



# Q2

HUFVUDSTADEN  
Half-year Report January-June 2019



# HUFVUDSTADEN

## Half-year Report January–June 2019

- **Gross profit from property management rose by 5 per cent to SEK 682 million (648). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 938 million (888), an increase of 6 per cent.**
- **Profit after tax for the period was SEK 1,481 million (2,575), equivalent to SEK 7.18 per share (12.48). The decrease can be attributed mainly to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax.**
- **The fair value of the property holdings was SEK 45.8 billion (44.1 at the turn of the year), resulting in a net asset value of SEK 176 per share (171 at the turn of the year). The unrealized change in the value of the property holdings for the period was SEK 1,292 million (2,038).**
- **The equity ratio was 62 per cent (63), the net loan-to-value ratio was 17 per cent (15), and the interest coverage ratio multiple was 11.3 (10.5).**
- **The rental vacancy level at the period-end was 6.5 per cent (4.2). Excluding current development projects, the rental vacancy level was 2.9 per cent (2.8).**

### Key events during the second quarter

The NK building in Stockholm has been environmentally certified according to BREEAM In-Use, classified with the grade Very Good.

Balenciaga and Valentino have opened new departments in the NK store in Stockholm.

The fashion brand Axel Arigato has moved into premises at Biblioteksgatan 7 in Stockholm.

The newly refurbished parking facility NK Parkering has more than doubled the number of charging points for electric cars. The parking facility now offers more than 100 charging points, which is the highest number in Stockholm city centre.

### Performance measures

| SEK m   | Jan-Jun<br>2019 | Jan-Jun<br>2018 | Jan-Dec<br>2018 |
|---|-----------------|-----------------|-----------------|
| Net revenue, property management  | 938             | 888             | 1,797           |
| Gross profit, property management   | 682             | 648             | 1,302           |
| Unrealized changes in value, investment properties                          | 1,292           | 2,038           | 3,621           |
| Operating profit  | 1,971           | 2,701           | 4,940           |
| Profit for the period   | 1,481           | 2,575           | 4,320           |
| Fair value, properties, SEK bn  | 45.8            | 42.1            | 44.1            |
| Net loan-to-value ratio, properties, %                                      | 17.0            | 15.3            | 14.2            |
| Interest coverage ratio, multiple   | 11.3            | 10.5            | 10.5            |
| Rental vacancy level, excl. projects (EPRA vacancy level), %                | 2.9             | 2.8             | 1.3             |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 2.73            | 2.54            | 5.16            |
| Current net asset value (EPRA NNAV) per share, SEK                          | 176.00          | 161.00          | 171.00          |

## GROUP

### RESULTS

#### Property management

Net revenue from property management during the period amounted to SEK 938.1 million (887.6). The gross profit was SEK 681.9 million (647.6). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax increased slightly as a result of a provision made for a new property taxation assessment and the costs have mainly been passed on to the tenants. The gross profit has been affected positively to the amount of SEK 11.0 million (0.0), attributable mainly to ground rents being reported as a financial expense according to IFRS 16.

The turnover-based rent supplement is reported during the fourth quarter, and last year amounted to SEK 12.1 million. Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

The property management results for each business area are reported on page 8.

#### Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 41.6 million (42.7). The decrease can be attributed mainly to reduced revenue from short-term parking. Expenses totalled SEK -25.9 million (-25.1) and gross profit totalled SEK 15.7 million (17.6).

#### Other profit and loss items

Central administration totalled SEK -22.2 million (-19.8). Unrealized changes in the value of investment properties totalled SEK 1,291.9 million (2,037.7) and changes in interest derivatives totalled SEK 3.3 million (17.5). For further information, see pages 4-5.

#### Financial income and expense

Net financial income and expense amounted to SEK -59.3 million (-60.2), the change according to IFRS 16 affected the financial net by SEK -11.2 million (0.0). The decrease in the financial expense related to borrowing can be attributed to a lower rate of interest on loans. For further information, see page 5.

#### Tax

The Group's tax for the period was SEK -430.1 million (-65.3), of which SEK -69.3 million (-77.4) was actual tax, and SEK -360.8 million (12.1) was deferred tax. Deferred tax during the previous year was recalculated as a result of a reduction in corporation tax.

#### Profit for the period

The consolidated profit after tax amounted to SEK 1,481.2 million (2,575.1). The decrease can be attributed mainly to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax. The application of IFRS 16 has only had a marginal impact on profit for the period. For further information, see page 6.

#### PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The value assessed as at June 30, 2019 was SEK 45,772 million (44,089 at the turn of the year). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 384,300 square metres (384,500 at the turn of the year).

