attributable to the operations of Cecil Coworking and NK e-commerce. Profit excluding intra-Group rental costs was SEK 26.4 million (46.4).

Changes in value

The unrealised change in the value of the property holdings for 2021 was SEK 2,579.3 million (-2,929.9). The unrealised increase in value was due to the effect of decreasing yield requirements and higher rents for offices. The average yield requirement has decreased by 19 points and was, as of the valuation above, 3.5 per cent (3.7).

Financial items

Financial income amounted to SEK 0.0 million (0.0). Financial expenses amounted to SEK -138.9 million (-131.7) of which SEK -116.4 million (-109.3) refers to the cost of borrowing and SEK -22.5 million (-22.4) refers to leasing costs, primarily ground rents. The increase in financial expenses related to borrowing can be attributed to increased borrowing.

Tax

The Group's tax for the year was SEK -770.8 million (371.5), of which SEK -110.2 million (-99.3) in current tax and SEK -660.6 million (470.8) in deferred tax.

Profit or loss for the year

The consolidated net profit for the year was SEK 2,955.3 million (-1,461.7). The improvement was attributable to positive unrealised changes in value in the property holdings.

Statement of financial position

– Group

SEK m	Note	December 31, 2021	December 31, 2020
ASSETS			
Fixed assets			
Intangible fixed assets	16	96.7	110.0
Investment properties	17	48,789.6	45,636.5
Tangible fixed assets	18	25.9	25.9
Right-of-use assets	20	715.4	716.6
Non-current receivables	21	24.9	21.0
Total fixed assets		49,652.5	46,510.0
Current assets			
Inventories	22	154.7	–
<i>Current receivables</i>			
Accounts receivable	23	26.9	36.6
Income tax receivables		0.3	0.3
Other receivables		6.0	15.5
Prepaid expense and accrued income	24	76.4	51.1
Cash and bank holdings	25	1,182.0	783.6
Total current assets		1,446.3	887.1
TOTAL ASSETS		51,098.8	47,397.1
EQUITY AND LIABILITIES			
Equity			
Share capital	26	1,056.4	1,056.4
Other contributed capital		628.1	628.1
Profit brought forward, including profit or loss for the year		29,381.5	26,932.0
Total equity		31,066.0	28,616.5
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	27	7,000.0	6,200.0
Deferred tax liabilities	28	9,162.1	8,501.5
Non-current lease liabilities	27	706.9	709.6
Other non-current liabilities		87.7	84.3
Other provisions	29	31.9	26.2
Total non-current liabilities		16,988.6	15,521.6
<i>Current liabilities</i>			
Current interest-bearing liabilities	27	2,200.0	2,450.0
Current lease liabilities	27	9.4	10.2
Accounts payable		236.7	165.0
Other liabilities	30	140.0	92.4
Accrued expenses and prepaid income	32	458.1	541.4
Total current liabilities		3,044.2	3,259.0
Total liabilities		20,032.8	18,780.6
TOTAL EQUITY AND LIABILITIES		51,098.8	47,397.1

COMMENTS

Investment properties

The carrying amounts of investment properties in the Group amounted to SEK 48,789.6 million (45,636.5). The increase in the fair value of the properties is attributable to unrealised changes in value of SEK 2,579.3 million (-2,929.9). Investments in properties during the year amounted to SEK 573.8 million (885.9). Investment properties in the Group are recognised at fair value according to IAS 40, which means there is no depreciation. The valuation method is described in Note 17. The properties' fiscal residual value was SEK 3.4 billion (3.2).

Right-of-use assets

Right-of-use assets amounted to SEK 715.4 million (716.6) and comprise mainly site leaseholds recognised at fair value with the corresponding lease liability. Site leaseholds are considered as perpetual leases and there is no depreciation.

Inventory

In February 2021 the subsidiary NK Retail AB accessed the NK business within Department & Stores Europé AB. As of the access, the Group manages inventory comprising retail goods. The inventory of goods amounted to 0.3 per cent (-) of the Group's total assets and 6.2 per cent (-) of the Group's net revenue.

Cash and cash equivalents

Cash and bank holdings amounted to SEK 1,182.0 million (783.6). Rents are paid mainly at the turn of the quarter, whereupon temporary surpluses may arise. The surplus liquidity is normally used for amortization of loans or is placed in short-term instruments with high liquidity and low risk. There are no restrictions regarding the right to use cash and cash equivalents.

Lease liabilities

Lease liabilities totalled SEK 716.3 million (719.8) and consisted primarily of site leaseholds recognised at fair value.

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 1,000.0 million (1,000.0). At the year-end, Hufvudstaden's commercial paper amounted to SEK 500.0 million (1,450.0) and bond loans to SEK 7,700.0 million (6,200.0). Total borrowings amounted to SEK 9,200 million (8,650.0). The average fixed interest period was 2.2 years (1.8), the capital tie-up period was 2.6 years (2.6) and the average annual equivalent interest rate at year-end was 1.3 per cent (1.3) including the cost of unutilised loan commitments. Lease liabilities are regarded as interest-bearing liabilities but are reported separately on the balance sheet. Interest-bearing net debt amounted to SEK 8,018.0 million (7,866.4) and net debt, which includes the lease liability, amounted to SEK 8,734.3 million (8,586.2).

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 9,162.1 million (8,501.5). The increase is attributable to positive unrealised changes in the value of the property holdings.

Statement of changes in equity

– Group

SEK m	Share capital	Other contributed capital	Retained earnings, including profit or loss for the year	Total
Opening equity January 1, 2020	1,056.4	628.1	29,698.2	31,382.7
Profit for the year			-1,461.7	-1,461.7
Other comprehensive income or loss for the year			–	–
Comprehensive income or loss for the year			-1,461.7	-1,461.7
Share buyback			-500.0	-500.0
Dividend			-804.4	-804.4
Closing equity December 31, 2020	1,056.4	628.1	26,932.0	28,616.5
Opening equity January 1, 2021	1,056.4	628.1	26,932.0	28,616.5
Profit for the year			2,955.3	2,955.3
Other comprehensive income for the year			–	–
Comprehensive income or loss for the year			2,955.3	2,955.3
Dividend			-505.8	-505.8
Closing equity December 31, 2021	1,056.4	628.1	29,381.5	31,066.0

The Annual General Meeting held March 25, 2021 granted renewed authorisation to the board of directors to acquire series A shares up to 10 per cent of all issued shares. The purpose is to enable the board of directors to adjust the capital structure in order to create increased value for the company's shareholders and/or to make it possible to use treasury shares as

liquidity in conjunction with or to finance acquisitions of businesses or properties. Hufvudstaden's total holdings of treasury shares amount to 8.965,000 series A shares, corresponding to 4.2 per cent of all issued shares and 0.9 per cent of the total votes. No buyback took place during the year or after the end of the reporting period.

A dividend of SEK 2.50 per share was paid to the Company's shareholders during 2021, totalling SEK 505,767,333.

The proposed dividend according to the proposed allocation of unappropriated earnings amounts to SEK 526.0 million.



Roof terrace at Vinge's new office at Normalmstorg.

Statement of cash flows – Group

SEK m	Note	2021	2020
Current operations			
Profit or loss before tax		3,726.1	-1,833.2
Depreciation and impairment of assets		38.9	78.6
Unrealised change in value, investment properties		-2,579.3	2,929.9
Other changes		5.3	0.5
Income tax paid		-110.3	-99.3
Cash flow from current operations before changes in working capital		1,080.7	1,076.5
Cash flow from changes in working capital:			
Decrease (+) / Increase (-) in inventories		-93.5	-
Decrease (+) / Increase (-) in operating receivables		-4.5	-36.8
Increase (+) / Decrease (-) in operating liabilities		11.6	32.5
Cash flow from current operations		994.3	1,072.2
Investment activities			
Acquisition of business	19	-39.8	-
Investment in intangible fixed assets		-8.9	-43.2
Investment in properties		-573.8	-885.9
Investment in equipment		-6.6	-19.8
Disposal of equipment		0.8	-
Cash flow from investment activities		-628.3	-948.9
Financing activities			
Borrowings	27	4,250.0	3,450.0
Amortization of loan debt	27	-3,700.0	-3,150.0
Leasing	27	-11.8	-41.4
Share buyback	26	-	-500.0
Dividend paid	26	-505.8	-804.4
Cash flow from financing activities		32.4	-1,045.8
Cash flow for the year		398.4	-922.5
Cash and cash equivalents at the beginning of the year		783.6	1,706.1
Cash and cash equivalents at the year-end	25	1,182.0	783.6
Supplementary disclosures, cash flow statements			
Interest received		0.3	0.7
Interest paid		-131.8	-125.2

COMMENTS

Cash flow from current operations

Cash flow from current operations before changes in working capital increased by SEK 4.2 million to SEK 1,080.7 million (1,076.5). Changes in working capital reduced cash flow by SEK -86.4 million (-4.3). Cash flow from current operations totalled to SEK 994.3 million (1,072.2).

Cash flow from investments

Cash flow from investments amounted to SEK -628.3 million (-948.9) and refers to investments in existing property holdings, intangible fixed assets and equipment, and the acquisition of the operations in NK Retail. For further information concerning the acquisition, refer to Note 19.

Cash flow from financing

Cash flow from financing amounted to SEK 32.4 million (-1,045.8).

Net borrowing increased by SEK 550.0 million compared to SEK 300.0 million the previous year.

Cash flow for the year amounted to SEK 398.4 million (-922.5).

Cash and cash equivalents

The Group's cash and cash equivalents totalled SEK 1,182.0 million (783.6) and comprised cash and bank holdings. As at December 31, 2021, Hufvudstaden had loan assurances of SEK 4,500.0 million. At year-end, SEK 3,500.0 million was unutilised, of which SEK 500.0 million was reserved to cover outstanding

commercial paper. The commercial paper programme totalled SEK 3,000.0 million, of which SEK 500.0 million was outstanding at year-end. The unutilised amount was SEK 2,500.0 million. The company's MTN programme has a limit of SEK 12,000.0 million, of which SEK 7,700.0 million has been issued. The unutilised amount was SEK 4,300.0 million.

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

Parent Company Statements

INCOME STATEMENT

SEK m	Note	2021	2020
Net revenue	5	1,366.3	1,267.9
Operating expenses	6–10	-692.3	-857.7
Gross profit		674.0	410.2
Central administration	6–10	-57.8	-47.4
Items affecting comparability	11	–	35.9
Operating profit		616.2	398.7
Result from financial items			
Impairment of shares in Group companies		-51.3	-10.8
Financial income	12	128.7	2,453.7
Financial expense	13	-116.3	-109.2
		-38.9	2,333.7
Profit after financial items		577.3	2,732.4
Appropriations	14	-110.3	69.3
Profit before tax		467.0	2,801.7
Tax	15	-105.8	-102.2
PROFIT FOR THE YEAR		361.2	2,699.5

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2021	2020
Profit for the year		361.2	2,699.5
Other comprehensive income		–	–
COMPREHENSIVE INCOME FOR THE YEAR		361.2	2,699.5

BALANCE SHEET

SEK m	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
Fixed assets			
Intangible fixed assets	16	3.2	4.1
<i>Tangible fixed assets</i>			
Investment properties	17	8,262.2	8,263.8
Equipment	18	15.4	21.4
Total tangible fixed assets		8,277.6	8,285.2
<i>Financial fixed assets</i>			
Participations in Group companies	19	2,598.4	2,649.7
Fordringar hos koncernföretag		3,448.0	–
Non-current receivables	21	24.7	20.9
Total financial fixed assets		6,071.1	2,670.6
Total fixed assets		14,351.9	10,959.9

SEK m	Note	Dec 31, 2021	Dec 31, 2020
Current assets			
<i>Current receivables</i>			
Accounts receivable	23	5.5	9.2
Receivables from Group companies		206.7	3,233.4
Income tax receivables		6.5	16.6
Other receivables		2.1	3.7
Prepaid expenses and accrued income	24	28.5	24.8
Total current receivables		249.3	3,287.7
Cash and bank holdings	25	1,137.0	749.6
Total current assets		1,386.3	4,037.3
TOTAL ASSETS		15,738.2	14,997.2
EQUITY AND LIABILITIES			
Equity	26		
<i>Restricted equity</i>			
Share capital		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
Total restricted equity		1,978.7	1,978.7
<i>Non-restricted equity</i>			
Retained earnings		2,249.2	55.5
Profit for the year		361.2	2,699.5
Total non-restricted equity		2,610.4	2,755.0
Total equity		4,589.1	4,733.7
Untaxed reserves	31	52.8	38.7
<i>Provisions</i>			
Pension provisions	29	31.7	26.0
Provisions for taxes	28	876.1	874.2
Total provisions		907.8	900.2
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	27	7,000.0	6,200.0
Liabilities to Group companies		5.0	0.7
Other liabilities		77.0	76.5
Total non-current liabilities		7,082.0	6,277.2
<i>Current liabilities</i>			
Current interest-bearing liabilities	27	2,200.0	2,450.0
Accounts payable		107.2	109.0
Liabilities to Group companies		427.4	15.5
Other liabilities	30	33.6	17.2
Accrued expenses and prepaid income	32	338.3	455.7
Total current liabilities		3,106.5	3,047.4
TOTAL EQUITY AND LIABILITIES		15,738.2	14,997.2

FINANCIAL STATEMENTS – PARENT COMPANY

STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings including profit for the year	Total
Opening equity January 1, 2020	1,056.4	124.2	798.1	1,359.9	3,338.6
Profit for the year				2,699.5	2,699.5
Other comprehensive income for the year				–	–
Comprehensive income for the year				2,699.5	2,699.5
Dividend				-804.4	-804.4
Share buyback				-500.0	-500.0
Closing equity December 31, 2020	1,056.4	124.2	798.1	2,755.0	4,733.7
Opening equity January 1, 2021	1,056.4	124.2	798.1	2,755.0	4,733.7
Profit for the year				361.2	361.2
Other comprehensive income for the year				–	–
Comprehensive income for the year				361.2	361.2
Dividend				-505.8	-505.8
Closing equity December 31, 2021	1,056.4	124.2	798.1	2,610.4	4,589.1

CASH FLOW STATEMENT

SEK m	Note	2021	2020
Current operations			
Profit after financial items	577.3	2,732.4	
Anticipated dividend from subsidiaries	–	-2,350.0	
Depreciation and impairment of assets	241.3	182.7	
Group contributions	-128.4	-103.7	
Other changes	5.7	0.5	
Income tax paid	-104.0	-99.1	
Cash flow from current operations before changes in working capital	591.9	362.8	
Cash flow from changes in working capital:			
Decrease (+) / Increase (–) in operating receivables	-284.8	-168.8	
Increase (+) / Decrease (–) in operating liabilities	219.7	31.3	
Cash flow from current operations	526.8	225.3	
Investment activities			
Investment in Group companies	–	-0.1	
Paid shareholders' contribution	–	-5.0	
Disposal of shares in Group companies	–	231.5	
Investment in intangible fixed assets	–	-1.6	
Investment in properties	-185.1	-358.2	
Investment in equipment	–	-19.1	
Disposal of equipment	1.5	–	
Cash flow from investment activities	-183.6	-152.5	
Financing activities			
Borrowings	27	4,250.0	3,450.0
Amortization of loans	27	-3,700.0	-3,150.0
Share buyback	26	–	-500.0
Dividend paid	26	-505.8	-804.4
Cash flow from financing activities	44.2	-1,004.4	
Cash flow for the year	387.4	-931.6	
Cash and cash equivalents at the beginning of the year	749.6	1,681.2	
Cash and cash equivalents at the year-end	25	1,137.0	749.6

SUPPLEMENTARY DISCLOSURES, CASH FLOW STATEMENT

SEK m	2021	2020
Interest received	0.2	0.2
Interest paid	-109.2	-102.7

Comments

Net revenue amounted to SEK 1,366.3 million (1,267.9). The increase was attributable primarily to higher gross rents in conjunction with renegotiations, new leases and indexation, as well as to decreases in rent reductions and bad debt losses for stores and restaurants in conjunction with covid-19. Rental revenue totalled SEK 1,322.6 million (1,224.1) and service revenue amounted to SEK 43.7 million (43.8).

Maintenance costs totalled SEK -162.1 million (-365.5). The decrease is attributable to lower costs in major current development projects. Operating costs totalled SEK -692.3 million (-857.7). Gross profit was SEK 674.0 million (410.2).

Net financial income was SEK -38.9 million (2,333.7). Financial items include group contributions received from subsidiaries of SEK 128.4 million (103.7) and anticipated dividends from subsidiaries of SEK 0.0 million (2,350.0).

Investments in existing property holdings, intangible assets, equipment and shares in subsidiaries totalled SEK 185.1 million (384.0).

Cash and cash equivalents at the end of the period amounted to SEK 1,137.0 million (749.6).

Notes

NOTE 1. ACCOUNTING PRINCIPLES

General information

Hufvudstaden AB (publ), company registration number 556012-8240, is a limited liability company with its registered office in Stockholm. The Hufvudstaden share is noted on Nasdaq Stockholm and is part of the Large Cap segment. The Group's principal area of business is the ownership, development and management of commercial properties in the central of Stockholm and Gothenburg. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. Visiting address: Regeringsgatan 38. L E Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Consolidated Financial Statements for Hufvudstaden AB (publ) for 2021 have been approved for publication according to a decision reached by the Board on February 17, 2022. It is proposed that the Annual Report and Consolidated Financial Statements be adopted at the Annual General Meeting on March 24, 2022.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as well as those adopted by the European Union (EU). In addition, the Swedish Financial Accounting Standards Council recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, has been applied. Hufvudstaden's Income Statements are classified according to function and are adapted to the Company's operations.

The Parent Company applies the same accounting principles as the Group, except in those cases stated below under the heading 'Parent Company accounting principles'. The deviations that arise between the principles applied by the Parent Company and the principles applied by the Group are attributable to limits on the potential to apply IFRS in the Parent Company as a result of the Annual Accounts Act, the Safeguarding of Pension Commitments Act, and in certain cases for tax reasons.

Prerequisites in conjunction with preparation of the financial statements

The Group's functional currency is Swedish kronor, which is also the reporting currency for the Group and the Parent Company. Assets and liabilities are reported at the historical acquisition values, apart from certain financial assets and liabilities as well as investment properties valued at fair value. Financial assets and liabilities valued at fair value comprise derivatives and assets classified as financial assets valued at fair value in profit or loss. Valuation at fair value of investment properties and financial derivatives is the accounting principle that has greatest impact on the Consolidated Financial Statements.

The accounting principles stated below for the Group have been applied to all periods that are presented in the Consolidated Financial Statements unless stated otherwise below. The Group's accounting principles have been applied to reporting and consolidation of the Parent Company and subsidiaries.

In certain cases rounding-off has taken place, which means that tables and calculations do not always tally.

Judgements and estimates

Preparing the financial reports in compliance with IFRS requires group management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts of assets,

liabilities, revenues and costs recognised in the accounts. Estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period when the change is made if the change affects only that period, or in the period the change is made and future periods if the change affects both the current period and future periods. Judgements made by group management in applying IFRS that have material effect on the financial reports as well as estimates that could result in material adjustments to the financial statements in subsequent years are described in greater detail below.

Investment properties

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

If Hufvudstaden's valuation is outside the uncertainty range, an explanation for the deviation is given. External changes could mean that an assumption made by the Senior Executives needs to be reviewed. This could result in a considerable variation in the value of the property holdings, which can be seen in the sensitivity analysis in Note 17.

New accounting principles

New or amended EU-approved standards and interpretations from the IFRS Interpretations Committee are currently deemed to have no material impact on Hufvudstaden's earnings or financial position. The accounting principles and calculation methods are unchanged compared to the 2020 Annual Report.

New standards that will come into effect in 2022 onwards

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

Classification etc.

Fixed assets and non-current liabilities in the Parent Company and Group comprise amounts that are expected to be recovered or paid after more than twelve months have elapsed, calculated from the period-end. Current assets and current liabilities in the Parent Company and the Group comprise amounts that are expected to be recovered or paid within twelve months, calculated from the period-end.

Consolidated Financial Statements

The Consolidated Financial Statements cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly

or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued at fair value according to the acquisition analysis. If the acquisition does not refer to business operations that are normal in conjunction with the acquisition of properties, the acquisition costs are divided among the individually identifiable assets and liabilities according to their fair value at the time of acquisition without any reporting of goodwill and a deferred tax receivable/liability in conjunction with the acquisition. Untaxed reserves have been divided into a deferred tax liability and equity. Intra-group receivables, liabilities and profits or losses that arise from intra-group transactions have been eliminated in conjunction with the preparation of the consolidated financial statements. Consolidation in conjunction with acquisitions takes place from the date on which a controlling influence is acquired, and in conjunction with disposals, up to the date on which the controlling influence ceases.

Reporting of revenue and costs

Rent revenue and service revenue

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

Revenue, NK Retail

Revenue is primarily generated through the sale of clothing, accessories, beauty products and jewellery to consumers. The Group's performance commitment 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 are on approval for 30 days (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. Sales revenue is recognised less VAT, returns and discounts as net revenue in the income statement under "Other segments".

Income from property sales

Income from property sales is normally reported on the completion date unless control has passed to the purchaser previously. In addition, account is taken of circumstances that could affect the outcome of the transaction and which are beyond the control of the seller and/or purchaser.

Government grants

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

Administration costs

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

Financial income and expense

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

Leases

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

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

Leases where the Group is the lessor

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

Lease agreements where the Group is the lessee

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

The lease charges are normally discounted at the Group's average marginal rate of interest on borrowings. In those cases where the implicit rate of interest in the lease agreement can be easily set, this interest rate is used instead. The Group's average marginal rate of interest on borrowings during 2021 and as at December 31, 2021, was 1.50 per cent, and this will continue to be the case throughout the whole of the financial year.

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

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

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

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

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

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

In its capacity as lessee, Hufvudstaden has identified site leasehold agreements to be the most material. The lease liability as at December 31, 2021 was SEK 716 million, of which site leasehold agreements totalled SEK 676 million. According to IFRS 16, site leasehold rights are considered to be perpetual lease agreements recognized at fair value and will thus not be depreciated. The value of the right-of-use asset remains until the next renegotiation of the ground rent. The lease liability is not amortized, and the value remains unchanged until the ground rent is renegotiated. Ground rent costs are recognized in their entirety as a financial expense.

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

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

Remuneration to employees

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

As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO contractual pension plan. During the 2021 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in the Income Statement when they arise.

Tax

Tax is reported in the profit for the year apart from when the underlying transaction is reported under Other Comprehensive Income or under Equity, whereupon the associated tax effect is reported under Other Comprehensive Income or Equity. Current tax is the tax to be paid or received for the year in question. This also includes an adjustment of current tax attributable to previous periods.

Deferred tax is calculated according to the Balance Sheet method, using temporary differences between carrying amounts and tax values of assets and liabilities as a starting point. The amounts are calculated based on how the temporary differences are expected to be realised, and on application of the tax rates and tax rules that had been decided or notified as at the year-end. In the Parent Company, untaxed reserves are reported inclusive of the deferred tax liability. Deferred tax assets in respect of deductible temporary differences and a carryforward of unused tax losses are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

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

Financial instruments are valued initially at fair value with additions for eventual transaction costs except for assets and liabilities valued at fair value through profit or loss which initially is valued without addition for transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to an agreement. An account receivable is recorded in the Balance Sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. A financial asset (or part thereof) is removed from the Balance Sheet when the rights in the agreement are realised or fall due, or when the Company transfers in all material respects the risks and benefits that are linked to ownership. A financial liability (or part thereof) is removed from the Balance Sheet when the obligation in the agreement is performed or is extinguished in some other manner.

A financial asset and a financial liability are set off and reported as a net amount in the Balance Sheet only when there is a legal right to set off the amounts and when there is an intention to settle the items at a net amount or at the same time realize the asset and settle the liability.

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

This category comprises financial assets and liabilities when held for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term. Derivatives are classified as being held for trading purposes if they are not identified as hedges. Financial assets in this category are valued continuously at fair value with changes in value reported in the Income Statement. This category includes interest derivatives.

Financial assets and liabilities valued at accrued cost

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

Intangible assets

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

Additional expenditures

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

Principles for depreciations

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

Tangible fixed assets

Tangible fixed assets are reported as an asset in the Balance Sheet if it is probable that there will be future economic benefits for the Company. Tangible fixed assets are valued at cost with a deduction for accumulated depreciation and any impairments. If an investment is made, borrowing costs that are directly attributable are added to the asset value in those cases where the financing cost is of material significance.

Depreciation, Property Management

Depreciation of tangible fixed assets used in administration is included in Property Management administration.

Depreciation, Other Operations

Depreciation of tangible fixed assets is included in the cost of Other Operations.

Depreciation principles

Depreciation according to plan is based on the original acquisition values and the estimated useful life. The estimated useful life for equipment is 3–5 years.

Investment properties

Investment properties are properties that are held for the purposes of securing rent revenue and/or an increase in value. Initially, investment properties are recognized at the acquisition cost, which includes expenses directly attributable to the acquisition. After the initial recognition, investment properties are reported in the Balance Sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations take place each quarter. To assure the quality of the valuation, independent external valuations are obtained from valuation companies at least once a year. The external valuations normally cover 30–40 per cent of the internally assessed fair value of the property holdings and the selection of properties represents different property categories, towns, locations, technical standards and construction standards. There is a continuous update during the year of the internal valuation of the properties to take account of purchases, sales and investments. Hufvudstaden also investigates on an ongoing basis if there are other indications of changes in the fair value of the properties. These indications could take the form, for example, of major leases, terminations, and material changes in the yield requirements.

Both unrealised and realised changes in value are reported in the Income Statement. Changes in value are reported net.

Additional expenses are only capitalized when it is probable that the future economic benefits that are associated with the asset will accrue to the Group, that the cost can be calculated reliably, and that measures refer to replacement of an existing component or the inclusion of a new, identified component. Other repair and maintenance costs are expensed continuously during the period in which they arise.

The loan charges attributable to the construction of what are termed qualified assets are capitalized as part of the acquisition value of the qualified asset. In the Group, this mainly involves construction or major redevelopment projects involving investment properties. Calculation of loan charges is based on the financing requirements of the project and the Group's borrowing cost.

Impairments

The carrying amounts for the Group's assets – with the exception of investment properties, fixed assets held for sale, financial assets, and deferred tax assets – are examined at each period-end to assess whether there is an indication that the carrying amount cannot be recovered. If there is such an indication, the recoverable amount of the asset is calculated. The asset is impaired to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value minus sales expenses and its value in use. See the section above for impairment of financial assets.

Inventory

Inventory is measured at the lower of acquisition value and net realisable value. The acquisition value of inventory is calculated using the first-in, first-out (FIFO) method and includes fees that arose from acquiring inventory items and transporting them to their current location in their current condition. The net realisable value is the estimated sales price in current operations, less the estimated selling costs.

Share capital

Acquisition of Company shares is reported as a reduction in equity. The sum received from the disposal of Company shares is reported as an increase in equity.

Profit per share

Calculation of the profit per share is based on the consolidated profit for the year and on the weighted average number of outstanding shares during the year. The profit is attributable in its entirety to the shareholders in the Parent Company and there are no dilution effects.

Provisions

Provisions are reported in the Balance Sheet when there is a legal or informal obligation arising from an event, and when it is likely that the obligation will be fulfilled, and the amount can be calculated reliably. If the effect of the time when the payment is made is material, the value of the provision is determined by calculating the current value of the expected future cash flow using a discounting factor (before tax) that reflects the market's current valuation of the time value and any risks that are attributable to the obligation. A provision for a deferred tax liability is not subject to discounting.

Contingent liabilities

A contingent liability is reported when there is a possible undertaking that arises from events that have occurred, and the occurrence of which is only confirmed by one or more uncertain future events, or when there is an undertaking that is not reported as a liability or provision due to the fact that it is not probable that an outflow of resources will be required.

Cash Flow Statements

The Cash Flow Statements have been prepared according to the indirect method.

Segment reporting

From an accounting point of view, a segment is an identifiable part of the Group that provides services that are exposed to risks and opportunities that are different from other segments. The Group's operations are divided into three segments, Property Management and Other Operations. Other operations comprise the parking business in Parkaden AB, NK e-commerce and Cecil Coworking. This division is in compliance with the manner in which operations are followed up internally.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board for listed companies have also been applied. RFR 2 means that in the annual report for the legal entity, the Parent Company shall apply all EU-endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act and the Safeguarding of Pension Commitments Act, and with consideration given to the link between the accounts and taxation. The recommendation states the exceptions and additions that should be made to IFRS. The differences between the Group accounting principles and the Parent Company accounting principles are stated below. Group contributions received are reported under Financial items and group contributions granted are reported under Appropriations.

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

Changed accounting policies

Parent company accounting policies have not changed compared to the 2020 annual report.

Subsidiaries

Shareholdings in subsidiaries are reported in the Parent Company according to the cost method. This means that transaction costs are included in the reported value of holdings in subsidiaries. In the consolidated financial statements, transaction costs attributable to subsidiaries are reported directly in profit or loss as the costs arise.

Anticipated dividends

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

Untaxed reserves

In the Parent Company, untaxed reserves are reported inclusive of the deferred tax liability.

Investment properties

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

Valuation of investment properties and tangible fixed assets

The carrying amount of investment properties and tangible fixed assets is examined with regard to possible impairment requirements when events or a change in conditions indicate a possibility that the carrying amount might not be recovered. If there are such indications, and if the carrying amount exceeds the expected recoverable amount, the assets are impaired to the recoverable amount. The recoverable amount is equivalent to the maximum of the net realizable value and the value in use.

The net realizable value is set through comparison with the sale of similar objects. The value in use comprises the current value of the expected future cash flows according to a discounting factor before tax, which reflects the market's current estimate of the time value and the risks associated with the asset.

For assets that do not generate independent cash flows to a predominant extent, the recoverable amount is set for the cash-generating unit to which the asset belongs. Any impairment is reported in the Income Statement.

Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount. Reported revaluations of investment properties have been made at the fair value with a deduction for deferred tax.

Information about the properties' fair values as at the year-end can be found in Note 17.

Depreciation – investment properties

The Parent Company's depreciation according to plan is based on the original acquisition values, adjusted where applicable for revaluations and impairments and the estimated useful life. The estimated useful life for buildings is 50–100 years and for building equipment 5–20 years. The revaluation is depreciated over the remaining depreciation period of the underlying asset. Depreciation percentages are reported in Note 17.

Leased assets

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

NOTE 2. FINANCIAL RISKS

Hufvudstaden is mainly exposed to financing risks, interest risks and credit risk. The Group endeavours to have a loan portfolio with a diverse credit maturity structure that facilitates possible amortizations. No loans are raised in foreign currency, and consequently the Group is not exposed to a currency exchange risk. Borrowing normally takes place both with short and long fixed interest periods.

Hufvudstaden's finance function is a Group function with central responsibility for financing and liquidity planning. The work is governed by the Finance Policy decided by the Board of Directors, which aims to secure the Group's financing requirements at the lowest possible cost and risk. Within the Finance function, there are instructions, systems and allocations of duties to achieve good internal control and follow-up of operations. Major financing solutions should be approved by the Chairman of the Board, and the Board is informed at each Board meeting about financial development and planning.

Hufvudstaden's aim is to use surplus liquidity to amortize existing loans. Surplus liquidity not used for amortization may only be invested in instruments with high liquidity and low risk. Information regarding borrowing, loan frameworks and terms and conditions can be found in Note 27.

Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. The aim is to have financing from at least three of the major banks and a loan portfolio with a spread of due dates and long terms. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company have loan assurances that cover the rescheduling of loans and investments. In addition, the Company has a commercial paper programme and a MTN programme. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. Rolling forecasts for the Group's liquidity are prepared on the basis of expected cash flows. At year-end, Hufvudstaden's borrowings amounted to SEK 9,200 million (8,650). The average fixed interest period was 2.2 years (1.8), the average capital tie-up period was 2.6 years (2.6) and the average annual equivalent interest rate was 1.3 per cent (1.3). Interest-bearing net debt was SEK 8,018 million (7,866). In addition, there is a lease liability in accordance with IFRS 16 totalling SEK 716 million (720). Total net debt was SEK 8,734 million compared to SEK 8,586 million at the end of 2020. As at December 31, 2021, the Group had long-term loan assurances of SEK 4.0 billion, of which SEK 3.5 billion was unutilised. There is also a commercial paper programme of SEK 3 billion, of which SEK 2.5 billion was unutilised, and a MTN programme of SEK 12 billion, of which SEK 4.3 billion was unutilised. The company has satisfactory margins with regard to the lenders' covenants in the loan agreements.

DUE DATE STRUCTURE, INTEREST AND CAPITAL, DECEMBER 31, 2021

Year due	Interest payments, SEK m	Nominal amount, SEK m ¹⁾	Proportion, %
2022, Q 1	37.8	400	4
2022, Q 2	28.7	500	6
2022, Q 3	33.9	300	3
2022, Q 4	7.5	500	6
2023	87.6	2,500	27
2024	56.6	1,000	11
2025	42.7	1,500	16
2026	31.1	2,500	27
Total	325.9	9,200	100

¹⁾ Capital tie-up in respect of commercial paper loans has been calculated based on the underlying loan assurances.

In addition to the above, there are other liabilities, which also include accounts payable, which normally fall due within 30 days.

Interest risk

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

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's Finance Policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period, and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest period for net debt should normally be 1 – 4 years. Borrowing takes place both with a short fixed interest period, normally 3 – 6 months, and a long fixed interest period, normally 5 – 7 years. As at December 31, 2021, the Group's fixed interest period was 2.2 years. Of long-term borrowing, SEK 6,500 million accrues interest at a fixed rate. A change in the market interest rate of +1 percentage point, assuming an unchanged loan volume and fixed interest period, would increase Hufvudstaden's interest expense in 2021 by SEK 17 million (23), while a change in the market interest rate of -1 percentage point would reduce Hufvudstaden's interest expenses by SEK 10 million (16). The difference between the resulting interest expenses is due to that some loan agreements stipulate a minimum rate of interest.

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. The aim is to minimize the credit risk through advance rent payments and to only enter into credit transactions with large financing institutions. A credit risk can be attributed mainly to outstanding accounts receivable/rent receivables, as well as cash and cash equivalents, which as at the year-end had a carrying value of SEK 27 million and SEK 1,182 million, which means that the Group has limited exposure to credit risks.

Losses on accounts receivable/rent receivables occur when tenants are put into receivership or, for other reasons, they are unable to meet their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks further, the financial position of the customers is checked in terms of their credit rating by obtaining information from different credit information companies. In accordance with Hufvudstaden's Credit Policy, a security in the form of a deposit, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rents are invoiced in advance.

CONCENTRATION OF CREDIT RISK, DECEMBER 31, 2021^{1) 2)}

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0 – 99	71	2,281	0.1
100 – 499	57	17,154	1.0
500 – 999	63	48,068	2.9
1,000 – 2,499	169	283,762	14.9
2,500 – 4,999	85	310,325	16.5
5,000 – 9,999	57	400,603	22.3
10,000 –	34	800,558	42.3
Total	536	1,862,751	100.0

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

²⁾ Annual rent as at December 31, 2021.

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

NOTES

Fair value

The fair value of financial instruments not traded on an active market is set with the aid of valuation techniques. Fair values are set by discounting future payment flows to the current market rate of interest for similar instruments. For financial instruments such as account receivables, account

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

INFORMATION REGARDING FAIR VALUES, FINANCIAL INSTRUMENTS

SEK m	Reported at accrued cost		Fair value information	
	2021	2020	2021	2020
GROUP				
Non-current receivables	24.9	21.0	24.9	21.0
Current receivables	41.9	61.1	41.9	61.1
Cash and cash equivalents	1,182.0	783.6	1,182.0	783.6
Non-current liabilities	7,031.9	6,226.2	7,031.9	6,164.0
Current liabilities	2,493.6	2,664.8	2,493.6	2,663.5
PARENT COMPANY				
Non-current receivables	24.7	20.9	24.7	20.9
Current receivables	16.6	21.9	16.6	21.9
Cash and cash equivalents	1,137.0	749.6	1,137.0	749.6
Non-current liabilities	7,031.7	6,226.0	7,031.7	6,163.8
Current liabilities	2,364.1	2,608.8	2,364.1	2,607.5

For bond loans with a fixed rate of interest the overvalue is SEK 13.0 million (-63.5). These values has been calculated on the basis according to level 2 in IFRS 13, i.e. the value has been calculated based on official market listings.

NOTES

NOTE 3. SEGMENT INFORMATION

The Group's operations are divided into three segments: Property Management, NK Retail and Other operations. Other operations refers to Cecil Coworking (Stockholm Business Area), NK e-commerce and the parking business in Parkaden AB (NK Business Area). The segments are categorised into business areas based on the operational control of the business.

This is generally aligned with the rental market's geographical division into sub-markets. In the Parent Company, there is only one operating segment – Property Management. The following presentation shows income and costs as well as assets and investments for the various business areas in 2021 and the comparison year 2020.

SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Intra-Group elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
GROUP										
Property Management										
Income and costs ¹⁾										
Rent revenue	1,141.8	1,028.1	402.2	338.1	304.1	319.2	-153.0	-43.9	1,695.1	1,641.5
(of which turnover-based rent)	(1.4)	(1.2)	(6.3)	(3.3)	(1.1)	(0.1)			(8.8)	(4.6)
Service revenue	25.7	24.5	43.9	37.9	18.8	20.1			88.4	82.5
Maintenance	-14.7	-14.4	-6.4	-6.7	-5.2	-5.9			-26.3	-27.0
Operation and administration	-116.7	-109.0	-150.4	-130.7	-59.0	-58.4			-326.1	-298.1
Property tax	-120.3	-116.8	-47.1	-46.7	-36.8	-36.8			-204.2	-200.3
Depreciation	-0.8	-0.3	-4.6	-4.5	-0.4	-0.3			-5.8	-5.1
Gross profit, property management	915.0	812.1	237.6	187.4	221.5	237.9	-153.0	-43.9	1,221.1	1,193.5
NK Retail										
Net revenue			604.0						604.0	
Costs			-606.5				98.6		-507.9	
Gross profit or loss, NK Retail			-2.5				98.6		96.1	
Other operations										
Net revenue	18.2	–	82.2	71.7					100.4	71.7
Costs	-25.7	-3.9	-102.7	-65.3			54.4	43.9	-74.0	-25.3
Gross profit or loss, Other operations	-7.5	-3.9	-20.5	6.4			54.4	43.9	26.4	46.4
Central administration									-57.9	-47.4
Items affecting comparability									0.0	35.9
Unrealised changes in value, investment properties									2,579.3	-2,929.9
Operating profit or loss									3,865.0	-1,701.5
Financial income and expense									-138.9	-131.7
Profit or loss before tax									3,726.1	-1,833.2
Assets										
Investment properties	32,904.2	30,204.5	9,215.9	9,008.0	6,669.5	6,424.0			48,789.6	45,636.5
Investments										
Investment properties and equipment	220.3	640.1	163.6	120.8	196.4	144.8			580.3	905.7

¹⁾ For comparable holdings, see Business Areas in figures, page 112.

NOTES

NOTE 4. PROFIT TREND – SUMMARY

	Jan – Mar		Apr – Jun		Jul – Sept		Okt – Dec		Jan – Dec	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
GROUP										
Property management										
Rent revenue	437.9	458.5	467.2	380.6	475.0	406.1	468.0	440.2	1,848.1	1,685.4
Service revenue	21.1	23.7	27.5	23.2	19.4	21.9	20.4	13.7	88.4	82.5
Property management, gross	459.0	482.2	494.7	403.8	494.4	428.0	488.4	453.9	1,936.5	1,767.9
Rent revenue, intra-Group	-33.7	-11.0	-29.3	-11.0	-45.7	-10.9	-44.3	-11.0	-153.0	-43.9
Property management revenue, net	425.3	471.2	465.4	392.8	448.7	417.1	444.1	442.9	1,783.5	1,724.0
Other segments										
Rent revenue	17.4	19.2	20.6	15.7	26.8	17.2	32.0	19.3	96.8	71.4
Service revenue	0.5	–	0.5	–	0.5	0.0	2.1	0.3	3.6	0.3
Sale of goods	74.4	–	148.4	–	156.4	–	224.8	–	604.0	–
Revenue, other segments	92.3	19.2	169.5	15.7	183.7	17.2	258.9	19.6	704.4	71.7
Net revenue	517.6	490.4	634.9	408.5	632.4	434.3	703.0	462.5	2,487.9	1,795.7
Property management										
Maintenance	-5.7	-6.4	-4.7	-6.2	-6.2	-6.8	-9.7	-7.6	-26.3	-27.0
Operation and administration	-83.4	-74.3	-77.8	-70.2	-72.0	-65.9	-92.9	-87.7	-326.1	-298.1
Other costs	-52.4	-51.4	-52.1	-51.4	-53.0	-51.4	-52.5	-51.2	-210.0	-205.4
Property management costs	-141.5	-132.1	-134.6	-127.8	-131.2	-124.1	-155.1	-146.5	-562.4	-530.5
Other segments										
Costs, other segments, gross	-110.1	-13.0	-175.8	-13.2	-199.2	-14.8	-249.8	-28.2	-734.9	-69.2
Rental costs, intra-Group	33.7	11.0	29.3	11.0	45.7	10.9	44.3	11.0	153.0	43.9
Costs, other segments, net	-76.4	-2.0	-146.5	-2.2	-153.5	-3.9	-205.5	-17.2	-581.9	-25.3
Operating expenses	-217.9	-134.1	-281.1	-130.0	-284.7	-128.0	-360.6	-163.7	-1,144.3	-555.8
Gross profit	299.7	356.3	353.8	278.5	347.7	306.3	342.4	298.8	1,343.6	1,239.9
– of which, Property management	283.8	339.1	330.8	265.0	317.5	293.0	289.0	296.4	1,221.1	1,193.5
– of which, Other segments	15.9	17.2	23.0	13.5	30.2	13.3	53.4	2.4	122.5	46.4
Central administration	-12.2	-11.5	-12.3	-11.9	-12.2	-11.1	-21.2	-12.9	-57.9	-47.4
Items affecting comparability	–	–	–	34.7	–	–	–	1.2	–	35.9
Unrealised changes in value, investment properties	-235.6	-929.4	642.4	-985.3	328.4	-155.5	1,844.1	-859.7	2,579.3	-2,929.9
Financial income and expense	-33.6	-32.0	-33.2	-34.0	-34.5	-32.9	-37.6	-32.8	-138.9	-131.7
Tax	-4.6	118.1	-195.0	135.0	-127.7	-28.1	-443.5	146.5	-770.8	371.5
Profit or loss for the period after tax	13.7	-498.5	755.7	-583.0	501.7	78.7	1,684.2	-458.9	2,955.3	-1,461.7

NOTE 5. OPERATIONAL LEASE AGREEMENTS – GROUP AS LESSOR

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

associated with ownership of the underlying asset. See table below for a maturity analysis of charges where the remaining term is 1 and 15 years.