The rental vacancy level as at June 30, 2019 was 6.5 per cent (2.6 at the turn of the year) and the total floor space vacancy level was 8.2 per cent (4.3 at the turn of the year). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 2.9 per cent (1.3 at the turn of the year). The increase in the rental vacancy level, excluding current development projects, can be attributed mainly to a small number of office tenants vacating premises. For several of these premises, new leases have already been signed.

#### Acquisitions and investments

The total investment in properties and other non-current assets during the period was SEK 425.7 million (324.3).

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

Work continued during the first half of 2019 to develop NK in Stockholm with the aim of reinforcing its position as a world-class department store. Alongside the redevelopment work, further leases have been signed with international luxury brands, with operations due to commence during 2019 and 2020.

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

The expansion and redevelopment project on the Skären 9 property in Bibliotekstan is continuing. The law firm Vinge has vacated the property temporarily whilst construction work takes place.

#### Major current and planned projects

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

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

The project covers around 10,700 square metres of office space, of which approximately 2,600 square metres will be newly created. Around 75 per cent of the floor space has been leased to the law firm Vinge.

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

### Property value and net asset value

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

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

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK 1,291.9 million (2,037.7). The total value of the property holdings as at June 30, 2019 was SEK 45.8 billion, including investments made during the period. The unrealized increase in value can be attributed to rising rents and slightly lower yield requirements.

The yield requirement has on average fallen by 5 points compared with the first quarter, and in conjunction with the above valuation it stood at 3.7 per cent (3.8 at the turn of the year).

### Valuation method

Valuation of the property holdings is done by assessing the fair value of each individual property. The valuation is made using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is set in relation to the net operating income of the properties. In the case of other project properties and undeveloped land, the valuation is based on a completed building with a deduction for construction costs, as well as financial costs and the cost of vacant space that arose during the construction period.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's subarea, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different subareas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that was 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level, and normalized operating and maintenance costs.

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

### Yield requirements, property valuation

|                            |                  |
|----------------------------|------------------|
| Stockholm                  | 3.3-3.8 per cent |
| Gothenburg                 | 4.1-4.8 per cent |
| Property holdings, average | 3.7 per cent     |

### Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The range is usually +/- 5 per cent but can vary depending, in part, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 45.8 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.3 billion. Below are the key factors that influence the valuation and the consequent impact on profit before tax.

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

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

<sup>1)</sup>Valuation date: June 30, 2019.

### External valuation

To guarantee the valuation, external estimates were obtained from three independent valuation companies, Cushman & Wakefield, Forum Fastighetsekonomi, and Newsec Advice. The external valuations covered 12 properties, equivalent to 37 per cent of the internally assessed fair value. The basis for selection was that the properties should represent variations in property category, town, location, technical standard and construction standard. The properties that underwent an external valuation were Grönlandet Södra 11, Kungliga Trädgården 5, Kvasten 9, Kåkenhusen 40 (part of), Medusa 1, Orgelpipan 7, Oxhuvudet 18, Packarhuset 4, Pumpstocken 10 (part of) and Rännilen 18 in Stockholm, and Nordstaden 8:24 (part of) and Inom Vallgraven 12:11 (part of) in Gothenburg.

The external valuation companies have set a fair value for these properties of SEK 17,228 million. Hufvudstaden's internal valuation of the same properties was SEK 16,805 million. The internal valuation thus concurs well with the external valuations.

### Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 38.3 billion or SEK 186 per share. The current net asset value (EPRA NNAV) was SEK 36.2 billion or SEK 176 per share following a deduction for estimated deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been set at 5 per cent.

### Net asset value, June 30, 2019

|  | SEK m    | SEK/ share |
|--|----------|------------|
| Equity according to the Balance Sheet      | 29,717.5 | 144        |
| <i>Reversal</i>                            |          |            |
| Derivatives according to the Balance Sheet | 0.4      | 0          |
| Deferred tax, investment properties        | 8,573.5  | 42         |
| Non-current net asset value (EPRA NAV)     | 38,291.4 | 186        |
| <i>Deductions</i>                          |          |            |
| Derivatives as stated above                | -0.4     | 0          |
| Estimated actual deferred tax 5%           | -2,081.0 | -10        |
| Current net asset value (EPRA NNAV)        | 36,210.0 | 176        |

## RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be positive during the period. Vacant space has remained low and in Stockholm's most attractive locations – in Bibliotekstan, at Norrmalmstorg/Hamngatan, and in the Hötorget area – market rents for office space have risen slightly within the range of SEK 6,100-8,700 per square metre per year, excluding the property tax supplement. There has been continued interest in prime-location retail premises in the same sub-markets. For retail premises in prime locations, the market rents were SEK 14,000-25,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg continued to be positive, with a low level of vacant space. Market rents in prime locations have risen slightly and are SEK 2,800-3,700 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are SEK 6,000-15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations for both retail and office premises has been positive. During the period, a total of 27,500 square metres were renegotiated at a rental value of SEK 149 million. On average, the renegotiations result in an increase in rent of approximately 12 per cent.

## FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at June 30, 2019 amounted to SEK 7,850 million (7,350 at the turn of the year). Interest-bearing net debt was SEK 7,760 million (6,279 at the turn of the year). The increase refers to the additional leasing liability of SEK 770 million according to IFRS 16 and payment of the dividend.

Hufvudstaden has an MTN programme totalling SEK 8,000 million and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds was SEK 5,200 million and SEK 1,650 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 2.4 years (2.6 at the turn of the year), the average capital tie-up period was 3.5 years (3.9 at the turn of the year), and the average equivalent rate of interest was 1.2 per cent (1.2 at the turn of the year). To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest and use is made of interest derivatives. Of the total borrowings, SEK 5,200 million carries a fixed rate of interest. In addition, there is credit of SEK 100 million (450 at the turn of the year) that has been hedged via interest derivatives.

The fair value of all interest derivatives as at June 30, 2019 was SEK -0.4 million (-3.7 at the turn of the year). The negative figure can be explained by a general fall in market interest rates since the derivative contracts were signed. Derivatives are valued at fair value in the Balance Sheet. All derivatives are classified as level 2 according to IFRS 13. There is no set-off of financial assets and liabilities, and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition cost, which in all material respects concur with the fair value.

## Fixed interest structure, SEK m, June 30, 2019

| Maturity, year | Credit amount | AER, % <sup>1)</sup> | Proportion, % |
|----------------|---------------|----------------------|---------------|
| < 1            | 2,650         | 0.8 <sup>2)</sup>    | 34            |
| 1 - 2          | 500           | 1.8                  | 6             |
| 2 - 3          | 900           | 1.3                  | 12            |
| 3 - 4          | 2,300         | 1.4                  | 29            |
| 4 - 5          | 1,000         | 1.4                  | 13            |
| 5 - 6          | 500           | 1.3                  | 6             |
| Total          | 7,850         | 1.2                  | 100           |

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

<sup>2)</sup> Including fees for unutilized facility amounts.

## Capital tie-up structure SEK m, June 30, 2019

| Maturity year | Credit Agreement | Utilized   |       |                                | Total | Proportion, % |
|---------------|------------------|------------|-------|--------------------------------|-------|---------------|
|               |                  | Bank loans | Bonds | Commercial paper <sup>1)</sup> |       |               |
| < 1           | 1,000            | -          | -     | -                              | -     | -             |
| 1 - 2         | 1,000            | 500        | 500   | -                              | 1,000 | 13            |
| 2 - 3         | 2,400            | 500        | 900   | 650                            | 2,050 | 26            |
| 3 - 4         | 2,300            | -          | 2,300 | -                              | 2,300 | 29            |
| 4 - 5         | 1,000            | -          | 1,000 | -                              | 1,000 | 13            |
| 5 - 6         | 1,500            | -          | 500   | 1,000                          | 1,500 | 19            |
| Total         | 9,200            | 1,000      | 5,200 | 1,650                          | 7,850 | 100           |

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

## SECOND QUARTER

Gross profit from property management amounted to SEK 339.0 million (322.3), an increase of 5 per cent. Net revenue amounted to SEK 466.1 million (442.5), an increase of 5 per cent. The increase can be attributed mainly to higher gross rents in conjunction with renegotiated and new leases, and indexation. Property tax has increased slightly as a result of a provision for a new property tax assessment and the cost has mainly been passed on to the tenants. The cost was SEK -127.1 million (-120.2).

Gross profit from parking operations was SEK 7.8 million (8.7). Net revenue was SEK 20.8 million (21.2) and costs totalled SEK -13.0 million (-12.5).

Changes in the value of investment properties amounted to SEK 960.1 million (1,444.7) and changes in the value of interest derivatives amounted to SEK 1.1 million (8.7). Net financial income and expense totalled SEK -30.7 million (-31.8).

## SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 24,927 shareholders at the period-end. The proportion of foreign ownership as at June 30, 2019 was 29.5 per cent of the total number of outstanding shares (28.1 at the turn of the year). The series A share price as at June 30, 2019 was SEK 157.90, and market capitalization was SEK 37.9 billion.