RENEWAL STRUCTURE ^{1) 2) 3)}

	2022	2023	2024	2025	2026	2027–	Total
Number of agreements							
Offices	57	60	55	38	25	26	261
Retail	73	61	70	40	23	12	279
Other	456	208	141	81	36	43	965
Total, Group	586	329	266	159	84	81	1,505
Proportion, %	38.9	21.9	17.7	10.6	5.6	5.3	100.0
Total, Parent Company	477	259	186	124	68	71	1,185
Annual rent, SEK m							
Offices	126.0	192.7	265.2	121.8	124.7	249.8	1,080.2
Retail	105.6	123.9	143.7	97.2	82.1	54.4	606.9
Other	28.2	21.8	22.4	13.5	11.4	28.7	126.0
Total, Group	259.8	338.4	431.3	232.5	218.2	332.9	1,813.1
Proportion, %	14.3	18.7	23.8	12.8	12.0	18.4	100.0
Total, Parent Company	204.4	270.3	275.9	193.5	149.7	290.8	1,384.6

¹⁾ Including leases signed for future occupancy/commencement, whereupon the corresponding present floor space is excluded.

²⁾ Excluding vacant floor space and floor space (storage and office) for Hufvudstaden's use.

³⁾ Excluding residential leases.

NOTES

NOTE 6. DEPRECIATION

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Depreciation per type of asset				
Capitalised expenditures for programs	22.2	3.7	0.9	0.1
Investment properties	– ¹⁾	– ¹⁾	186.7	161.2
Equipment	6.4	3.9	4.6	2.3
Right-of-use assets	7.2	5.4	–	–
Total	35.7	13.0	192.2	163.6
Depreciation per function				
<i>Property management</i>				
Operation and administration	5.9	3.3	4.9	2.3
Depreciation	5.8	5.1	187.3	161.3
<i>Other segments</i>				
Other segments, costs	23.4	4.2	–	–
Central administration	0.6	0.4	–	–
Total	35.7	13.0	192.2	163.6

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

NOTE 7. AVERAGE NUMBER OF EMPLOYEES

Average number of employees	2021 ¹⁾		2020	
	Of which men, %		Of which men, %	
Parent Company	141	50	136	54
(of which executives)	8	75	8	75
Wholly owned subsidiaries				
Parkaden AB	3	67	3	67
Cecil Coworking AB	3	33	1	0
NK Retail AB	269	15	–	–
Total, Group	416	28	140	54
(of which executives)	8	75	8	75

Of the Group's 56 managers (33) 32 are women (11) or 57 per cent (33). The Board of the Parent Company comprised 6 men (6) and 3 women (3). In the Group, there is one other male member of the Board (1 man). The Group only has employees in Sweden.

¹⁾ The calculation is based on Full Time Equivalent (FTE).

NOTE 8. SALARIES AND REMUNERATION

SEK k	Group				Parent Company			
	2021	Of which bonus	2020	Of which bonus	2021	Of which bonus	2020	Of which bonus
Salaries and other remuneration								
Fee to the Chairman of the Board	500		498		500		498	
Fee to other Board members	1,780		1,771		1,750		1,741	
Remuneration and benefits to:								
– President ¹⁾	6,458	1,194	4,375	172	6,458	1,194	4,375	172
– Vice President, Head of NK BA ²⁾	3,537	668	4,111	252	3,537	668	4,111	252
– Vice President, Head of Stockholm BA ³⁾	3,163	584	563	35	3,163	584	563	35
– Other senior executives	10,482	1,940	10,663	726	10,482	1,940	10,663	726
– Other employees ⁴⁾	192,251	7,960	78,633	1,839	89,631	7,779	77,690	1,820
Total	218,171	12,346	100,614	3,024	115,521⁵⁾	12,165	99,641⁵⁾	3,005
National insurance expenses, including special employer's contribution								
Chairman of the Board	51		51		51		51	
Other Board members	500		497		497		494	
President ¹⁾	2,958		2,006		2,958		2,006	
Vice President, Head of NK BA ²⁾	1,342		1,487		1,342		1,487	
Vice President, Head of Stockholm BA ³⁾	1,241		213		1,241		213	
Other senior executives	4,002		4,140		4,002		4,140	
Other employees ⁴⁾	64,332		26,768		31,419		26,502	
Total	74,426		35,162		41,510		34,893	
Pension expenses								
President ¹⁾	4,132		2,336		4,132		2,336	
Vice President, Head of NK BA ²⁾	950		805		950		805	
Vice President, Head of Stockholm BA ³⁾	746		150		746		150	
Other senior executives	3,934		3,341		3,934		3,341	
Other employees ⁴⁾	19,600		11,504		12,495		11,433	
Total	29,362		18,136		22,257		18,065	

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

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

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

⁴⁾ Including NK Retail from February 3, 2021.

⁵⁾ Salary and other remuneration also include non-monetary benefits.

In February 2021, the subsidiary NK Retail AB acquired the NK business in Departments & Stores Europé AB. Approximately 400 employees work in the operations, corresponding to approximately 280 full-time equivalents. Salaries and remuneration are included in the Group as of February 2021.

Guidelines on salary, bonuses and other remuneration to executives are decided by the Annual General Meeting. The company has followed the guidelines adopted by the 2020 Annual General Meeting, see separate section below, and the Board of Directors has exercised the option to depart from the guidelines in relation to the pension age of the President. The Board of Directors resolved to permit President Ivo Stopner to retire at the end of 2021 at an age of 59 years and eight months, which entails a minor deviation from the guidelines on a pension age of 60 for the President. All permanent employees in the Group, including Group management, were included in a bonus scheme during the year, apart from employees of Hufvudstaden's subsidiary, NK Retail, who were not included in the bonus scheme. Bonuses are paid according to the criteria of operating results, customer satisfaction and personal assessment of managers. Bonuses for Group management follow that which is presented under guidelines below. The bonus for other managers is capped at two months' salary. For other employees, bonuses are capped at one month's salary. Under the bonus programme, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the company shows a positive operating result before any unrealised changes in value and other items affecting comparability. In the closing accounts for 2021, bonuses have been reserved for attaining operating results targets, customer satisfaction and personal targets.

Pensions for Group employees are covered by the respective collective agreements. These are the ITP plan for white-collar workers and the SAF-LO occupational pension agreement for blue-collar workers. The ITP plan includes both a defined benefit pension and a defined contribution pension. Some 100 employees are covered by a defined benefit pension. Alecta's surplus in the form of the collective consolidation level as of December had not been confirmed at the time of the signing of this Annual Report. Alecta's preliminary consolidation level, as at December 31, 2021, amounted to 172 per cent (148). The collective consolidation level comprises the fair value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

Directors' fees

An expensed director's fee of SEK 500,000 was paid to the Chairman of the Board Fredrik Lundberg for 2021, and Board members Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Persson, Sten Peterson and Anna-Greta Sjöberg were each paid SEK 250,000. The President, Ivo Stopner, does not receive any remuneration for his work on the Board. The Group management also includes Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 30,000.

Guidelines for remuneration to senior executives

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

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

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

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

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

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

The retirement age for the President shall be 65 years, although with the right for the President or the Company to decide on retirement with a full pension from the age of 60. The pensionable age for other senior executives shall be in accordance with statutory stipulations or a collective agreement. Pensions payable to the Senior Executives, including the pension paid to the President, shall be covered by the ITP plan. In cases where the ITP plan means that a senior executive's pension is a defined contribution pension, the pension premiums shall amount to a maximum of 30 per cent of the fixed annual salary. Variable remuneration (bonus) shall be pensionable.

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

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

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

On cessation of employment, the period of notice can be a maximum of 12 months. A fixed annual salary during the period of notice and severance pay shall not exceed an amount equivalent to two years' fixed annual salary in the case of the President and one year in the case of the Vice President and other senior executives. In the case of notice of termination given by the President or other senior executives, the period of notice shall be a maximum of six months with no entitlement to severance pay.

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In all cases, there shall be a set-off against any payment received from a new employer.

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

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

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

NOTE 9. FEES AND COST REIMBURSEMENTS TO AUDITORS

SEK m	Group		Parent Company	
	2021	2020	2021	2020
PWC				
Audit fees	1.7	–	1.2	–
Audit activities other than the audit assignment	0.4	–	0.4	–
Other services	0.9	–	0.9	–
Total	3.0	–	2.5	–
KPMG				
Audit fees	–	1.5	–	1.5
Other services	–	0.0	–	0.0
Total	–	1.5	–	1.5

NOTE 10. OPERATING COSTS PER COST CATEGORY

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	313.0	–	–	–
Maintenance	25.8	26.7	162.1	365.5
Operation and administration	306.4	202.8	53.2	63.9
Ground rent	0.0	–	13.0	13.0
Property tax	204.2	200.3	143.9	140.3
Depreciation and impairment	35.7	13.0	191.9	163.6
Personnel costs	317.1	160.4	186.0	158.8
Total	1,202.2	603.2	750.1	905.1

NOTE 11. ITEMS AFFECTING COMPARABILITY

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Insurance compensation	–	35.9	–	35.9
Total	–	35.9	–	35.9

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

NOTE 12. INTEREST AND FINANCIAL INCOME

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Interest income, intra-Group			0.3	–
Interest income on short-term placements	0.0	0.0	0.0	0.0
Group contributions received, subsidiaries			128.4	103.7
Anticipated dividends, subsidiaries			–	2,350.0
Total	0.0	0.0	128.7	2,453.7

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

NOTE 13. INTEREST AND FINANCIAL EXPENSE

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Interest expense				
– credit institutions	101.7	97.3	101.7	97.3
– lease liability	22.5	22.4	–	–
– other	0.1	0.1	0.0	0.0
Other financial expenses	14.6	11.9	14.6	11.9
Total	138.9	131.7	116.3	109.2

Of the financial expense, SEK 116.5 million (109.3) refers to financial instruments not valued at fair value.

NOTE 14. APPROPRIATIONS

SEK m	Parent Company	
	2021	2020
Change in accumulated additional depreciation	-14.1	6.9
Change in tax allocation reserve	–	116.0
Group contribution granted	-96.2	-53.6
Total	-110.3	69.3

NOTES

NOTE 15. INCOME TAXES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Current tax expense				
Tax expense for the year	-110.1	-98.2	-104.0	-98.1
Tax attributable to previous years	-0.1	-1.1	0.0	-1.0
Deferred tax expense/tax income				
Difference between fiscal and accounting depreciation of properties	-3.1	-2.8	-3.5	-3.2
Unrealised change in value, properties	-665.1	457.6	–	–
Effect, allocation to untaxed reserves	-4.1	15.3	–	–
Effect, pension provision	1.2	0.1	1.2	0.1
Right-of-use assets	0.2	9.3	–	–
Lease liability	-0.7	-8.7	–	–
Other	1.0	–	0.5	–
Total tax	-770.8	371.5	-105.8	-102.2
Profit or loss before tax	3,726.1	-1,833.2	467.0	2,801.8
Tax according to the current tax rate of 20.6% (21,4%)	-767.6	392.3	-96.2	-599.6
Effect of other tax rates	–	-18.0	–	–
Tax attributable to previous years	-0.1	-1.1	0.0	-1.0
Non-taxable income	0.1	0.1	0.1	503.0
Non-deductible expenses	-5.5	-1.8	-11.4	-4.8
Standard income, tax allocation reserve	–	-0.1	–	-0.1
Other	2.3	0.1	1.7	0.3
Total tax	-770.8	371.5	-105.8	-102.2

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

NOTE 16. INTANGIBLE FIXED ASSETS

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Opening acquisition value	113.7	70.5	4.2	2.6
Investments for the year	8.9	43.2	–	1.6
Closing acquisition values	122.6	113.7	4.2	4.2
Opening depreciation	-3.7	–	-0.1	–
Depreciation for the year	-22.2	-3.7	-0.9	-0.1
Closing accumulated depreciation	-25.9	-3.7	-1.0	-0.1
Closing residual value according to plan	96.7	110.0	3.2	4.1

Refers to acquired intangible fixed assets which comprise e-commerce platform and other IT-systems.

NOTE 17. INVESTMENT PROPERTIES**GROUP**

Investment properties were reported according to the fair value method.

SEK m	Group	
	2021	2020
Investment properties, Group	48,789.6	45,636.5

Information about changes in the carrying amounts of investment properties.

SEK m	2021	2020
Opening fair value	45,636.5	47,680.6
Investment in properties	573.8	885.9
Unrealised change in value	2,579.3	-2,929.9
Closing fair value	48,789.6	45,636.5

For income and costs attributable to investment properties, reference can be made to Note 3.

All properties are owned by the Group and are classified as investment properties. They cover the balance sheet items Buildings, Building Equipment, Land and Development in Progress. Investment properties are valued according to level 3 in the fair value hierarchy in IFRS 13. The property holdings include commercial properties that mainly comprise office and retail space and are treated as one single asset category. Fair value is based on an internal valuation.

Valuation method

Valuation of the property holdings was done by assessing the fair value of each individual property. The assessment took place in the form of a valuation according to a variation on the location price method, known as the net capitalization method. The method means that the market yield requirements are put in relation to the net operating income of the properties. In the case of other project properties and undeveloped land, an assessment has been made of the value according to a total appraisal of the location price method and a development calculation where the net capitalization method is used for a completed property with a deduction for construction costs, profit for the developer in line with market conditions, as well as financial expenses and the loss of rent revenue on vacant space that arose during the construction period.

The assessment of the yield requirements is based on information gathered on the market yield requirements for purchases and sales of comparable properties in similar locations. If few or no deals are concluded in the property's sub-area, transactions in the adjoining area are analyzed. Transactions not yet concluded also provide guidance on the market yield requirements. Account is also taken of the property type, technical standard building construction and major investment requirements. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with independent valuation and advisory companies. Hufvudstaden's average yield requirement since December 31, 2016 has varied between 3.5 per cent and 3.9 per cent, and as at December 31, 2021 the figure was 3.5 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold.

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

Revenue has been reduced to take into account an assessed long-term rental vacancy rate. The vacancy rate is based on the true outcome of the property holdings over a business cycle, and the expected rental situation for the individual property. In the valuation, an average vacancy rate of 4 per cent has been estimated. The actual average vacancy rate excluding development projects during the period 2012–2021 varied between 1 and 7 per cent, and as at December 31, 2021, the figure was 5.9.

A deduction is made for standard costs for operation and maintenance, excluding costs that can be passed on, and part of the property administration. These are based on the actual outcome and are adjusted for non-permanent deviations. The average cost per square metre over the most recent five-year period has been in the range SEK 450–550, and the estimated cost in the valuation as at December 31, 2021 was on the same level.

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

External valuation

To assure the valuation, external valuations were obtained from three independent valuation companies: Cushman and Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuations cover ten properties and are equivalent to 47 per cent of the internally assessed fair value, and the corresponding figures at mid-year and for the first quarter of the year were 50 per cent and 29 per cent, respectively. The basis for the selection of the properties was that they should represent variations in property category, town, location, technical standard and construction standard. The properties valued externally were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Järnplåten 28, Kvasten 2, Orgelpipan 7, Packarhuset 4, Pumpstocken 10 (part of) and Rännilen 19 (part of) in Stockholm, and Inom Vallgraven 10:9 (NK Gothenburg) and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value of SEK 24.1 billion. Hufvudstaden's internal valuation of the same properties was SEK 23.1 billion. The internal valuations thus concur well with the external valuations.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of valuation. The price, however, can only be set when a transaction has been completed. In conjunction with an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the fair value estimates. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property, and investment requirements. Hufvudstaden's property holdings are valued at SEK 48.8 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- 2.4 billion.

THE FOLLOWING INFORMATION HAS BEEN USED IN THE VALUATION

Office and retail	Range (weighted average)			
	December 31, 2021		December 31, 2020	
Net operating income (SEK/sq m)	1,430–7,570	(4,600)	1,430–7,180	(4,540)
Vacancy rate (%)	2–5	(4)	2–5	(4)
Yield requirement, Stockholm (%)	3.1–3.5	(3.3)	3.3–3.7	(3.4)
Yield requirement, Gothenburg (%)	4.0–4.8	(4.3)	4.2–4.8	(4.5)
Yield requirement, total (%)	3.5		3.7	

NOTES

SENSITIVITY ANALYSIS, PROPERTY VALUATION¹⁾

	Change, +/-	Profit before tax, +/-
Rent revenue	SEK 100 per sq m	SEK 1,120 m
Property costs	SEK 50 per sq m	SEK 560 m
Rental vacancy rate	1.0 percentage points	SEK 660 m
Yield requirement	0.25 percentage points	SEK 3,550 m

¹⁾ Valuation date December 31, 2021.

TAX VALUES, INVESTMENT PROPERTIES, GROUP

SEK m	2021	2020
Tax values, buildings	9,596.0	9,392.0
Tax values, land	11,275.6	11,107.6
	20,871.6	20,499.6

PARENT COMPANY

Investment properties are reported according to the principles for tangible fixed assets but without the possibility of applying the fair value method.

SEK m	2021	2020
Investment properties	8,262.2	8,263.8

INVESTMENT PROPERTIES, EXCLUDING LAND

SEK m	2021	2020
Opening acquisition values	4,890.5	4,532.3
Investments for the year	185.1	358.2
Closing acquisition values	5,075.6	4,890.5
Opening depreciation	-1,860.5	-1,713.0
Depreciation for the year	-173.0	-147.5
Closing depreciation	-2,033.5	-1,860.5
Opening revaluation according to the adopted Balance Sheet for the previous year	985.0	998.6
Depreciation for the year	-13.7	-13.6
Closing revaluation	971.3	985.0
Closing residual value according to plan	4,013.4	4,015.0

LAND

SEK m	2021	2020
Opening acquisition value	1,207.4	1,207.4
Closing acquisition value	1,207.4	1,207.4
Opening value, revaluation	3,041.4	3,041.4
Closing value, revaluation	3,041.4	3,041.4
Closing residual value according to plan	4,248.8	4,248.8

Investment properties are divided into different categories, which are depreciated as follows:

- Buildings: Offices, 1 per cent
- Buildings: Department stores, multi-storey car parks, restaurants, 2 per cent
- Building equipment: 5 – 20 per cent
- Land improvements: 3.75 – 5 per cent

INFORMATION ABOUT THE FAIR VALUE OF INVESTMENT PROPERTIES

SEK m	2021	2020
Investment properties	35,888.5	33,191.9

In the valuation of the Parent Company's properties at fair value, the same valuation method is used as for the Group.

TAX VALUES, INVESTMENT PROPERTIES, PARENT COMPANY

SEK m	2021	2020
Tax values, buildings	6,589.0	6,385.0
Tax values, land	7,958.5	7,790.5
	14,547.5	14,175.5

NOTE 18. EQUIPMENT

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Opening acquisition value	57.1	40.0	33.3	17.0
Investments for the year	6.6	19.8	–	19.1
Sales and disposals	-2.9	-2.7	-3.5	-2.8
Closing acquisition value	60.8	57.1	29.8	33.3
Opening depreciation	-31.2	-30.0	-11.9	-12.3
Depreciation for the year	-6.4	-3.9	-4.6	-2.3
Sales and disposals	2.7	2.7	2.1	2.7
Closing accumulated depreciation	-34.9	-31.2	-14.4	-11.9
Closing residual value according to plan	25.9	25.9	15.4	21.4

NOTES

NOTE 19. PARTICIPATION IN GROUP COMPANIES

	Company reg. no.	Reg. office	Capital (votes) %	Number	Nominal value, SEK 1,000	Carrying amount 2021, SEK m
PARENT COMPANY						
Shares in subsidiaries						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.3
Gbg Inom Vallgraven 3-2 AB	556724-2531	Stockholm	100	1,000	100	0.0
Cecil Coworking AB	559242-1506	Stockholm	100	1,000	50	5.1
						2,598.1
Shares in dormant companies						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	-
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	-
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	-
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
Parent company total						2,598.4
OTHER GROUP COMPANIES						
Owned by AB Citypalatset						
Aktiebolaget Hamngatgaraget	556068-6601	Stockholm	100	3,000	300	231.5
Owned by Förvaltnings AB Norrmalmstorg Nr 1						
Fastighetsaktiebolaget Stockholm City	556019-4358	Stockholm	100	7,776	7,776	2,800.0
Owned by Fastighetsaktiebolaget Stockholms City						
Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4
Owned by AB Nordiska Kompaniet						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
NK Retail AB	559268-4103	Stockholm	100	10,000,000	10,000	10.0
						10.5
Other Group companies, total						3,045.4

There are no foreign subsidiaries in the Group. Intra-group sales refer to rents and amounted to SEK 205.7 million (74.4) during the year, the increase is explained by the acquisition of NK Retail AB.

CHANGE IN THE PARENT COMPANY'S HOLDINGS IN GROUP COMPANIES

SEK m	Parent Company	
	2021	2020
Opening carrying amount	2,649.7	2,886.9
Purchase of subsidiaries	-	0.1
Shareholder contribution provided	-	5.0
Sale of subsidiaries	-	-231.5
Impairment of shares in Group companies	-51.3	-10.8
Closing carrying amount	2,598.4	2,649.7

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

NK Retail operates about 40 departments in the areas of fashion, cosmetics and jewellery at NK Stockholm and NK Gothenburg, together comprising around 25 per cent of the total number of departments in the department stores. All of the approximately 400 employees in these operations were offered employment in the Group, and the vast majority accepted the offer. Sales in the business amounted to approximately SEK 770 million for the 2019/2020 financial year. The purchase price was SEK 58 million, which corresponded to the value of the inventory. The acquisition was financed with existing cash and cash equivalents.

NOTE 20. RIGHT-OF-USE ASSETS

Group				
SEK m	Site lease- hold rights	Commercial premises	Other	Total
Opening balance 2021	675.8	35.5	5.3	716.6
Additional right-of-use assets	-	5.4	-	5.4
Depreciation during the year	-	-6.6	-2.9	-9.5
Revaluation	-	2.8	0.1	2.9
Closing balance 2021	675.8	37.1	2.5	715.4
Opening balance 2020	675.8	76.0	8.2	760.0
Additional right-of-use assets	-	-	-	-
Depreciation during the year	-	-41.3	-2.9	-44.2
Revaluation	-	0.8	-	0.8
Closing balance 2020	675.8	35.5	5.3	716.6

Additional right-of-use assets during 2021 totalled SEK 5.4 million. This amount includes the acquisition value of newly acquired right-of-use assets during the year as well as additional amounts arising in conjunction with a revaluation of lease liabilities.

For a maturity analysis of the lease liabilities and the effects of IFRS 16 on the outgoing cash flow, see Note 27 Interest-bearing liabilities.

NOTES

Effect of IFRS 16

Group	2021			2020		
	Income Statement	Balance Sheet	Total	Income Statement	Balance Sheet	Total
SEK m						
Depreciation of right-of-use assets	-7.2	-2.3	-9.5	-5.4	-38.8	-44.2
Interest on lease liabilities	-22.5	-0.1	-22.6	-22.4	-0.7	-23.1
Variable charges not included in the valuation of the lease liability	-1.1	–	-1.1	-0.7	-5.0	-5.7
Income from right-of-use assets	5.5	–	5.5	4.5	28.6	33.1
Costs for short-term leases/low-value leases	-2.9	–	-2.9	-3.1	–	-3.1
Net effect	-28.2	-2.4	-30.6	-27.1	-15.9	-43.0

NOTE 21. NON-CURRENT RECEIVABLES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Opening carrying amount	21.0	20.6	20.9	20.5
Change for the year	3.9	0.4	3.8	0.4
Closing carrying amount	24.9	21.0	24.7	20.9

NOTE 22. INVENTORY

Inventory is measured at the lower of acquisition value and net realisable value. The acquisition value of inventory is calculated using the first-in, first-out (FIFO) method and includes fees that arose from acquiring inventory items, including customs duty and freight. The net realisable value is the estimated sales price in current operations, less the estimated selling costs. The actual outcome of future sales prices could deviate from the estimates made. The chosen method entails that any obsolescence in the inventory has been taken into consideration.

The inventory of goods amounted to 0.3 per cent (-) of the Group's total assets and 6.2 per cent (-) of the Group's net revenue.

The value of inventory in the financial statements refers only to the goods owned by the company. The Group also provides inventory storage for partner suppliers, where the Group does not own the goods and does not consider them an asset.

Obsolescence

The inventory undergoes an obsolescence assessment twice a year in conjunction with the six-month and year-end reports. The goods inventory is valued based on age and impairment is conducted for goods from earlier seasons or if the net realisable value is less than cost. At the balance-sheet date, the goods inventory was deemed to have a good structure.

NOTE 23. ACCOUNTS RECEIVABLE

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Accounts receivable	21.9	4.6	1.3	0.4
Rent receivables	5.0	32.0	4.2	8.8
Total	26.9	36.6	5.5	9.2

Accounts receivable and rent receivables are reported at the accrued acquisition value, which normally means the nominal value.

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 0.2 million (40.4). Impairment is based on an assessment of expected credit losses. Accounts receivable and rent receivables that have fallen due, but have not been impaired, amounted to SEK 12.0 million (35.0).

NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Accrued rent revenue	19.6	15.5	18.7	15.2
Accrued revenue	15.0	7.2	0.6	0.5
Prepaid expenses	41.6	27.0	9.0	7.7
Prepaid interest expense	0.2	1.4	0.2	1.4
Total	76.4	51.1	28.5	24.8

NOTE 25. CASH AND BANK HOLDINGS

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Cash and cash equivalents	1,182.0	783.6	1,137.0	749.6
Total	1,182.0	783.6	1,137.0	749.6

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

NOTE 26. EQUITY

GROUP SHARE CAPITAL

SEK m	Dec 31, 2021
Breakdown of share series	
A 203,000,080 shares, par value SEK 5	1,015.0
C 8,271,853 shares, par value SEK 5	41.4
Total	1,056.4

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

Hufvudstaden AB (publ) has two share series, A and C. Series A shares carry one vote per share and series C shares carry 100 votes per share. All shares carry equal rights to a share in the company's assets and liabilities. The series A shares were listed on what was historically the Stockholm Fondbörs (Stock Exchange) in 1938 and are now quoted on the Large Cap list of Nasdaq Stockholm. Series C shares were listed in 1998 and delisted in late January 2020 upon request by Nasdaq Stockholm. Shareholders have the right to request conversion of series C shares into series A shares. During the year, 33 series C shares were converted to series A shares. Hufvudstaden owns 8,965,000 series A treasury shares. Share buybacks were executed in 2003 and 2020. The average number of outstanding shares is 202,306,933 (205,130,742). There are no potentially dilutive instruments.

NOTES

Other contributed capital

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

Retained earnings, including profit for the year

Retained earnings, including profit for the year, include profit in the Parent Company and its subsidiaries. Previous allocations to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

Dividend

A total dividend of SEK 505,767,333 corresponding to SEK 2.50 per share was distributed to shareholder in the company during 2021. The Board of directors is proposing a dividend of SEK 2.60 per share for 2021, corresponding to a total dividend of SEK 525,998,026.

Capital management

The Company's capital is defined as the Group's reported equity.

Hufvudstaden's aim is to improve profit from current operations and to have a well consolidated balance sheet with an equity ratio of at least 40 per cent over time. The shareholders shall have good dividend growth over time, and the dividend shall comprise more than half of the net profit from current operations unless investments or the Company's financial position in general justify a deviation.

Profit per share

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

	2021	2020
Total profit for the year, SEK m	2,955.3	-1,461.7
Average number of outstanding shares	202,306,933	205,130,742
Profit per share, SEK	14.61	-7.13

PARENT COMPANY

Restricted funds

Restricted funds may not be reduced through a dividend.

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

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

Non-restricted equity

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

NOTE 27. INTEREST-BEARING LIABILITIES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Non-current liabilities				
Bank loans	500	1,000	500	1,000
Bonds	6,500	5,200	6,500	5,200
Lease liabilities	707	710	–	–
Total	7,707	6,910	7,000	6,200
Current liabilities				
Bank loans	500	–	500	–
Bonds	1,200	1,000	1,200	1,000
Commercial paper	500	1,450	500	1,450
Lease liabilities	9	10	–	–
Total	2,209	2,460	2,200	2,450
Loan assurances	4,500	4,500	4,500	4,500

Bank loans raised are normally secured by means of a property mortgage and are supplemented in many cases by a guarantee regarding the equity ratio and interest coverage level. Bond loans and commercial paper loans are not secured.

CAPITAL TIE-UP STRUCTURE, LOAN TERMS AND ANNUAL EQUIVALENT RATE OF INTEREST 2021-12-31

GROUP AND PARENT COMPANY

Year due	AER, % ^{1) 2)}	Nominal amount, SEK m		
		Bank loans ³⁾	Bonds ⁴⁾	Commercial paper ⁵⁾
2022	1.3	500	1,200	500
2023	1.3	500	2,000	–
2024	1.4	–	1,000	–
2025	0.8	–	1,000	–
2026	1.2	–	2,500	–
Total		1,000	7,700	500

¹⁾ All loans are denominated in SEK.

²⁾ Excluding costs for unutilised loan commitments.

³⁾ Interest terms are three months Stibor with an interest margin supplement. Interest is paid quarterly.

⁴⁾ Fixed rate of interest with an annual coupon.

⁵⁾ Interest terms are 3–12 months Stibor with an interest margin supplement. Interest is paid at the date of issue.

RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING

GROUP AND PARENT COMPANY

SEK m	Closing balance 2020	Borrowings	Amortization	Closing balance 2021
Bank loans	1,000	–	–	1,000
Bonds	6,200	2,500	-1,000	7,700
Commercial paper	1,450	1,750	-2,700	500
Total	8,650	4,250	-3,700	9,200

Lessee

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

Lease liabilities	Group	
SEK m	Dec 31, 2021	Dec 31, 2020
Current	9.4	10.2
Non-current	706.9	709.6
Lease liabilities included in the Statement of Financial Position	716.3	719.8

Amounts recognized in the Cash Flow Statement

SEK m	Group	
	Dec 31, 2021	Dec 31, 2020
Total cash outflows attributable to lease agreements	37.3	67.6

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

Maturity analysis of lease charges	Group	
SEK m	Dec 31, 2021	Dec 31, 2020
< 1 year	9.4	10.2
1 year – 2 years	7.2	6.7
2 years – 3 years	5.0	4.4
3 years – 4 years	1.4	4.2
4 years – 5 years	0.9	1.4
> 5 years ¹⁾	692.4	692.9
Total discounted lease charges	716.3	719.8

¹⁾ Discounted ground rent of SEK 675.8 million is included in discounted lease charges that fall due later than five years from the reporting date. The group has four leasehold agreements whose annual undiscounted ground rent totals SEK 21.9 million. From the Group's perspective, these lease agreements are considered to be perpetual leases as the Group does not have any right to terminate the leases. All site leasehold leases will be renegotiated within 0–4 years, which will have an effect on the total of the site leasehold agreement.

NOTES

SEK m	Parent Company	
	Dec 31, 2021	Dec 31, 2020
< 1 year	15.8	19.0
1 year – 5 years	24.6	40.3
5 years >	–	–
Total undiscounted lease charges	40.4	59.3

NOTE 28. DEFERRED TAX LIABILITY

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Investment properties	9,134.8	8,476.6	883.2	879.6
Untaxed reserves	35.1	31.0	–	–
Pension provision	-6.6	-5.4	-6.6	-5.4
Right-of-use assets	147.4	147.6	–	–
Lease liability	-147.5	-148.3	–	–
Equipment	-1.1	–	-0.5	–
Total	9,162.1	8,501.5	876.1	874.2

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

CHANGES IN DEFERRED TAX LIABILITY

SEK m	Balance at January 1	Reported within profit or loss	Balance at December 31
GROUP			
2021			
Investment properties	8,476.6	658.2	9,134.8
Untaxed reserves	31.0	4.1	35.1
Pension provision	-5.4	-1.2	-6.6
Right-of-use assets	147.6	-0.2	147.4
Lease liability	-148.3	0.8	-147.5
Equipment	–	-1.1	-1.1
	8,501.5	660.6	9,162.1

2020			
Investment properties	8,931.4	-454.8	8,476.6
Untaxed reserves	46.2	-15.2	31.0
Pension provision	-5.2	-0.2	-5.4
Right-of-use assets	156.9	-9.3	147.6
Lease liability	-157.0	8.7	-148.3
	8,972.3	-470.8	8,501.5

SEK m	Balance at January 1	Reported within profit or loss	Balance at December 31
PARENT COMPANY			
2021			
Investment properties	879.6	3.6	883.2
Pension provision	-5.4	-1.2	-6.6
Equipment	–	-0.5	-0.5
	874.2	1.9	876.1

2020			
Investment properties	876.3	3.3	879.6
Pension provision	-5.2	-0.2	-5.4
	871.1	3.1	874.2

NOTE 29. OTHER PROVISIONS

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

NOTE 30. OTHER LIABILITIES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
VAT	21.2	–	20.4	–
Other	118.8	92.4	13.2	17.2
Total	140.0	92.4	33.6	17.2

NOTE 31. UNTAXED RESERVES

SEK m	Parent Company	
	2021	2020
Accumulated depreciation in excess of plan		
Opening balance	38.7	45.6
Depreciation for the year	14.1	-6.9
Closing balance	52.8	38.7
Total	52.8	38.7

NOTE 32. ACCRUED EXPENSES AND PREPAID INCOME

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Advance rent payments	281.4	227.7	206.7	174.1
Accrued interest expense	56.9	49.8	56.9	49.8
Other accrued expenses	119.8	263.9	74.7	231.8
Total	458.1	541.4	338.3	455.7

NOTE 33. PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Property mortgages for liabilities at credit institutions	2,252.1	1,251.6	2,252.1	1,251.6
(of which mortgages on subsidiaries' properties)			(863.5)	(–)
Other non-current receivables	24.9	20.9	24.7	20.9
Total	2,277.0	1,272.5	2,276.8	1,272.5

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

NOTE 34. AFFILIATIONS

Hufvudstaden AB is under the controlling influence of L E Lundberg-företagen AB and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen AB. Fredrik Lundberg's director's fee for 2021 was SEK 500,000. Details of payments to Board members and executives can be found in Note 8.

In addition to the affiliations stated for the Group, the Parent Company also has affiliations, which means that it has a controlling influence over its subsidiaries, see Note 19.

NOTE 35. EVENTS AFTER THE YEAR-END

No significant events occurred after the end of the financial year.

Proposed Allocation of Unappropriated Earnings

The Board of Directors proposes that the funds available for appropriation at the Annual General Meeting, as reported in the Parent Company Balance Sheet, be distributed as follows.

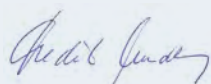
A statement explaining the proposed distribution of earnings is available on the Company's website, www.hufvudstaden.se, or can be obtained free of charge from the Company upon request.

Retained earnings	SEK 2,249,174,050
Profit for the year	SEK 361,181,752
	SEK 2,610,355,802
Dividend to the shareholders	
SEK 2.60 per share	SEK 525,998,026 ¹⁾
To be carried forward	SEK 2,084,357,776
	SEK 2,610,355,802

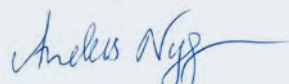
¹⁾ See Definitions, page 131, Dividend.

The Board of Directors and the President hereby certify that to the best of their knowledge the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and the Council (EC), dated July 19, 2002, regarding the application of international accounting standards. The Annual Report and the Consolidated Accounts provide a true and fair picture of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and the Group provides a true and fair overview of the development, financial position and results of the Parent Company and the Group, and describes material risks and uncertainties facing the Parent Company and the companies that form part of the Group.

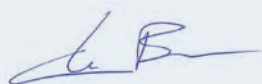
Stockholm, February 17, 2022



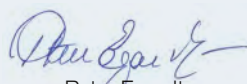
Fredrik Lundberg
Chairman



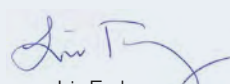
Anders Nygren
President



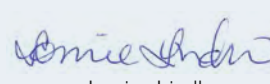
Claes Boustedt
Board Member



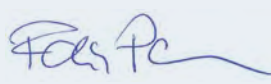
Peter Egardt
Board Member



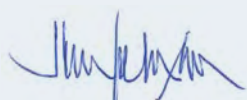
Liv Forhaug
Board Member



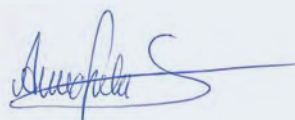
Louise Lindh
Board Member



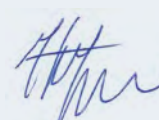
Fredrik Persson
Board Member



Sten Peterson
Board Member



Anna-Greta Sjöberg
Board Member



Ivo Stopner
Board Member

Our audit report was submitted on February 21, 2022



PricewaterhouseCoopers AB
Magnus Svensson Henryson
Authorized Public Accountant



The surrounding environment is of great importance to the office tenants.

Auditor's Report

To the general meeting of the shareholders of Hufvudstaden AB (publ), corporate identity number 556012-8240

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hufvudstaden AB (publ) for the year 2021 except for the corporate governance statement and statement on the statutory Sustainability Report on pages 100–105 respective 10–12, 40–52, 59, 63–65 and 118–128. The annual accounts and consolidated accounts of the company are included on pages 10–12, 40–52, 57–95, 100–105, 108, 110 and 118–128 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and statement on the statutory Sustainability Report on pages 100–105 respective 10–12, 40–52, 59, 63–65 and 118–128. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the par-

ent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other matter

The audit of the annual accounts and consolidated accounts for year 2020 was performed by another auditor who submitted an auditor's report dated 19 February 2021, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually

or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matter

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

Key audit matter

Revenue recognition

Net sales amount to SEK 2,488 million and are a significant item in the income statement.

The Group has various types of income which consist of rental income, related income from the property management and from this year also income from the operations within Nordiska Kompaniet.

The different revenue streams have different character, which leads to different processes for revenue recognition.

Response in the audit of the key audit matter

Our audit procedures have included, but are not limited to, the following activities. We have:

- Evaluated the Group's revenue recognition processes.
- Randomly tested a selection of controls in the process of rental income.
- Performed data analyzes to ensure that all leases have been invoiced.
- Tested a selection of rental invoicing is in line with rental agreements.
- Tested a selection of cash transactions against proof of purchase and general ledger.

AUDITOR'S REPORT

- Evaluated routines and processes for cash management in the operations within NK Retail.
- Examined the information presented in the annual report and assessed that it provides sufficient information in accordance with the requirements of the regulations.

Key audit matter

Valuation of investment properties

Investment properties are reported in the consolidated accounts at fair value and amount to SEK 48,790 million as of December 31, 2021. The value of the properties is determined on the basis of internal valuations.

Important assumptions in the valuations include the market yield requirements, long-term vacancy rate and rental levels. To ensure that the valuation does not differ from the market assessments, management has also obtained independent external valuations for a part of the property holdings.

In all valuations based on estimates of future outcomes, there is an inherent uncertainty in the valuation.

Response in the audit of the key audit matter

Our audit procedures have included, but are not limited to, the following activities. We have:

- Evaluated the internal valuation process.
- Randomly tested input data in a selection of internal valuations.
- Performed own calculations for a selection of property valuations.
- Evaluated significant assumptions including market requirements, rental levels and long-term vacancy rates.
- Reconciled the internal valuations against the external valuations obtained by the company. In addition, the internal valuations have been reconciled with our own perception of the market's pricing of similar assets.
- Examined the information presented in the annual report and assessed that it provides sufficient information in accordance with the requirements of the regulations.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–9, 13–39, 53–56, 106–107, 109, 111–117 and 130–133. The remuneration report that we obtained before the date of this audit report also constitutes other information. The Board of Directors and the President are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the President of Hufvudstaden AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S REPORT

Auditor's responsibility

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

Has undertaken any action or been guilty of any omission which can give rise to liability to the company.