## Shares bought back

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

## Buy-back of shares as at June 30, 2019, million shares

|                       | Total number of shares | Company holdings | Held by other shareholders |
|-----------------------|------------------------|------------------|----------------------------|
| As at January 1, 2019 | 211.3                  | 5.0              | 206.3                      |
| Buy-back              | -                      | -                | -                          |
| As at June 30, 2019   | 211.3                  | 5.0              | 206.3                      |

## MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Group has not identified any material risks and uncertainties other than those described in the 2018 Annual Report.

## MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

## ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards. This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the interim report. Apart from the application of IFRS 16, see below, the accounting principles and computation basis are the same as those applied in the most recent Annual Report.

## New standards and interpretations

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

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

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

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

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

## INCOME STATEMENTS – SUMMARY

| GROUP, SEK m                                     | Jan-Jun 2019<br>(incl. IFRS 16) | Jan-Jun 2019<br>(excl. IFRS 16) |
|--|---------------------------------|---------------------------------|
| Net revenue                                      | 979.7                           | 979.7                           |
| Operating expenses                               | -282.1                          | -293.1                          |
| <b>Gross profit</b>                              | <b>697.6</b>                    | <b>686.6</b>                    |
| Central administration                           | -22.2                           | -22.2                           |
| <b>Operating profit before changes in value</b>  | <b>675.4</b>                    | <b>664.4</b>                    |
| Changes in value                                 | 1,295.2                         | 1,295.3                         |
| <b>Operating profit</b>                          | <b>1,970.6</b>                  | <b>1,959.7</b>                  |
| Financial income and expense                     | -59.3                           | -48.1                           |
| <b>Profit before tax</b>                         | <b>1,911.3</b>                  | <b>1,911.6</b>                  |
| Tax  | -430.1                          | -430.1                          |
| <b>Profit after tax</b>                          | <b>1,481.2</b>                  | <b>1,481.5</b>                  |
| <b>Total comprehensive income for the period</b> | <b>1,481.2</b>                  | <b>1,481.5</b>                  |

## PERFORMANCE MEASURES

| GROUP                                  | June 30, 2019<br>(incl. IFRS 16) | June 30, 2019<br>(excl. IFRS 16) |
|--|----------------------------------|----------------------------------|
| Surplus ratio, %                       | 71.2                             | 70.1                             |
| Net debt, SEK m                        | 7,760                            | 6,990                            |
| Loan-to-value ratio, properties, %     | 18.8                             | 17.2                             |
| Net loan-to-value ratio, properties, % | 17.0                             | 15.3                             |
| Equity ratio, %                        | 62                               | 63                               |
| Interest coverage ratio, multiple      | 11.3                             | 13.7                             |
| Debt/equity ratio, multiple            | 0.3                              | 0.2                              |

## FORTHCOMING INFORMATION

|  |                   |
|--|-------------------|
| Interim Report, January-September 2019   | November 7, 2019  |
| Year-End Report for 2019                 | February 13, 2020 |
| Annual Report 2019                       | February 2020     |
| Annual General Meeting 2020 in Stockholm | March 19, 2020    |

The information in this Half-Year Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securi-