In any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's opinion of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the President have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Hufvudstaden AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report ad9688ff21f4445c182bbb4c22b5d8a8e615016c918981c48f959c7439af47e8 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Hufvudstaden AB (publ) in accordance with professional ethics for accountants in Sweden and have other-

wise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the President determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the President, but not for the purpose

of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the President.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated income statement, balance sheet, statement of changes in equity and the cash flow statement.

The auditor's examination of the corporate governance statement


The Board of Directors is responsible for that the corporate governance statement on pages 100–105 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Hufvudstaden AB (publ) by the general meeting of the shareholders on the 25 March 2021 and has been the company's auditor since the 25 March 2021.

Stockholm 21 February 2022
PricewaterhouseCoopers AB



Magnus Svensson Henryson
Authorized Public Accountant

Corporate Governance Report

Regulations and Articles of Association

Hufvudstaden is a Swedish publically listed limited company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, Nordic Main Market Rulebook for Issuers of Shares from Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), Rules on Remuneration of the Board and Senior Executives and on Incentive Programmes ("the Remuneration Rules") from The Swedish Corporate Governance Board and other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership, and is intended to be part of the self-governance process in Swedish industry, see www.bolagsstyrning.se. It is based on the principle of comply or explain, which means that companies can deviate from one or more rules in the Code if there is justification and an explanation, and if the solution chosen can be presented.

Hufvudstaden complies with the Code with one deviation with regard to Election Committee stipulations. The deviation from the Code is explained in more detail below.

Shares and shareholders

Hufvudstaden's series A shares are listed on Nasdaq Stockholm. The Company's series C shares were delisted upon request by Nasdaq Stockholm in January, 2020. Share capital in the Company at year-end amounted to SEK 1,056,359,665, divided among 211,271,933 shares, giving a par value of SEK 5 per share. Of the shares, 203,000,080 are series A shares, carrying one vote per share, and 8,271,853 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is LE Lundberg-företagen AB, with a total of 46.8 per cent of outstanding shares and 88.5 per cent of the votes. Apart from LE Lundberg-företagen AB, there is no shareholder in the Company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the Company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request conversion of their series C shares into series A shares. During the year, 33 series C shares were converted to series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the share-

holders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules.

Buy-back of Company shares

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the Company. The mandate was renewed at the 2021 Annual General Meeting. The aim is to give the Board the opportunity to adjust the capital structure in order to create increased value for the shareholders and/or to allow the Company's own shares to be used as liquidity in conjunction with or to finance the acquisition of a company or property. As at December 31, 2021, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent of the total number of issued shares. No shares were bought back after the end of the reporting period (up to and including February 17, 2022).

Annual General Meeting

Shareholders' right to decide in Hufvudstaden's matters are exercised at the Annual General Meeting. Shareholders, who are registered in the share register as of the record date and has notified participation in time, has the right to participate and vote at the Annual General Meeting, in person or through agents.

Shareholders whose shares are nominee-registered must, in order to exercise voting rights at the Annual General Meeting, temporarily re-register their shares in their own name, according to what follows from the notice convening the Annual General Meeting. In addition, the company's Articles of Association state that prior to a general meeting of shareholders, the Board of Directors may decide that the shareholders are to have the possibility of casting their votes in advance (postal voting) in accordance with the process set out in the Swedish Companies Act. Decisions at the meeting are normally made through simple majority. In some matters however, the Companies Act prescribes that a proposal must be approved by a higher proportion of the votes represented and cast on the meeting.

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

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

The 2021 Annual General Meeting was held on 25 March 2021 and was conducted without the physical presence of shareholders, proxies or third parties due to the covid-19 pandemic. Shareholders had the possibility to exercise their voting rights in advance only through postal voting in accordance with section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198). A total of 212 shareholders, representing 119,969,687 series A shares and 8,263,131 series C shares, were represented, and they represented 946,282,787 votes, equivalent to 93 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual General Meeting to adopt the Income Statement and Balance Sheet presented, as well as the Consolidated Income Statement and Consolidated Balance Sheet, and to issue a dividend of SEK 2.50 per share to the shareholders. At the meeting, the members of the Board of Directors and the President were granted discharge from liability, and a decision was reached on remuneration to the members of the Board of Directors and the auditors. In addition, new auditors were elected and all members of the Board of Directors were re-elected for the period up to the end of the next Annual General Meeting. The Meeting also resolved on certain amendments to the Articles of Association to enable the Board of Directors to make it possible for the shareholders to cast their votes in advance on future general meetings (postal voting). Finally, an approval was reached at the meeting regarding the Remuneration Report for 2020 and authorization of the Board of Directors to decide on the acquisition and transfer of the Company's own series A shares.

The 2022 Annual General Meeting will be held through postal voting on March 24, 2022.

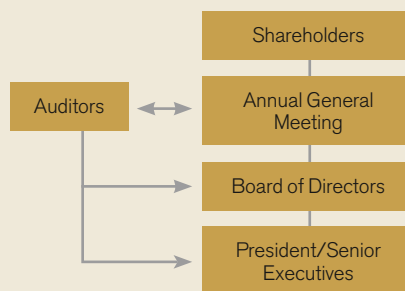
Nomination and election of the Board of Directors and auditors

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

The main shareholder has applied point 4.1 in the Code as a diversity policy, which means that the composition of the Board of Directors must be well adapted in the light of the Company's operations, the current phase in its development, and circumstances in general. The composition of the Board must reflect diversity and breadth in terms of the expertise, experience and background of the members elected at the Annual General Meeting, and an even gender distribution must be sought. A decision was reached at the 2021 Annual General Meeting in accordance with the proposal set forth by the main shareholder, which resulted in the election of nine members, of whom three were women and six were men.

As a basis for its proposal prior to the 2022 Annual General Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate, among other things using applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

HUFVUDSTADEN'S CONTROL STRUCTURE



Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual General Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the Company's operations. All members of the Board have been assessed based on skills, experience and background. The only member of the Senior Executives on the Board is the President, and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder LE Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 104–105. An external lawyer is engaged to act as secretary to the Board of Directors.

Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organization and management, and for ensuring that control of the accounting records, management of funds and financial circumstances in general are satisfactory. The Board of Directors reaches decisions in

matters regarding the Group's overall aims, strategic orientation and policies, as well as more important issues regarding financing, acquisitions, divestments and investments. Other duties that are incumbent on the Board of Directors include the following:

- Continuous follow-up and assessment of the Company's financial position and business development.
- Continuous evaluation of the Company's operative management and the work of the President.
- Ensuring satisfactory control of the Company's compliance with laws and other regulations, and the continuous evaluation of the Company's internal control and risk management systems.
- Adoption of guidelines governing the way the Company should act in the community from a sustainability point of view.

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

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to follow the Group's operations and development on an ongoing basis. The Chairman of the Board consults with the President on strategic matters, represents the Company in ownership matters, and passes on the views of the shareholders to the Board. The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The evaluation takes

Name	Function	Attendance ¹⁾	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	9	Yes	No
Claes Boustedt		9	Yes	No
Peter Egardt		9	Yes	Yes
Liv Forhaug		9	Yes	Yes
Louise Lindh		9	Yes	No
Fredrik Persson		8	Yes	Yes
Sten Peterson		8	Yes	No
Anna-Greta Sjöberg		9	Yes	Yes
Ivo Stopner	President	9	No (employee)	Yes

¹⁾ Nine board meetings were held during the year, of which six were held after the Annual General Meeting.

place by each Board member completing a questionnaire. The responses are collated by the Chairman, who then presents the results to the Board, whereupon a discussion takes place within the Board.

The Board also evaluates the work of the President, although without the person in question being present, and approves more material assignments carried out by the President outside the Company.

Work of the Board of Directors

The Board of Directors held nine meetings during 2021, of which one was a statutory meeting. Economic and financial reports and operational reports from the business areas are presented at each Board meeting. In addition, key matters of a principal nature or of major economic significance are addressed at each ordinary meeting. The work of the Board of Directors during the year was aimed specifically at strategy discussions, issues relating to the economic climate and financing, property valuation, acquisitions, and investments. A discussion was also held regarding the CEO's request to retire, the appointment of a new CEO and a new Vice President. Other matters dealt with during the year were major current projects, including the redevelopment of Vildmannen 7, the large development project Johanna and management of the corona pandemic. Company officials attend the Board meetings as presenters.

The company's former auditor attended the Board meeting in February when the Annual Report for 2020 was approved, and the company's newly elected auditor attended the Board meeting in August in conjunction with the examination by the Board of the company's six-month report.

Board committees

The Board of Directors have examined the matter of establishing an audit committee and a remuneration committee but has chosen not to set up any committees and will instead handle matters that rest with such committees as part of the regular work of the Board of Directors. The full expertise of the Board can be utilized, and the meetings can be made more efficient. This means that the Board of Directors as a whole perform the duties that rest with an audit committee, and that the entire Board, apart from the President, discharge the duties that rest with a remuneration committee, including following up and evaluating current variable remuneration programmes for the Senior Executives as well as programmes

that were terminated during the year. The Board of Directors also follows and evaluates the application of the guidelines governing remuneration to senior executives, as decided at the Annual General Meeting, and governing Company remuneration structures and remuneration levels for senior executives.

Senior Executives

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to make well-informed judgements. The Senior Executives comprises the President and three Heads of business areas, as well as the CFO, Head of Business Development, Head of Property Development, and Head of Human Resources. During the year, Ivo Stopner was CEO, with Bo Wikare and Anders Nygren as Vice Presidents. On 31 December 2021, Ivo Stopner retired after working for the company for more than 30 years and on 1 January 2022, Anders Nygren accessed the position as new CEO of the company, with Bo Wikare and Åsa Roslund as Vice Presidents. Please see pages 106–107 for information about individual directors.

The Senior Executives meet approximately once a month to discuss current issues. They also hold a strategy conference twice a year.

Audit

According to the Articles of Association, the Company must have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the 2021 Annual General Meeting PricewaterhouseCoopers AB was newly elected as auditing company for a term of one year. Magnus Svensson Henryson is the lead auditor. Among Magnus Svensson Henrysons major assignments can be mentioned Bure Equity, Holmen, L E Lundbergföretagen and Sandvik Materials Technology.

The Board meets the Company's auditor twice a year, of which at least one meeting is in the absence of the President. On these occasions, the auditor presents a report, and there is a discussion about the

audit scope and observations. Internal routines and control systems are examined continuously during the year. An audit of the annual accounts and the Annual Report takes place in January – February. The sixth-monthly report is examined on a general basis. The fee to the auditors, including the fee for advisory services, is reported in Note 9.

Remuneration

Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2021 it was decided that remuneration for the period up to the next Annual General Meeting, totalling SEK 2,250,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. Remuneration is divided between the Chairman, who receives SEK 500,000 and the other seven non-employed members, who each receive SEK 250,000.

Senior Executives

Guidelines on salaries, bonuses and other remuneration to the Company's senior executives are decided at the Annual General Meeting. The Board of Directors shall create a proposal for new guidelines regarding compensation when it arises a need to essentially change the guidelines, however at least every four years. It was confirmed at the 2020 Annual General Meeting that remuneration from the Company shall comprise salaries that are in line with the market, as well as a limited, profit-related bonus scheme as described below. The Company has no incentive schemes related to the share price. These guidelines have been followed 2021 and the board has used the opportunity to deviate from the guidelines. The Board of Directors resolved to permit CEO Ivo Stopner to retire at the end of 2021 at an age of 59 years and eight months, which entails a minor deviation from the guidelines on a pension age of 60 for the CEO. The guidelines will continue to apply in 2022 as the Board will not propose any changes of the guidelines to the Annual General Meeting 2022.

The Board has prepared a remuneration report for approval by the Annual General Meeting 2022. The auditor's statement on whether guidelines adopted at the Annual General Meeting in 2020 governing remuneration to senior executives have been followed, will be available on the Company's

website no later than three weeks prior to the Annual General Meeting, and will be attached to the documents distributed at the Annual General Meeting.

Remuneration to the President is proposed by the Chairman of the Board and is confirmed by the Board of Directors. The President does not take part in this decision. The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

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

Bonus

All permanent employees in the group, including the senior executives, were included during the year by one bonus program, with the exception of employees in Hufvudstaden's subsidiary, NK Retail which were not included by the bonus program. According to the guidelines, the bonus criteria for senior executives should be weighted as follows: 70 per cent based on financial targets linked to operating results, 15 per cent based on operational targets related to customer satisfaction and 15 per cent based on individual targets.

Under the bonus scheme for both Senior Executives and other employees, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the Company shows a positive operating result before any unrealised changes in value. The cost of bonuses for all employees in 2021 amounted to SEK 12.3 million (3.0) or an average of SEK 548,000 per person for Senior Executives including the President and an average of SEK 62,000 for other employees.

Internal control and risk management

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

Control environment

The control environment is the basis for internal control of financial reporting. Hufvudstaden's internal control structure is

based, among other things, on a clear allocation of responsibility and duties between the Board of Directors and the President, and within the Company's operations. The Senior Executives and the Board of Directors continuously document and evaluate policies and guidelines, such as the Company's valuation principles, information policy, and accounting handbook. To ensure continuous operational follow-up, there are routines in place for financial reporting and analysis. The routines include monthly and quarterly reports, budget follow-ups, and forecasts. These tasks are handled by the accounting and controller function on the Business Area and Group level.

Risk assessment

Based on ongoing discussions and meetings in the organization, the Hufvudstaden Senior Executives identify, analyze and decide on the Company's material risk areas, whereupon the Board of Directors confirms these areas. The Senior Executives are responsible for handling the risk of error in the financial statements. The Board of Directors analyzes the outcome of the Company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects, and handling of tax matters.

Control measures

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

Information and communication

In-house information and external communication are governed on a general level by, among other things, the Information Policy. Internal communication to and from the Board and the Senior Executives takes place in different ways, including regular information meetings held by the manage-

ment, both for the whole Company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through the intranet, all employees have access to up-to-date information.

Internal policies, guidelines, instructions and equivalent documents that control and support operations are published on the intranet. Feedback on internal control work takes place at quarterly meetings, management team meetings, and Board meetings.

Follow-up

The Hufvudstaden Senior Executives evaluate on an ongoing basis internal control of financial reporting, and whether reporting to the Board is functioning efficiently. This takes place primarily through its own analyses, questioning, and familiarization with the work of the controller function. To follow up identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including the Senior Executives comments on operations, the Board receives the Senior Executives comments on how internal control is working and whether identified risks ought to be changed. The Company's auditor attends Board meetings on two occasions each year, and reports their observations regarding the Company's internal routines and control systems. The members of the Board then have the opportunity to ask questions. Each year, an examination is made of material risk areas, whereupon the Board adopts a position on risks in the financial reporting system and evaluates the internal control system.

Internal audit statement

The Hufvudstaden Senior Executives has systematically examined and structured the internal documentation of the internal control system. Nothing has emerged to indicate that the control system is not functioning in the manner intended. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder L E Lundberg-företagen AB. Other senior executives in the Company take part in board meetings to present specific points. During 2021, the Board of Directors held nine meetings, of which one was a statutory meeting. The work of the Board of Directors complies with the rules of procedure adopted by the Board governing the undertakings of the Board and the President and the allocation of duties between the Board and the President.



Fredrik Lundberg

Born 1951. MSc, MBA, Honorary PhD in Economics, Honorary PhD in Engineering. Chairman, Board member since 1998. President and CEO of L E Lundberg-företagen AB. Chairman of Holmen AB and AB Industrivärden. Deputy Chairman of Svenska Handelsbanken AB. Member of the board of L E Lundbergföretagen AB and Skanska AB. Holding in Hufvudstaden: 2,350,412 shares. (directly and through related parties).¹⁾



Claes Boustedt

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



Fredrik Persson

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



Sten Peterson

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

¹⁾ L E Lundbergföretagen AB also holds 94,591,680 shares in Hufvudstaden. Fredrik Lundberg and related parties control approximately 71 per cent of the votes in L E Lundbergföretagen AB, and Louise Lindh and related parties control approximately 11 per cent of the votes.

BOARD OF DIRECTORS AND AUDITORS



Peter Egardt

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



Liv Forhaug

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



Louise Lindh

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



Anna-Greta Sjöberg

Born 1967. MA, MBA.
Board member since 2006.
CFO of Bluefish Pharmaceuticals AB and President of Olivetta AB.
Chairman of the Board of Marginalen Bank Bankaktiebolag.
Member of the board of Magnolia Bostad AB and Tryggstiftelsen.
Previous positions include Managing Director of the Royal Bank of Scotland, Nordic Branch.
Holding in Hufvudstaden: 5,500 shares and 15,000 shares within the framework of endowment insurance taken out in respect of an assured direct pension.



Ivo Stopner

Born 1962. MSc.
Board member since 1999.
Previous experience as President of Hufvudstaden AB until 31 December 2021.
Holding in Hufvudstaden: 8,000 shares (own and through related parties), as well as 67,729 shares within the framework of endowment insurance taken out in respect of an assured direct pension.

AUDITORS

PricewaterhouseCoopers AB with Magnus Svensson Henryson

born 1969, Authorized Public Accountant, as lead auditor.

SECRETARY

Mattias Karlsson

born 1965. Lawyer at Mannheimer Swartling. Secretary to the Board since 2008.

Senior Executives

Ivo Stopner

Born 1962. MSc. President until December 31, 2021, employed 1990.

Holding in Hufvudstaden: 8,000 shares (own and through related parties), as well as 67,729 shares within the framework of endowment insurance taken out in respect of an assured direct pension. Ivo Stopner, including his family, has no material shareholding or partnership in companies with which the Company has significant business relations.

Anders Nygren

Born 1970. MSc. President as of January 1, 2022; prior to this Vice President and Head of the Stockholm Business Area, employed 2006.

Holding in Hufvudstaden: 4,000 shares.

John Lethenström

Born 1972. MSc. Head of Property Development, employed 2017.

Holding in Hufvudstaden: –

Christine Lindgren

Born 1969. BA. Head of Human Resources, employed 2017.

Holding in Hufvudstaden: –.

Fredrik Ottosson

Born 1972. MSc. Head of the Gothenburg Business Area, employed 2016.

Holding in Hufvudstaden: 1,000 shares.

Åsa Roslund

Born 1966. MBA. Vice President as of January 1, 2022, Chief Financial Officer, employed 2005.

Holding in Hufvudstaden: 3,000 shares.

Bo Wikare

Born 1963. MSc. Vice President, Head of the NK Business Area, employed 1994.

Holding in Hufvudstaden: 3,062 shares.

Member of Group management from January 1, 2022

Karl Palm

Born 1984. B.Sc. in Engineering. Head of Business Development, employed 2014.

Holding in Hufvudstaden: 2,000 shares.

Frida Wijkström

Born 1976. MSc. Head of the Stockholm Business Area, employed 2018, formerly employed 2008–2015.

Holding in Hufvudstaden: –.



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

SENIOR EXECUTIVES



Multi-year review – Group

	2021	2020	2019	2018	2017
Income Statements, SEK m					
<i>Net revenue</i>					
Property management, gross	1,936	1,768	1,896	1,797	1,751
Rent revenue, intra-Group	-153	-44	-43	-42	-41
Property Management, net	1,783	1,724	1,853	1,755	1,710
Other segments	705	72	85	86	90
	2,488	1,796	1,938	1,841	1,800
<i>Operating expenses</i>					
Maintenance, operation and administration	-352	-325	-316	-307	-299
Ground rents	–	–	–	-22	-23
Property tax	-204	-201	-201	-166	-167
Depreciation	-6	-5	-6	–	–
Property management, expenses	-562	-531	-523	-495	-489
Other segments, gross	-735	-69	-53	-51	-51
Rental expenses, intra-Group	153	44	43	42	41
Other segments, net	-582	-25	-10	-9	-10
	-1,144	-556	-533	-504	-499
Gross profit	1,344	1,240	1,405	1,337	1,301
– of which Property management	1,221	1,193	1,330	1,260	1,221
– of which Other segments	123	47	75	77	80
Central administration	-58	-47	-49	-44	-41
Operating profit before changes in value and items affecting comparability	1,286	1,193	1,356	1,293	1,260
Items affecting comparability	–	36	–	–	-139
Changes in value, investment properties	2,579	-2,930	2,727	3,621	2,848
Changes in value, interest derivatives	–	–	4	26	62
Operating profit or loss	3,865	-1,702	4,087	4,940	4,031
Financial income and expense	-139	-132	-119	-120	-136
Profit or loss before tax	3,726	-1,833	3,968	4,820	3,895
Tax	-771	371	-822	-500	-860
Profit or loss for the year	2,955	-1,462	3,146	4,320	3,035
Balance Sheets, SEK m					
<i>Assets</i>					
Investment properties	48,790	45,636	47,681	44,089	39,730
Other non-current assets	863	874	861	37	20
Current assets	1,446	887	1,800	1,249	545
Total assets	51,099	47,397	50,342	45,375	40,295
<i>Equity and liabilities</i>					
Equity	31,066	28,617	31,383	29,000	25,402
Interest-bearing liabilities	9,916	9,370	9,110	7,350	6,200
Other liabilities and allocations	10,117	9,410	9,849	9,025	8,693
Total equity and liabilities	51,099	47,397	50,342	45,375	40,295
Property holdings					
Fair value, SEK bn	48.8	45.6	47.7	44.1	39.7
Tax assessment value, SEK bn	20.9	20.5	20.5	16.7	16.8
Rentable floor space, 1,000 sq m	386.5	386.8	384.2	384.5	384.7
Rental vacancy rate, %	7.3	8.2	5.0	2.6	3.9
Floor space vacancy rate, %	10.2	9.8	6.7	4.3	5.5
Investments in properties, SEK m	574	886	865	738	584
Surplus ratio, %	71	70	72	72	72
Net operating income, SEK per sq m ¹⁾	3,556	3,199	3,574	3,386	3,279

¹⁾ The calculation was based on the number of square metres at the year-end. Acquired properties are adjusted upwards to the value for the year. Before internal rent elimination.

MULTI-YEAR REVIEW – GROUP

	2021	2020	2019	2018	2017
Financial key ratios¹⁾					
Return on equity, %	9.9	-4.9	10.4	14.1	12.5
Return on capital employed, %	9.8	-4.3	10.7	14.7	13.2
Equity ratio, %	61	60	62	64	63
Interest coverage ratio, multiple	9.3	9.1	11.4	10.5	9.3
Debt/equity ratio, multiple	0.3	0.3	0.2	0.2	0.2
Net loan-to-value ratio, properties, %	17.9	18.8	15.5	14.2	14.6
Gross margin, %	54.0	69.0	72.5	72.6	72.3
Cash flow from current operations, SEK m	994	1,072	1,367	1,003	999
Cash flow for the year, SEK m	398	-923	635	676	-719
Average number of employees in the Group	416	140	135	127	118
Share data (no dilution effect)¹⁾					
Profit for the year, SEK	14.61	-7.13	15.25	20.94	14.71
Dividend, SEK	2.60 ²⁾	2.50	3.90	3.70	3.50
Dividend proportion, %	58 ²⁾	61	83	83	82
Equity, SEK	153.56	141.45	152.15	140.59	123.15
Fair value of properties, SEK	241.17	225.58	231.16	213.75	192.62
Cash flow from current operations, SEK	4.91	5.23	6.63	4.86	4.84
Cash flow for the year, SEK	1.97	-4.50	3.08	3.28	-3.49
Share price, series A, at the year-end, SEK	135.20	136.20	185.10	136.90	131.40
P/E ratio, multiple	9.3	-19.1	12.1	6.5	8.9
Share price series A/equity, %	88.0	96.3	121.7	97.4	106.7
Yield, %	1.9 ²⁾	1.8	2.1	2.7	2.7
Number of outstanding shares at the year-end	202,306,933	202,306,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	202,306,933	205,130,742	206,265,933	206,265,933	206,265,933
Total number of issued shares at the year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933
EPRA Performance Measures³⁾					
Earnings from property management after nominal tax (EPRA Earnings), SEK m	1,033	984	1,132	1,064	998
Earnings from property management after nominal tax per share (EPRA EPS), SEK	5.10	4.80	5.49	5.16	4.84
Net Reinstatement Value (EPRA NRV), SEK m	40,340.0	37,232.3	40,453.3	37,216.0	33,255.3
Net Reinstatement Value (EPRA NRV) per share, SEK	199	184	196	181	161
Net Tangible Assets (EPRA NTA), SEK m	37,992.3	35,014.4	38,181.2	35,210.7	31,447.3
Net Tangible Assets (EPRA NTA) per share, SEK	188	173	185	171	153
Net Disposal Value (EPRA NDV), SEK m	31,066.0	28,616.5	31,382.7	28,999.5	25,401.7
Net Disposal Value (EPRA NDV) per share, SEK	154	141	152	141	123
EPRA vacancy rate, %	5.9	6.7	1.7	1.3	2.4

¹⁾ The calculation was based on the number of square metres at the year-end. Acquired properties are adjusted upwards to the value for the year.

²⁾ In accordance with a proposal by the Board.

³⁾ Hufvudstaden presents certain financial measures ("alternative performance measures") that are not defined under IFRS. The purpose of these measures is to describe the company's development and improve comparability between periods. The key figures categorised as alternative performance measures are defined on page 131 and the derivations are found on pages 110–111.

Alternative performance measures

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the performance measures presented are

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

between periods. Definitions of performance measures are given under Definitions and Glossary, see page 131. Below is the derivation of alternative performance measures.

SEK m	2021	2020	2019	2018	2017
Net debt					
Non-current interest-bearing liabilities	7,000	6,200	6,700	5,700	3,700
Non-current lease liabilities	707	710	719	–	–
Current interest-bearing liabilities	2,200	2,450	1,650	1,650	2,500
Current lease liabilities	9	10	41	–	–
Cash and bank holdings	-1,182	-784	-1,706	-1,071	-395
Net debt	8,734	8,586	7,404	6,279	5,805
Equity ratio					
Equity	31,066	28,617	31,383	29,000	25,402
Total assets	51,099	47,397	50,342	45,375	40,295
Equity ratio, %	61	60	62	64	63
Net loan to value ratio, properties					
Interest-bearing liabilities	9,200	8,650	8,350	7,350	6,200
Lease liabilities	716	720	760	–	–
Interest-bearing assets	-1,182	-784	-1,706	-1,071	-395
Total	8,734	8,586	7,404	6,279	5,805
Carrying amount, properties	48,790	45,637	47,681	44,089	39,730
Net loan to value ratio, properties, %	17.9	18.8	15.5	14.2	14.6
Interest coverage ratio					
Profit or loss before tax	3,726	-1,833	3,968	4,820	3,895
Reversal of items affecting comparability and changes in value	-2,579	2,894	-2,731	-3,647	-2,771
Interest expense	139	132	119	123	136
Total	1,286	1,193	1,356	1,296	1,260
Interest expense	139	132	119	123	136
Interest coverage ratio, multiple	9.3	9.1	11.4	10.5	9.3

EPRA performance measures

SEK m	2021	2020	2019	2018	2017
Earnings from property management after nominal tax (EPRA Earnings)					
Operating profit before items affecting comparability and changes in value	1,286	1,193	1,356	1,293	1,259
Financial income and expense	-139	-132	-119	-120	-136
Earnings from property management	1,147	1,061	1,237	1,173	1,123
Current tax, earnings from property management	-115	-77	-105	-109	-125
Earnings from property management after nominal tax (EPRA Earnings)	1,032	984	1,132	1,064	998
Average number of outstanding shares, million	202.3	205.1	206.3	206.3	206.3
Earnings from property management after nominal tax per share (EPRA EPS), SEK	5.10	4.80	5.49	5.16	4.84
Net asset value (EPRA NRV/NTA/NDV)					
Equity according to the Balance Sheet	31,066	28,617	31,383	29,000	25,402
<i>Reversal</i>					
Derivatives according to the Balance Sheet	–	–	–	4	30
Deferred tax ¹⁾	9,274	8,616	9,071	8,213	7,823
Net Reinstatement Value (EPRA NRV)	40,340	37,232	40,453	37,216	33,255
Number of outstanding shares, million	202.3	202.3	206.3	206.3	206.3
Net Reinstatement Value (EPRA NRV) per share, SEK	199	184	196	181	161
<i>Deductions</i>					
Intangible assets	-97	-127	-71	-12	–
Estimated fair liability, deferred tax 5%	-2,251	-2,091	-2,202	-1,993	-1,778
Net Tangible Assets (EPRA NTA)	37,992	35,014	38,181	35,211	31,477
Number of outstanding shares, million	202.3	202.3	206.3	206.3	206.3
Net Tangible Assets (EPRA NTA) per share, SEK	188	173	185	171	153
<i>Reversal</i>					
Derivatives as above	–	–	–	-4	-30
Intangible assets as above	97	127	71	12	–
Deferred tax in its entirety	-7,023	-6,525	-6,869	-6,219	-6,045
Net Disposal Value (EPRA NDV)	31,066	28,617	31,383	29,000	25,402
Number of outstanding shares, million	202.3	202.3	206.3	206.3	206.3
Net Disposal Value (EPRA NDV) per share, SEK	154	141	152	141	123
Rental vacancy rate, excl. projects (EPRA vacancy rate)					
Rental value for vacant space, total	154	167	102	48	70
Rental value for vacant space, projects	29	29	67	23	26
Rental value, total	2,095	2,020	2,024	1,846	1,782
Rental vacancy rate, total, %	7.3	8.2	5.0	2.6	3.9
Rental vacancy rate, projects, %	1.4	1.5	3.3	1.3	1.5
Rental vacancy rate, excl. projects (EPRA vacancy rate), %	5.9	6.7	1.7	1.3	2.4

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

Business areas in figures

	Stockholm Business Area				NK Business Area				Gothenburg Business Area				Property management, total			
	2021		2020		2021		2020		2021		2020		2021		2020	
	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm	SEKm	SEK/sqm
Property holdings ¹⁾																
Gross rent, including charge for consumables (of which property tax supplement)	1,229.8	5,963	1,145.2	5,553	497.9	5,436	441.1	4,803	379.7	4,285	372.1	4,195	2,107.4	5,453	1,958.4	5,064
Rent losses on vacant space	111.8	542	105.1	510	37.6	410	37.4	407	27.6	311	29.1	328	177.0	458	171.6	444
Bad debt losses	-65.7	-319	-83.6	-405	-51.6	-563	-38.8	-423	-55.4	-625	-30.7	-346	-172.7	-447	-153.1	-396
Net sales	1,167.5	5,660	1,052.6	5,104	446.1	4,871	376.0	4,094	322.9	3,644	339.3	3,825	1,936.5	5,011	1,767.9	4,571
Maintenance	-14.7	-71	-14.4	-70	-6.4	-70	-6.7	-73	-5.2	-59	-5.9	-67	-26.3	-68	-27.0	-70
Operations	-68.9	-334	-62.5	-303	-111.3	-1,215	-95.1	-1,036	-39.6	-447	-39.2	-442	-219.8	-569	-196.8	-509
Administration	-47.8	-232	-46.5	-225	-39.1	-427	-35.6	-388	-19.4	-219	-19.2	-216	-106.3	-275	-101.3	-262
Property tax	-120.3	-583	-116.8	-566	-47.1	-514	-46.7	-509	-36.8	-415	-36.8	-415	-204.2	-528	-200.3	-518
Depreciation	-0.8	-4	-0.3	-1	-4.6	-50	-4.5	-49	-0.4	-5	-0.3	-3	-5.8	-15	-5.1	-13
Total property expenses	-252.5	-1,224	-240.5	-1,165	-208.5	-2,276	-188.6	-2,055	-101.4	-1,145	-101.4	-1,143	-562.4	-1,455	-530.5	-1,372
Gross operating profit	915.0	4,436	812.1	3,939	237.6	2,595	187.4	2,039	221.5	2,499	237.9	2,682	1,374.1	3,556	1,237.4	3,199

¹⁾ Stated before intra-Group rent elimination and pertains to a comparable portfolio.

Property data	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31	2021	2020	2021	2020	2021	2020	2021	2020
Number of properties	22	22	3	3	4	4	29	29
Floor space, sq m	206,251	206,227	91,597	91,829	88,619	88,703	386,467	386,759
– offices	133,043	133,077	16,010	16,200	50,356	50,518	199,409	199,795
– retail and restaurants	42,107	42,254	37,714	37,787	31,094	31,261	110,915	111,302
Annual rent, SEK m	1,245	1,203	487	472	363	345	2,095	2,020
Rental vacancy rate, %	5.0	5.8	7.1	10.5	15.9	13.7	7.3	8.2
Floor space vacancy rate, %	6.8	6.8	6.7	9.0	21.9	17.9	10.2	9.8
Total rentable parking spaces	619	619	665	660	51	51	1,335	1,330

Rentable space and annual rent	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31, 2021	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m
Offices	133,043	884	16,010	88	50,356	168	199,409	1,140
Retail and restaurants	42,107	316	37,714	339	31,094	181	110,915	836
Storage and miscellaneous	12,138	21	16,359	32	5,115	11	33,612	64
Parking	18,468	23	21,514	28	1,275	2	41,257	53
Residential	495	1	0	0	779	1	1,274	2
Total	206,251	1,245	91,597	487	88,619	363	386,467	2,095

Floor space vacancy rate and rental vacancy rate	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
December 31, 2021	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m
Offices	8,703	49.3	274	0.7	13,819	38.9	22,796	88.9
Retail and restaurants	1,302	7.2	4,410	29.5	3,243	14.5	8,955	51.2
Storage and miscellaneous	3,158	4.1	1,455	4.1	1,821	3.4	6,434	11.6
Parking	848	1.1	0	0.0	125	0.4	973	1.5
Residential	0	0.0	0	0.0	423	0.5	423	0.5
Total	14,011	61.7	6,139	34.3	19,431	57.7	39,581	153.7

BUSINESS AREAS IN FIGURES

Maturity analysis ^{1) 2) 3)} December 31, 2021

Number of leases	2022	2023	2024	2025	2026	2027–	Total
Stockholm Business Area							
Offices	49	51	49	34	21	13	217
Retail	16	23	24	21	15	6	105
Other	354	151	89	63	28	29	714
Total	419	225	162	118	64	48	1,036
Proportion, %	40.4	21.7	15.7	11.4	6.2	4.6	100.0
NK Business Area							
Offices	5	3	1	2	2	3	16
Retail	31	27	29	12	4	1	104
Other	60	33	30	11	4	4	142
Total	96	63	60	25	10	8	262
Proportion, %	36.6	24.1	22.9	9.5	3.8	3.1	100.0
Gothenburg Business Area							
Offices	3	6	5	2	2	10	28
Retail	26	11	17	7	4	5	70
Other	42	24	22	7	4	10	109
Total	71	41	44	16	10	25	207
Proportion, %	34.3	19.8	21.3	7.7	4.8	12.1	100.0
Hufvudstaden, total							
Offices	57	60	55	38	25	26	261
Retail	73	61	70	40	23	12	279
Other	456	208	141	81	36	43	965
Total	586	329	266	159	84	81	1,505
Proportion, %	38.9	21.9	17.7	10.6	5.6	5.3	100.0

Annual rent, SEK m	2022	2023	2024	2025	2026	2027–	Total
Stockholm Business Area							
Offices	116.2	165.6	232.7	109.0	104.3	145.6	873.4
Retail	27.8	51.7	55.5	57.9	53.6	21.7	268.2
Other	15.9	8.6	7.7	10.2	8.8	26.9	78.1
Total	159.9	225.9	295.9	177.1	166.7	194.2	1,219.7
Proportion, %	13.1	18.5	24.3	14.5	13.7	15.9	100.0
NK Business Area							
Offices	6.2	8.1	18.5	8.3	13.8	32.5	87.4
Retail	35.8	49.9	46.0	22.7	21.4	6.0	181.8
Other	5.4	7.8	9.0	3.0	1.9	0.2	27.3
Total	47.4	65.8	73.5	34.0	37.1	38.7	296.5
Proportion, %	16.0	22.2	24.8	11.5	12.5	13.0	100.0
Gothenburg Business Area							
Offices	3.6	19.0	14.0	4.5	6.6	71.7	119.4
Retail	42.0	22.3	42.2	16.6	7.1	26.7	156.9
Other	6.9	5.4	5.7	0.3	0.7	1.6	20.6
Total	52.5	46.7	61.9	21.4	14.4	100.0	296.9
Proportion, %	17.7	15.7	20.8	7.2	4.9	33.7	100.0
Hufvudstaden, total							
Offices	126.0	192.7	265.2	121.8	124.7	249.8	1,080.2
Retail	105.6	123.9	143.7	97.2	82.1	54.4	606.9
Other	28.2	21.8	22.4	13.5	11.4	28.7	126.0
Total	259.8	338.4	431.3	232.5	218.2	332.9	1,813.1
Proportion, %	14.3	18.7	23.8	12.8	12.0	18.4	100.0

¹⁾ Including leases signed for future occupation/implementation, whereupon the corresponding current rent has been excluded.

²⁾ Excluding vacant floor space and floor space which are used by companies within the Group.

³⁾ Excluding residential leases.

Properties

Property designation	Address	Site area, sq m	Year of purchase	Year of construction/ redevelopment	Tax assessment 2021, SEK m	Rentable space, sq m								Total
						Offices	Retail	Restaurants	Cinemas	Storage	Parking	Residential	Other	
STOCKHOLM BUSINESS AREA														
Kungsgatan Management Area														
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	433.0	4,968	1,899			210				7,077
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	488.0	6,403	1,809			996				9,208
Kåkenhusen 40	Brunnsgatan 1–9, Norrlandsgatan 29–33, Kungsgatan 4–10	4,934	1921/2011	1926/28/30/32/84/85/89/91	1,334.0	17,088	2,987	1,668		821				22,564
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 27–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,585.0	20,773	5,069			2,025	1,612		5	29,484
Total		11,830			3,840.0	49,232	11,764	1,668	–	4,052	1,612	–	5	68,333
Norrmalmstorg Management Area														
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	257.0	2,876	372	453		281	726			4,708
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	459.0	2,808	1,324	2,839		99				7,070
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	269.0	2,461	493	144		342				3,440
Norrmalm 2:63 ²⁾	Norrmalmstorg		1992	1993	15.4			194						194
Packarhuset 4 ^{1),3)}	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,220.0	11,204	3,654			499				15,357
Pumpstocken 10 ¹⁾	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78/91/2000	1865/97/1901/29/84/96/97/2006	964.9	7,811	3,889	499		75		192	1	12,467
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	221.0	1,997	750			28				2,775
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	218.0	1,628	809	474		2				2,913
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	537.0	4,864	1,441	375		272				6,952
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39/2007	1902/42/64/90/2002	800.0	7,836	2,103			509	836			11,284
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001/20	1,102.0	10,966	1,682			384	737			13,769
Vildmannen 7 ^{1),4)}	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	164.0									–
Total		17,663			6,227.3	54,451	16,517	4,978	–	2,491	2,299	192	1	80,929
West Management Area														
Achilles 1 ⁵⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	1600-talet/1974	182.0	4,014	460			484				4,958
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkog. 12	1,662	1923	1911/91	315.0	7,614	379	263		877				9,133
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	155.0	2,756				8				2,764
Medusa 1 ^{1),6)}	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	90.8	1,286	242	271		104		303		2,206
Orgelpipan 7 ⁷⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsg. 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	1,089.0	9,961	3,421	1,969		1,661	13,450		1	30,463
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	271.0	3,729	175		1,893	562	1,107			7,465
Total		12,075			2,102.8	29,360	4,677	2,503	1,893	3,696	14,557	303	1	56,989
Total, Stockholm Business Area		41,568			12,170.1	133,043	32,958	9,149	1,893	10,238	18,468	495	7	206,251

PROPERTIES

						Rentable space, sq m								
Property designation	Address	Site area, sq m	Year of purchase	Year of construction/ redevelopment	Tax assessment 2021, SEKm	Offices	Retail	Restaurants	Cinemas	Storage	Parking	Residential	Other	Total
NK BUSINESS AREA														
NK Management Area, Stockholm														
Hästen 19 ^{1), 9)} and 20 ^{8), 9)} , Spektern 14 ^{8), 9)}	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	3,231.0	11,119	22,106	2,327		3,829			16	39,397
NK Management Area, Gothenburg														
Inom Vallgraven 10:9 ⁹⁾	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	777.0	4,891	10,054	599		895			4	16,443
Parkaden Management Area														
Hästskon 10 ^{1), 10)}	Regeringsgatan 47–55, Mäster Samuelsg. 29–33	4,921	1977	1964/95	972.8		1,913	715		11,614	21,514		1	35,757
Total, NK Business Area		18,316			4,980.8	16,010	34,073	3,641	–	16,338	21,514	–	21	91,597
GOTHENBURG BUSINESS AREA														
Gothenburg Management Area														
Inom Vallgraven 3:2 ¹¹⁾	Stora Nygatan 17, Lilla Drottninggatan 3	784	2016	1856	32.4	1,230	262			72				1,564
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	372.0	10,393	3,278	589		914	1,275			16,449
Inom Vallgraven 12:11	Drottninggatan 50–52, Södra Hamngatan 45–47, Fredsgatan 2–4	2,138	1967/2010/11	1875/1929/30	206.8	1,823	1,709			393		779		4,704
Nordstaden 8:24	Postgatan 26–32 och 39–43, Nordstadstorget 2–8, Spannmålsgatan 19, Nils Ericsonsgatan 17, Götgatan 9–11, Köpmansgatan 28–34, Östra Hamngatan 26–28	12,678	1979/2013	1972/2005/11	2,790.0	36,910	23,486	1,770		3,667			69	65,902
Nordstaden GA:5 ¹²⁾	Nordstadstorget med flera				319.5									–
Total, Gothenburg Business Area		19,757			3,720.7	50,356	28,735	2,359	–	5,046	1,275	779	69	88,619
TOTALT		79,641			20,871.6	199,409	95,766	15,149	1,893	31,622	41,257	1,274	97	386,467

- ¹⁾ The property is classified as being of cultural and historical importance.
- ²⁾ The property is held on a lease.
- ³⁾ Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- ⁴⁾ The property was ravaged by a fire on November 7, 2017 and much of the building was destroyed.
- ⁵⁾ The property is a listed building.
- ⁶⁾ Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- ⁷⁾ Orgelpipan 7 is a leasehold property. The ground rent is SEK 12.8 million, fixed until October 31, 2024. The tax assessment value of the land is included to the amount of SEK 573.0 million.
- ⁸⁾ Hästen 20 and Spektern 14 are leasehold properties. The ground rent for Hästen 20 is SEK 3.3 million, fixed until April 30, 2022. The ground rent for Spektern 14 is SEK 1.4 million, fixed until September 30, 2025. The tax assessment value of the land is included to the amount of SEK 770 million.
- ⁹⁾ Owned by the subsidiary AB Nordiska Kompaniet.
- ¹⁰⁾ Owned by the subsidiary AB Hamnsgatgaraget. Hästskon 10 is a leasehold property and the ground rent is SEK 4.4 million, fixed until August 31, 2024. The tax assessment value of the land is included to the amount of SEK 814.5 million. A review of the tax assessments for 2013 and 2016 has been requested. Part of the rentable floor space is now included in the NK department store in Stockholm.
- ¹¹⁾ Owned by the subsidiary Gbg Inom Vallgraven 3–2 AB.
- ¹²⁾ The property is jointly owned and includes parking operations, certain leasing of premises, as well as servicing and maintenance of pedestrian precincts, loading areas, cooling systems and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.

For maps and photographs, see pages 18–20.



”

*Sustainability
is a cornerstone in
everything we do.*

← Demand is extensive for modern, flexible and high-quality offices in attractive locations.

→ The environments surrounding our properties are developed to create vibrant and attractive shopping and meeting places, often in partnership with other property owners and local authorities.



Detailed sustainability information

About Hufvudstaden's Sustainability Report

Hufvudstaden's Sustainability Report is incorporated in Hufvudstaden's Annual Report. The detailed sustainability information provides supplementary information on the sustainability work and performance measures. The Sustainability Report is based on stakeholder dialogues conducted and a materiality analysis. The Sustainability Report has been prepared in accordance with the GRI standards, Core level. This is Hufvudstaden's eleventh sustainability report in accordance with the GRI guidelines for reporting sustainability information. Hufvudstaden reports detailed sustainability performance measures in accordance with sBPR (Best Practices Recommendations on Sustainability Reporting, third version) published by EPRA (European Public Real Estate Association). Hufvudstaden's Sustainability Report comprises pages 10–12, 40–52, 59, 63–65 and 118–128 and is also Hufvudstaden's statutory sustainability report.

Hufvudstaden's Sustainability Report follows Hufvudstaden's financial year. The Sustainability Report is published annually. The previous Sustainability Report was published in March 2021. The Sustainability Report for 2021 was reviewed by a third party.

Scope and limitation

The Sustainability Report comprises all companies in Hufvudstaden. The Report primarily comprises the operations that have a significant and direct impact from a sustainability perspective, meaning Hufvudstaden's own operations. During 2021, NK Retail was acquired, which affects Hufvudstaden's Sustainability Report. NK Retail operates in the areas of fashion, cosmetics and jewellery. Information about these is presented when it is significant for an overall view of Hufvudstaden's sustainability work, for example, when it relates to:

- Emissions
- Supplier audits
- Employees

Operations that are outside Hufvudstaden's direct control, such as suppliers or customers, are not included in the Report. Information about the management and requirements placed on Hufvudstaden's suppliers is included in the Report where relevant.

Sustainability management at Hufvudstaden

Sustainability is one of Hufvudstaden's overall strategic priorities. Carefully planned and ambitious sustainability work is an integral part of Hufvudstaden's strategy for attaining financial and operational objectives. Sustainability work is integrated in the processes for governance and monitoring of the company's operations. Hufvudstaden's management decides the company's strategies, policies and sustainability goals. The president is ultimately responsible for the results of the sustainability work. Hufvudstaden's Head of Sustainability prepares the sustainability targets and coordinates our sustainability work towards the targets set in cooperation with the Hufvudstaden Sustainability Council. The Hufvudstaden Sustainability Council was established in 2018 and is led by the Head of Sustainability. The task of the Sustainability Council is to develop, co-ordinate and

monitor the sustainability work, which includes climate risks and opportunities. The Sustainability Council currently comprises five members, of whom three are members of Hufvudstaden's Group management. The Head of Sustainability reports continuously to the Head of Property Development, who is a member of the Senior Executives. Furthermore, the Head of Sustainability informs the entire Group management about the sustainability work several times a year. The current operations track targets and follow procedures and drive our sustainability work forward.

Hufvudstaden's Board monitors the company's sustainability work and is continuously updated on the progress of the sustainability work. Sustainability risks, including climate-related risks and opportunities, are reviewed annually and reported to the Board of Directors.

Employees, at year-end

102-7, 102-8

	Total, Group	Property operations	NK Retail	Total, Group
Employees, head count ¹⁾	2021	2021	2021	2020
Total number of employees	560	151	409	144
<i>Women</i>				
Number of permanent employees	382	76	306	63
of whom, Full-time	140	73	67	60
of whom, Part-time	242	3	239	3
Number of temporary employees	41	3	38	6
<i>Men</i>				
Number of permanent employees	126	71	55	75
of whom, Full-time	88	71	17	75
of whom, Part-time	38	0	38	0
Number of temporary employees	11	1	10	0

¹⁾ Total number of employees.

	Total, Group	Property operations	NK Retail
Employees, FTE ²⁾	2021	2021	2021
Total number of employees	432	150	282
of whom, women	317	78	239
of whom, men	115	72	43

²⁾ Restated as full-time equivalents on an annual basis.

Sustainability tools and frameworks

External initiatives endorsed by the organisation

102-12

Hufvudstaden's sustainability work is based on the ten principles of the UN Global Compact and the UN Sustainable Development Goals. The principles and the goals imbue our values and our guiding documents, such as our sustainability plan, our Code of Conduct and our policies. Hufvudstaden applies the Global Reporting Initiative (GRI) and the guidelines of the European Public Real Estate Association (EPRA).

Other initiatives endorsed by Hufvudstaden: Fossil-Free Sweden – Roadmap to Fossil-Free Heating 2045, Byggarvedömningen and the Task Force on Climate-related Financial Disclosures (TCFD).

Values, principles, standards and norms of behaviour 102-16

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

Hufvudstaden's policy documents

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

Hufvudstaden's policies and Code of Conduct

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

All employees undergo training related to our Code of Conduct. Dilemmas and problems are regularly discussed on introduction days, at employee conferences and at departmental meetings. We have prioritised continuous training of employees about our Code of Conduct and maintaining dialogue on ethical issues. NK Retail has its own introductory program for employees which includes selected policies.

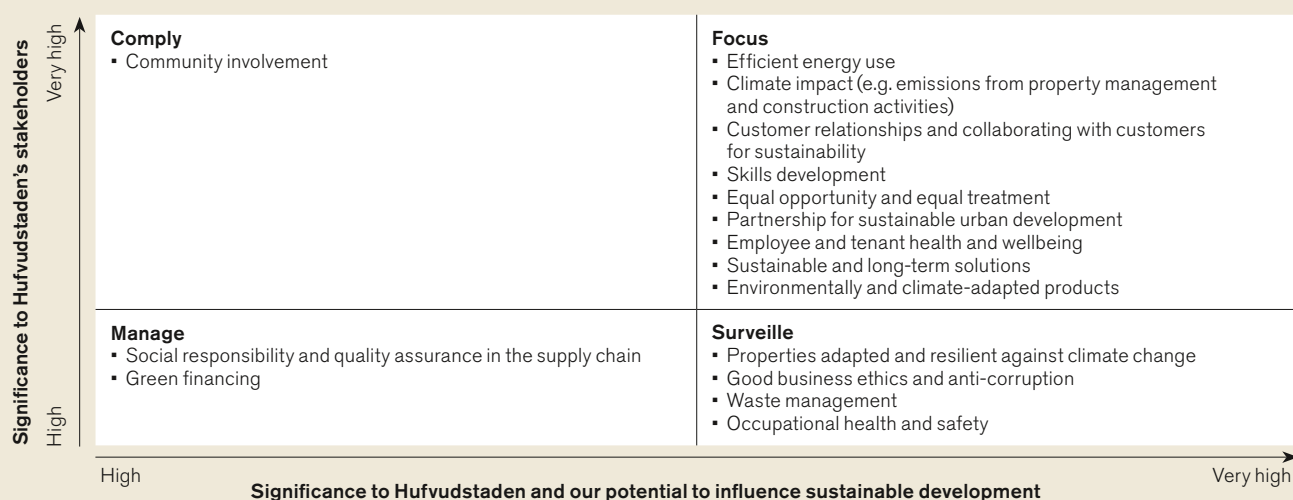
Stakeholder engagement

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

We engage in ongoing dialogue with these groups to further develop our sustainability work and ensure that we are working on the topics that are most material to the company. We also carried specific stakeholder engagement initiatives in 2018 wherein a number of representatives from each stakeholder group were selected and contacted for an interview. In our daily contact with tenants, employees and suppliers we have ongoing dialogue within the sustainability subject. We plan to review the stakeholder analysis during 2022 to include NK Retail.

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

HUFVUDSTADEN'S MATERIALITY ANALYSIS



Materiality analysis

102-46, 102-47

In 2018, Hufvudstaden conducted a general materiality analysis. The materiality analysis was significantly enhanced in 2020 in conjunction with the preparation of Hufvudstaden's sustainability plan. Verifying the relevance of the materiality analysis is a continuous effort and part of confirming that Hufvudstaden's actual impact and strategic objectives align with stakeholder expectations.

In the context of engagement with our main stakeholders during the year, it emerged that their expectations relating to matters of climate impact, climate-related risks and opportunities and risks in the supply chain are rising. The areas of sustainability deemed to be the most significant are set out above in the materiality analysis. Hufvudstaden's actual impact on the external environment did not change appreciably during the year. However, the acquisition of NK Retail did affect the materiality analysis. We plan to review the materiality analysis during 2022 to include NK Retail.

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

Economic value generated and distributed

201-1

As a company, we affect the economy in a variety of ways, including taxes and payments to business partners as well as salaries, pensions and social insurance contributions for our employees. The following table shows how Hufvudstaden's revenue during 2021 was distributed among various stakeholder groups.

SEK m	Stakeholders	2021	2020
Value created		2,488	1,796
Revenue	Customers	2,488	1,796
Distributed value		1,957	1,638
Employees ¹⁾	Employees, state (society)	317	160
Interest	Financiers	139	132
Taxes	State (society)	314	299
Dividends	Owners	506	804
Other operating expenses	Suppliers	681	243
Retained economic value		531	158

¹⁾ Includes all staff costs (salaries, employer's contributions, payroll tax, pension expenses, training, etc.).

Anti-corruption

205-3

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

and investigated as soon as possible. Hufvudstaden has a whistleblower service that can be accessed from our website and the intranet. NK Retail has its own whistleblower service, which employees can access internally. Both services make it possible for people to report suspicions of corruption, bribery and other breaches via an external party. During the year, no cases were reported to the whistleblower service.

Membership of associations

102-13

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

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

Sustainability surveys and awards

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

This year, more than 1,500 companies participated in GRESB and Hufvudstaden placed first among European companies in its peer group. The peer group against which Hufvudstaden was compared is not official. We were awarded five stars in the annual GRESB ranking of ESG performance in the real estate sector and were named overall ESG Regional Sector Leader in recognition of our sector leadership in sustainability.

Hufvudstaden is an EPRA sBPR (European Public Real Estate Association) silver medallist. This is an international award that establishes how well companies measure up to EPRA's recommendations for sustainability reporting in the property sector. One of the aims of the award is to improve the standard and increase the transparency of sustainability reporting.

ENVIRONMENTAL

Energy consumption

302-1, 302-3

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

Direct energy consumption

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

Indirect energy consumption

All data is exclusive of tenant electricity.

Type of energy	EPRA code	Energy consumption		Proportion of non-fossil energy consumption, %	
		2021	2020	2021	2020
District heating, normal year-adjusted, MWh		17,398	16,096	96	99
District cooling, MWh		4,344	4,008	100	100
Total district heating and district cooling, normal year-adjusted, MWh	DH&C-Abs, DH&C-Lfl	21,742	20,104	97	99
Property electricity, MWh	Elec-Abs, Elec-Lfl	19,528	19,765	100	100
Total energy consumption, normal year-adjusted, MWh		41,270	39,869	98	100
Energy intensity, normal year-adjusted, kWh/sq m	Energy-int	91	88 ¹⁾	98	100
Total energy consumption, non-normal year-adjusted, MWh		41,042	37,069	96	100

¹⁾ The value for 2020 was adjusted due to a new calculation method for a-temp space.

Climate-neutral property management 2025

Hufvudstaden's target is to achieve climate-neutral property management by 2025. The implications of the target are that net emissions of greenhouse gases must be zero and include the emissions generated within the confines of our own operations. These include emissions from our own vehicles and refrigerants (Scope 1) and purchased energy (Scope 2). We have

also chosen to include business travel (Scope 3) within the framework of climate-neutral property management. The first step is to reduce actual emissions. Climate compensation is permitted to neutralise the emissions that cannot be entirely eliminated.

DETAILED SUSTAINABILITY INFORMATION

Climate emissions

305-1 – 305-4

GHG-Dir-Abs, GHG-Indir-Abs, GHG-Int

Greenhouse gas (GHG) emissions are calculated based on the international guidelines set out in the GHG Protocol. Hufvudstaden's method for calculating GHG emissions has been verified by a third party.

Calculation of climate emissions

As GHG emissions come from several different sources, these are summarised in the term "climate emissions." To enable the comparison of greenhouse gases, they have been recalculated as carbon dioxide equivalents (CO₂e).

The calculations of Hufvudstaden's climate emissions (CO₂e) are continuously developed to achieve better performance measures and to include more emission items. 2021 was the first year in which Hufvudstaden publicly reported Scope 3 emissions. The year's calculation pertains to the most significant emissions included in our overall targets. The emissions in Scope 3 that are included in the year's calculation and have been added since the preceding year's calculation are: adaptations, major development projects (new-build and extension

projects) in the construction operations, waste management, indirect emissions by energy providers and emissions related to NK Retail's operations. For Scope 3, part of the report is based on actual data and part on standard amounts. For the calculation of emissions related to construction activities, in particular, there is little availability of reliable data and, accordingly, Hufvudstaden used generic values and standard amounts. Most Scope 3 amounts have been rounded to the nearest sum of ten or a hundred.

Most of NK Retail's climate emissions are included in Hufvudstaden's emissions, since NK Retail leases retail space in the NK department stores and office space in one of Hufvudstaden's properties. Special climate emissions reported for NK Retail in 2021 were indirect emissions (Scope 3) for energy use in a leased warehouse and transport between warehouse and department store. A significant part of NK Retail's climate impact is deemed to derive from the production of the products sold by NK Retail. NK Retail has no production of its own, but purchases these products from suppliers globally. Due to its complexity, this emission has not been calculated. Transport of the products from suppliers to NK Retail's warehouse is not currently included either.

Climate emissions, tonnes CO ₂ e		EPRA code	2021	2020
Direct, tonnes CO₂e	Scope 1	GHG-Dir-Abs	19	329
Refrigerants			17	315
Cars in service			2	14
Indirect emissions for production of purchased energy	Scope 2	GHG-Indir-Abs	770	630
Electricity			0	0
District heating			770	630
District cooling			0	0
Other indirect emissions	Scope 3	GHG-Indir-Abs	3,092	
Property operations	Scope 3 Property operations		3,022	
Adaptations	Scope 3 Property operations		1,600	
Major development projects	Scope 3 Property operations		900	
Waste from tenants	Scope 3 Property operations		40	
Waste from construction projects	Scope 3 Property operations		300	
Property energy ¹⁾	Scope 3 Property operations		180	
Business travel	Scope 3 Property operations		2	
NK Retail²⁾	Scope 3 NK Retail		70	
Total	Scope 1+2+3		3,881	
Performance measures			2021	2020
Carbon dioxide intensity, kg/sq m	Scope 1+2	GHG-Int	1.7	2.1 ³⁾
Climate-neutral property management, tonnes CO ₂ e	Scope 1 + 2 + business travel		791	961
Scope 2 according to optional methods			2021	2020
Market-based valuation ⁴⁾ (Market based)			770	630
Location-based valuation ⁵⁾ (Location based)			3,675	3,886

¹⁾ Indirect energy and fuel-related emissions

²⁾ Specific emissions from NK Retail's operations that are not included in other data for Hufvudstaden

³⁾ The value for 2020 was adjusted due to a new calculation method for a-temp space

⁴⁾ Scope 2 emissions, for which the climate impact of purchased electricity is calculated on the basis of guarantees of origin

⁵⁾ Scope 2 emissions, for which the climate impact of purchased electricity is calculated on the basis the average Nordic mix

Explanation of calculations:

Adaptation: Pertains to indirect emissions from adaptations completed during the year. To calculate emissions from adaptations, we used a typical Hufvudstaden adaptation as a basis, with all inherent components, and then calculated the emissions from these. Most of the construction materials or products used have no reliable emissions data. In these cases, we have used generic data. Based on the calculation, the climate impact of a typical adaptation is 80 kg CO₂e per square metre and 22 kg CO₂e per square metre for a minor adaptation. The concluding projects for the year were organised into small and large projects. The emissions only pertain to climate impact for inherent construction materials.

Major development projects: Pertain to indirect emissions from inherent construction materials for large projects, such as expansions or redevelopment. For the year, only emissions from Vildmannen 7 is reported.

Waste from tenants: Indirect emissions from tenants. Calculated using standard values based on reported amounts.

Waste from construction projects: Indirect emissions from construction and demolition waste. Calculated using standard values based on reported amounts.

Biogenic emissions: Biogenic emissions were not taken into account.

Property energy: Pertains to indirect energy and fuel-related emissions.

NK Retail: Pertains to indirect emissions from leased warehouse and transport between warehouse and NK department stores.

Business travel: Pertains to indirect emissions from air and train travel. All travel is calculated based on the Stockholm-Gothenburg route.

DETAILED SUSTAINABILITY INFORMATION

Scope	Conversion factor
Scope 1	Cars in service: 151 g/km
Scope 1	Refrigerants: IPCC AR5
Scope 2	Origin-labelled renewable electricity: 0 tonnes CO ₂ e/MWh1)
Scope 2	Documentation for district heating and cooling produced by Stockholm Exergi and Göteborg Energi.
Scope 3	Adaptations: Large projects 80 kg CO ₂ e/sq m. Small projects 22 kg CO ₂ e/sq m.
Scope 3	Major development projects: Documentation from materials supplier.
Scope 3	Waste from tenants and construction projects: Based on statistics from suppliers. Emissions factors from DEFRA.
Scope 3	Property energy: Documentation from respective energy provider.
Scope 3	Business travel: Train 0.0039 g CO ₂ e/km. Emissions factor Air travel (Stockholm-Gothenburg) from ICAO 38.9 kg CO ₂ e. Consideration was given to the altitude effect for air travel, by an RFI factor of 1.9.
Scope 3	NK Retail: Documentation for district heating from Södertörns Fjärrvärme. Emissions factors for transport obtained from NTM.

Water

Water-Abs, Water-Lfl, Water-Int

Hufvudstaden reports water data based on EPRA guidelines.

We are party to most water supply agreements used by tenants. Reporting of water consumption thus includes water used in property operation and water used by tenants in their operations.

Water consumption	EPRA code	2021	2020
Municipal water, m ³	Water-Abs, Water-Lfl	187,795	196,614
Water intensity, m ³ /sq m	Water-Int	0.41	0.43 ¹⁾

¹⁾ The value for 2020 was adjusted due to a new calculation method for a-temp space.

Waste

306-1 – 306-5

Waste-Abs, Waste-Lfl

Hufvudstaden reports waste data based on EPRA guidelines. We report data for waste volumes managed by Hufvudstaden for which the company has waste disposal contracts. As sorted waste is managed mainly by tenants, we do not have complete statistics on the properties' waste management. Complete statistics regarding combustible waste are not available from our suppliers for several properties. Estimated figures are used for these properties. For the properties where we have control of the majority of the waste, we can report a recycling rate of approximately 36 per cent. For the projects we have reliable statistics over construction and demolition waste, the sorting rate is approximately 90 per cent.

Type of waste, tonnes	2021	2020
Non-hazardous waste		
Combustible waste	1,196	1,397
Cardboard	337	291
Organic waste	26	30
Plastic	37	28
Glass	75	50
Recycling of other materials	61	37
Hazardous waste		
Electronics	9	9
Other hazardous waste	5	5
Total waste	1,746	1,847

Supplier environmental assessment

308-1, 414-1

Hufvudstaden's main suppliers are primarily in the construction and property maintenance sectors. In connection with all building projects and general agreements, contractors are selected on the basis of social and environmental sustainability criteria. We also impose high sustainability requirements for purchases of goods and services. The requirements are based on our Code of Conduct, augmented by requirements in the areas of health and safety, employment conditions and the environment, which includes the precautionary principle. Health and safety is a particular priority because building and maintenance work can be risky. Everyone who works on behalf of Hufvudstaden must, regardless of who is the employer, have terms and conditions of employment and a work environment that as a minimum comply with current legislation. To ensure compliance with our requirements for projects and day-to-day operations, we have our own project managers and property managers who procure, manage and inspect construction projects. To further examine and ensure that our suppliers and contractors are complying with our requirements, we carry out annual internal and third-party audits. We perform continuous audits of major development projects to ensure compliance with environmental and health and safety standards. A development project related to monitoring of Hufvudstaden's suppliers continued during the year. The target is that all of Hufvudstaden's main suppliers will undergo an annual sustainability assessment. During the year, 77 per cent of Hufvudstaden's main suppliers were assessed from a sustainability perspective.

Environmental targets and environmental criteria in connection with redevelopment, new production, tenant customisation and maintenance are listed in Hufvudstaden's Environmental Programme. This is aimed at ensuring that Hufvudstaden's environmental criteria are met and that environmental impacts are minimised. Contractors and suppliers that work for Hufvudstaden are responsible for meeting the environmental targets and criteria stated in the Environmental Programme and are required to read and comply with Hufvudstaden's Code of Conduct. Environmental work must be carried out in partnership with the project management, planners and contractors and environmental topics must be a standing item on the agenda at planning and construction meetings.

NK Retail's main suppliers are primarily in the areas of fashion, beauty and jewellery. NK Retail has no production of its own, but operates as a retailer. Accordingly, NK Retail has a low level of control over the production of the individual brands. To ensure and promote a more sustainable supply chain, NK Retail has revised its supplier demands, NK Retail's sustainability appendix, during the year. All suppliers must sign the sustainability appendix, which is an appendix to the main agreement. The foundation of the sustainability appendix is NK's range standard and comprises, for example, requirements relating to human rights, work conditions in production, animal rights, chemicals and some product-specific requirements. Wherever NK Retail requires specific certification or other third-party assurance, these are checked in the purchasing process. In 2021, 81 per cent of NK Retail's suppliers signed the sustainability appendix.

DETAILED SUSTAINABILITY INFORMATION

Green building certified properties

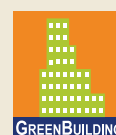
Cert-Tot

At year-end, 72 per cent of Hufvudstaden's property holdings were environmentally certified, of which 15 per cent by the Sweden Green Building Council, 53 per cent by BREEAM In-Use and 4 per cent by GreenBuilding. In total, we have 330,427 square metres of certified floor space. During the year, the Skären 9, Pumpstocken 10 and Grönlandet Södra 11 properties in Stockholm were certified in accordance with BREEAM In Use.

The certification process provides us an independent audit to determine whether the building meets energy, indoor environment and materials standards. Future major expansion and redevelopment projects will be certified according to one of the generally accepted certification systems. The aim is to certify all properties by 2025 at the latest.



Hästhuvudet 13
Orgelpipan 7
Oxhuvudet 18



Packarhuset 4



Grönlandet Södra 11
Kåkenhusen 40
NK Gothenburg
NK Stockholm
Nordstaden 8:24
Pumpstocken 10
Skären 9

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Environmental compliance

307-1

No significant fines or non-monetary sanctions were imposed on Hufvudstaden during 2021.

EMPLOYEES

Employee turnover

401-1

Emp-Turnover

	Total, Group		Property operations		NK Retail		Total, Group	
	2021		2021		2021		2020	
Employee turnover	Women	Men	Women	Men	Women	Men	Women	Men
New employee hires, number								
Aged <30	68	17	4	3	64	14	6	1
Aged 30–50	35	9	11	2	24	7	8	6
Aged >50	16	4	1	1	15	3	1	1
Total	119	30	16	6	103	24	15	8
Proportion of new employees, %	21	5	11	4	25	6	10	6
Employees who have left the company, number								
Aged <30	15	6	0	4	15	2	2	0
Aged 30–50	26	9	5	4	21	5	1	4
Aged >50	11	3	1	1	10	2	3	4
Total	52	18	6	9	46	9	6	8
Proportion of employees who have left the company, %	9	3	4	6	11	2	4	6
Employee turnover, %	13	13	8	12	14	15	9	11

Diversity and equal opportunity

405-1

Diversity-Emp

	Total, Group		Property operations		NK Retail		Total, Group	
	2021		2021		2021		2020	
Diversity and equal opportunity, %	Women	Men	Women	Men	Women	Men	Women	Men
Board of directors								
Aged <30	0	0	0	0			0	0
Aged 30–50	11	0	11	0			22	0
Aged >50	22	67	22	67			11	67
Group management								
Aged <30	0	0	0	0			0	0
Aged 30–50	0	29	0	29			0	50
Aged >50	29	42	29	42			25	25
Other employees								
Aged <30	17	7	7	6	20	7	7	8
Aged 30–50	40	12	31	24	43	8	29	29
Aged >50	19	5	15	17	21	1	13	14

Hufvudstaden does not track diversity indicators such as religious affiliation or ethnicity among employees.

Non-discrimination

406-1

During the year, one case of suspected discrimination came to Hufvudstaden's attention. Following an investigation with the help of a third party, this was not deemed to be a case of discrimination and the case was dismissed.

Health and Safety

403-1 – 403-7

H&S-Emp

As Hufvudstaden complies with the Swedish Work Environment Act, the company has a Health and Safety Group, a Health and Safety Policy and a Health and Safety representative as required under the law. Responsibility and duties are delegated according to established delegation rules. Should any hazardous working situations arise, employees are instructed to contact their line managers first. Safety representatives act as a safeguard to protect employees. Systematic health and safety management is also designed to continuously review risks, recommend actions and promote further development within the physical and psychosocial working environment. Systematic health and safety activities are continuously reviewed and monitored at meetings of the health and safety group. The health and safety group also ensures that work environment checks are conducted regularly and that incidents and potential dangers are highlighted and investigated. The health and safety group, safety representative and managers receive training in systematic health and safety management. Systematic health and safety management includes employee training in CPR and First Aid.

Hufvudstaden also offers individualised skills development, a health and fitness allowance, health checks, occupational health care, health insurance, ergonomics consultations and massage. NK Retail has a separate structure for employee health, under which all employees in NK Retail are offered individual skills development, fitness allowances and occupational healthcare services.

For further information about our approach to health and safety among employees and in business relationships, see pages 43–44, 52 and 123 and the information below regarding work-related injuries.

Total absenteeism due to illness in 2021 amounted to 4.6 per cent, an increase compared with the preceding year's 2.5 per cent. The large change in total absenteeism due to illness compared with the preceding year is partly due to the majority of NK Retail's employees working as sales staff in NK's departments, where the nature of the work made it impossible to work from home during the covid-19 pandemic. Total absenteeism due to illness by women and men during the year was 5.3 per cent and 2.9 per cent, respectively.

Work-related injuries

403-9

No work-related fatalities occurred in 2021 and Hufvudstaden has had two reported cases of occupational accidents of a serious nature within business operations, i.e., including contractors. Four cases of work-related injuries has been reported among Hufvudstaden's employees.

Work-related injuries and illnesses are managed according to established procedures and must always be reported to the Swedish Social Insurance Agency for review. Serious accidents must be reported directly to the Swedish Work Environment Authority. An external occupational health care provider is also contacted in connection with work-related injuries. The number of near-misses and incidents are not reported. The reason for this is the lack of quality-assured data.

Performance and career development review

404-3

Emp-Dev, Emp-Training

Hufvudstaden's target is for all employees to have performance and career development reviews annually. As all of Hufvudstaden's employees in the property operations had performance and career development reviews during the year, the company does not compile or report statistics regarding gender distribution and type of employment contract. NK Retail is not included in the year's reporting. During 2022, NK Retail will apply the same system as the rest of the Group to monitor the number of employees who have completed performance and career development reviews. During performance and career development reviews, managers and employees engage in dialogue concerning training and develop an action plan for development. The number of training hours is not reported. The reason for this is the lack of quality-assured data.

Collective agreements

102-41

All Hufvudstaden employees are covered by collective agreements.

Customer health and safety

416-1, 416-2

H&S-Asset, H&S-Comp

Hufvudstaden assesses 100 per cent of properties according to Swedish health and safety regulations. This applies to areas including systematic fire protection and sprinkler inspections, mandatory ventilation inspections, inspections of lifts and electric gates, energy declarations and electrical safety inspections and audits.

NK Retail places quality and safety demands on all suppliers from whom they accept products. Some product categories have particularly strict demands. In 2021, no significant deviations were reported regarding legislation, rules or procedures relating to customers' health and safety.

Socioeconomic compliance

419-1

Hufvudstaden was not sentenced or ordered to pay any fines during the year due to any breach of social or economic laws.

Sustainability index

GRI Content- and EPRA index

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* The indicator is not reported in full.

TCFD-index

Hufvudstaden supports the TCFD's framework in relation to climate-related risks and opportunities. Refer to the index below for TCFD-related information.

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EPRA

EPRA Performance Measures

Hufvudstaden reports sustainability performance measures for 26 EPRA indicators: sBPR Performance Measures. Performance measures are reported for energy, greenhouse gas emissions, water, waste, number of environmentally certified buildings, and corporate governance, as well as social aspects according to the most recent EPRA guidelines; sBPR third edition, September 2017. Hufvudstaden does not report in accordance with the EPRA indicator Comty-Eng as a result of the lack of quality-assured data. Hufvudstaden conducts an annual salary survey on the basis of gender in the company with the assistance of an external party and in accordance with current legislative requirements. Due to existing reporting processes, the EPRA indicator Diversity-Pay was not included this year. The processes are being reviewed to include this in forthcoming years.

Energy consumption is reported in MWh, greenhouse gas emissions in tonnes CO₂e, water consumption in m³, waste volume in tonnes, energy intensity in kWh/square metre, emission intensity in kg CO₂e/square metre, and water intensity in m³/square metre.

EPRA Overarching Recommendations**Organisational Boundaries**

Hufvudstaden limits the reporting to properties over which it has operational control according to the principles set out in the Greenhouse Gas Protocol. Hufvudstaden thus reports statistics for all the property holdings although with a limit on electricity used by tenants in the course of their business operations, and for the NK department stores, Hästskon 10 and the Nordstaden 8:24 property.

We have not purchased or sold any property during the past three years, and consequently absolute and like-for-like values are the same. The most recent property purchased was Inom Vallgraven 3:2 in 2016.

Coverage

Hufvudstaden reports measurement data for all 29 properties, with a total rentable floor space of 386,467 square metre, i.e. 100 per cent of our properties.

Estimation of landlord-obtained utility consumption

All measured data reported has been assessed and assured. However, estimates have been made using standard values for combustible material in those properties where suppliers are unable to report any data.

Third party assurance

Hufvudstaden's sustainability report has been reviewed by a third party in accordance with ISAE 3000. Hufvudstaden's indicators for energy and emissions that are reported according to EPRA have been verified by a third party according to the international guidelines set out in the Greenhouse Gas Protocol.

Boundaries – reporting on landlord and tenant utility consumption

Hufvudstaden reports the energy purchased by the landlord, i.e. Hufvudstaden. Hufvudstaden does not have access to statistics regarding electricity used by tenants, and consequently this is not reported. As Hufvudstaden does not have any direct influence over tenants' electricity consumption, this figure is to a certain extent less relevant.

In the case of water, we report total water consumption for all properties, i.e. including the tenants' water consumption.

Normalisation

Hufvudstaden reports intensities by dividing absolute values by the total Atemp floor area for the buildings. In the case of normalization of district heating, Hufvudstaden uses SMHI degree days.

Segmental analysis (by property type, geography)

Hufvudstaden reports sustainability data according to building type, i.e. office premises and retail premises.

Disclosure on own offices

Hufvudstaden's own offices in Stockholm and Gothenburg are included in the statistics but are not reported separately. Hufvudstaden's own offices comprise 0.7 per cent of the total rentable floor space in the property holdings.

Narrative on performance

Hufvudstaden reports in accordance with EPRA. For further information about developments within each sustainability area, see pages 10–12 and 40–53.

Reporting period

The annual EPRA tables are presented on a calendar year basis, i.e. January 1 – December 31.

Materiality

Hufvudstaden's Materiality Analysis, which was conducted during 2018 based on the guidelines in GRI Standards, is reported on page 120.

www.hufvudstaden.se/klimatver

Auditor's Limited Assurance Report on Sustainability Report and statement on the Statutory Sustainability Report

To the annual general meeting of Hufvudstaden AB (publ), corporate identity number 556012-8240

Introduction

We have been engaged by the Board of Directors and Group Management of Hufvudstaden AB (publ) to undertake a limited assurance of the Sustainability Report for the year 2021. Hufvudstaden AB (publ) has defined the scope of its sustainability report on page 10–12, 40–52, 59, 63–65 and 118–128. The statutory sustainability report is defined on page 10–12, 40–52, 59, 63–65 and 118–128.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 118 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Hufvudstaden AB (publ) has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we

have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Hufvudstaden AB (publ)

according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

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

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.



Magnus Svensson Henryson
Authorised Public Accountant

Stockholm, 21 February 2022
PricewaterhouseCoopers AB



Daniel Johansson Stattin
Specialist Member of FAR



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

Definitions and glossary

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures.

Certain performance metrics below are defined as alternative performance measures, i.e. a financial metric that is not defined according to IFRS, and which is used to describe the Company's development and to improve comparability between periods.

As not all companies calculate financial performance metrics in the same way, these are not always comparable with metrics used by other companies. Derivations of alternative performance measures are presented on pages 110–111.

Finance

Average interest on interest-bearing liabilities. Interest expense in relation to the average interest-bearing liabilities.

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

Central administration. The costs for the Senior Executives and Group staff functions as well as the cost of maintaining the Company's stock exchange listing and other Company costs.

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

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

EPRA. European Public Property Association. Interest organization for listed property companies in Europe.

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

EPRA 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 year-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.

MTN programme Medium Term Note. A bond programme with a term of 1–15 years.

Net liabilities. Interest-bearing liabilities, including the decided dividend, minus current investments and cash and bank holdings.

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

Net profit from current operations. Profit before tax, excluding changes in value and items affecting comparability, charged with corporate tax for the year as a standard.

Return on capital employed. Profit before tax plus interest expense in relation to the average capital employed.

Return on equity. Profit for the year after tax in relation to the average equity.

Return on equity, adjusted. Profit after tax, excluding changes in value, in relation to average equity.

Surplus ratio. Net operating income as percentage of net revenue from property management before elimination of intra-Group rent revenue.

Tax. The Group's total tax comprises current tax and deferred tax.

Shares

Cash flow for the year per share. Cash flow for the year in relation to the average number of outstanding shares during the year.

Cash flow from current operations per share. Cash flow from current operations in relation to the average number of outstanding shares during the year.

Dividend. The total dividend is calculated on the total number of outstanding shares as at the date on which the annual accounts are published. The amount could change depending on any buy-back of Company shares during the period up to the record date.

Dividend proportion. Dividend in relation to net profit from current operations.

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

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

Free Float. Shares available for trading, excluding shares held by a shareholder with a controlling interest.

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

P/E ratio. The share price at the year-end in relation to profit per share for the year.

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

Yield. Dividend per share in relation to the share price at the year-end.

Properties

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

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

CBD. Central Business District. The most central part of a city for office and retail properties.

Comparable holdings. Properties disposed of during the year are excluded. Properties acquired during the year are included and the previous year is adjusted for the equivalent period.

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

Fair value. The estimated market value of the properties.

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

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

Fredstan. The area around Fredsgatan, between Brunnsparken and Trädgårdsföreningen, with the vision of offering a unique range of stores, cultural attractions and restaurants.

Gross rent. Defined as the contracted rent, excluding supplements for utility charges, and including assessed market rent for vacant premises.

Net operating income. Net revenue from property management before elimination of intra-Group rent revenue less costs for property management.

New leases. Leases signed during the year with a new tenant other than the tenant that leased the property previously, or for premises that were previously vacant.

Property tax supplement. Reimbursement of property tax by tenants.

Renegotiated leases. New or extended leases with existing tenants whose earlier leases have come to an end.

Rentable floor space. Total floor space available for renting.

Rental losses. Loss of revenue as a result of vacant premises.

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

Turnover-based rent supplement. Rent in addition to the guaranteed minimum rent, based on the turnover of a store or restaurant.

Yield, properties. Net operating income in relation to the fair value of properties.

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

Annual General Meeting

Due to the coronavirus, the Board of Directors has decided that the Annual General Meeting will be held without the physical presence of shareholders, proxies or third parties and that shareholders shall be given the opportunity to exercise their voting rights only through postal voting prior to the meeting.

The 2022 Annual General Meeting will be held by postal vote on Thursday, 24 March 2022. Notice of the Annual General Meeting will be published on the website of Post- och Inrikes Tidningar at www.bolagsverket.se/poit and on the company's website at www.hufvudstaden.se. Notice that the Annual General Meeting has been convened is published in Dagens Nyheter.

Notification

Shareholders who wish to participate in the Annual General Meeting through postal voting must:

- be recorded as a shareholder in the shareholders' register kept by Euroclear Sweden AB regarding circumstances as at Wednesday, 16 March 2022, whereupon shareholders whose shares are registered in the name of a nominee must reregister the shares in their own name so that the shareholder is registered in the presentation of the shareholders' register as at Wednesday, 16 March 2022 to be eligible to participate in the Annual General Meeting. Such registration may be temporary ("voting rights registration") and is requested of the nominee in accordance with the nominee's routines in such time in advance as determined by the nominee. Voting rights registrations effected

by the nominee by 16 March 2022 will be taken into account in the preparation of the share register.

- register for the Annual General Meeting by casting their postal vote as instructed under the heading "Postal Voting" below so that the postal vote is received by Hufvudstaden no later than Wednesday, 23 March 2022.

Postal Voting

Shareholders may exercise their voting rights at the Annual General Meeting only through postal voting in accordance with section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations.

A special postal voting form must be used. The postal voting form and a proxy form are available on the company's website, www.hufvudstaden.se, and will be sent to shareholders upon request. The postal voting form serves as registration to participate in the Annual General Meeting.

The completed and signed postal voting form must be received by Hufvudstaden no later than Wednesday, 23 March 2022. The form may be sent by email to proxy@computershare.se or by standard post to Hufvudstaden AB, "Annual General Meeting", c/o Computershare AB, Box 5267, 102 46 Stockholm, Sweden. Shareholders who are natural persons may also submit their postal votes electronically through verification by BankID via Hufvudstaden's website, www.hufvudstaden.se. Such electronic votes must be submitted by 23 March 2022. If the shareholder votes in advance by proxy, a written, dated proxy form

shall be enclosed with the postal voting form. If the shareholder is a legal entity, a certificate of registration or a corresponding document shall be enclosed with the postal voting form. Proxies are valid for one year from the date issued or for the longer period specified on the proxy, up to a maximum of five years. The certificate of registration form must show the circumstances in effect on the date of the Annual General Meeting and should not be older than one year at the time of the Annual General Meeting.

Shareholders cannot modify postal votes with special instructions or conditions. Any postal votes with such modifications will be invalid. Further instructions and conditions are provided on the postal voting form.

To request a postal voting form or proxy form by post, please contact Hufvudstaden by phone on +46 8 762 90 00, Monday-Friday 8.00 am to 4.00 pm.

Dividend

The Board of Directors is proposing a dividend of SEK 2.60 per share, corresponding to a total dividend of SEK 526.0 million, for 2021. The record date is set as 28 March 2022 and the estimated payment date will be 31 March 2022.

Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed their name, address or account number, should notify Euroclear Sweden AB of the change as soon as possible through the institution at which their account is registered.

Calendar

Interim Report, Jan–Mar 2022	5 May 2022
Half-year Report, Jan–June 2022	24 August 2022
Interim Report Jan–Sept 2022	10 November 2022
Year-End Report 2022	16 February 2023
Annual Report 2022	March 2023

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This information is also published on www.hufvudstaden.se. The Annual Report will be distributed to shareholders on request.

Addresses

HUFVUDSTADEN AB (PUBL)

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