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

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



**INCOME STATEMENTS – SUMMARY**

| <b>GROUP, SEK m</b>  | <b>April-<br/>June<br/>2019</b> | <b>April-<br/>June<br/>2018</b> | <b>January-<br/>June<br/>2019</b> | <b>January-<br/>June<br/>2018</b> | <b>January-<br/>December<br/>2018</b> |
|--|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| <b>Net revenue<sup>1)</sup></b>  |                                 |                                 |                                   |                                   |                                       |
| Property management  | 466.1                           | 442.5                           | 938.1                             | 887.6                             | 1,797.1                               |
| Parking operations   | 20.8                            | 21.2                            | 41.6                              | 42.7                              | 85.8                                  |
|  | <b>486.9</b>                    | <b>463.7</b>                    | <b>979.7</b>                      | <b>930.3</b>                      | <b>1,882.9</b>                        |
| <b>Property management expenses</b>  |                                 |                                 |                                   |                                   |                                       |
| Maintenance  | -7.3                            | -6.3                            | -12.6                             | -9.9                              | -24.5                                 |
| Operation and administration   | -68.1                           | -67.0                           | -140.4                            | -136.0                            | -283.1                                |
| Ground rents   | -                               | -5.2                            | -                                 | -10.8                             | -21.8                                 |
| Property tax   | -50.4                           | -41.7                           | -100.7                            | -83.3                             | -165.9                                |
| Depreciation   | -1.3                            | -                               | -2.5                              | -                                 | -                                     |
| <b>Property management expenses</b>  | <b>-127.1</b>                   | <b>-120.2</b>                   | <b>-256.2</b>                     | <b>-240.0</b>                     | <b>-495.3</b>                         |
| Parking operations, expenses   | -13.0                           | -12.5                           | -25.9                             | -25.1                             | -51.1                                 |
| <b>Operating expenses</b>  | <b>-140.1</b>                   | <b>-132.7</b>                   | <b>-282.1</b>                     | <b>-265.1</b>                     | <b>-546.4</b>                         |
| <b>Gross profit</b>  | <b>346.8</b>                    | <b>331.0</b>                    | <b>697.6</b>                      | <b>665.2</b>                      | <b>1,336.5</b>                        |
| - of which Property management   | 339.0                           | 322.3                           | 681.9                             | 647.6                             | 1,301.8                               |
| - of which Parking operations  | 7.8                             | 8.7                             | 15.7                              | 17.6                              | 34.7                                  |
| Central administration   | -11.4                           | -9.9                            | -22.2                             | -19.8                             | -43.5                                 |
| <b>Operating profit before changes in value</b>                            | <b>335.4</b>                    | <b>321.1</b>                    | <b>675.4</b>                      | <b>645.4</b>                      | <b>1,293.0</b>                        |
| Changes in value, investment properties                                    | 960.1                           | 1,444.7                         | 1,291.9                           | 2,037.7                           | 3,620.8                               |
| Changes in value, interest derivatives                                     | 1.1                             | 8.7                             | 3.3                               | 17.5                              | 26.6                                  |
| <b>Operating profit</b>  | <b>1,296.6</b>                  | <b>1,774.5</b>                  | <b>1,970.6</b>                    | <b>2,700.6</b>                    | <b>4,940.4</b>                        |
| Financial income and expense <sup>2)</sup>                                 | -30.7                           | -31.8                           | -59.3                             | -60.2                             | -120.5                                |
| <b>Profit before tax</b>   | <b>1,265.9</b>                  | <b>1,742.7</b>                  | <b>1,911.3</b>                    | <b>2,640.4</b>                    | <b>4,819.9</b>                        |
| Tax  | -284.2                          | 140.8                           | -430.1                            | -65.3                             | -500.2                                |
| <b>Profit after tax</b>  | <b>981.7</b>                    | <b>1,883.5</b>                  | <b>1,481.2</b>                    | <b>2,575.1</b>                    | <b>4,319.7</b>                        |
| <b>Other comprehensive income</b>  | -                               | -                               | -                                 | -                                 | -                                     |
| <b>Total comprehensive income for the period</b>                           | <b>981.7</b>                    | <b>1,883.5</b>                  | <b>1,481.2</b>                    | <b>2,575.1</b>                    | <b>4,319.7</b>                        |
| Average number of outstanding shares following buy-backs during the period | 206,265,933                     | 206,265,933                     | 206,265,933                       | 206,265,933                       | 206,265,933                           |
| Profit for the period after tax per share before and after dilution, SEK   | 4.76                            | 9.13                            | 7.18                              | 12.48                             | 20.94                                 |

<sup>1)</sup> Service revenue totalled SEK 45.0 million, equivalent to 5% of the total net revenue for the period Jan-Jun 2019. The figure for Jan-Jun 2018 was SEK 39.7 million, equivalent to 4%, and for Jan-Dec 2018 SEK 77.7 million, equivalent to 4%.

<sup>2)</sup> The figure for Jan-Jun 2019 includes SEK -11.2 million, which is attributable mainly to ground rents according to IFRS 16.

**BALANCE SHEETS – SUMMARY**

| <b>GROUP, SEK m</b>                      | <b>June 30,<br/>2019</b> | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2018</b> |
|--|--------------------------|--------------------------|------------------------------|
| Investment properties                    | 45,771.9                 | 42,090.4                 | 44,088.5                     |
| Right of use assets                      | 770.0                    | -                        | -                            |
| Other non-current assets                 | 72.3                     | 22.0                     | 37.1                         |
| <b>Total non-current assets</b>          | <b>46,614.2</b>          | <b>42,112.4</b>          | <b>44,125.6</b>              |
| Current assets                           | 1,108.3                  | 1,268.5                  | 1,249.6                      |
| <b>Total assets</b>                      | <b>47,722.5</b>          | <b>43,380.9</b>          | <b>45,375.2</b>              |
| Equity                                   | 29,717.5                 | 27,254.9                 | 28,999.5                     |
| Non-current interest-bearing liabilities | 6,200.0                  | 5,200.0                  | 5,700.0                      |
| Deferred tax liabilities                 | 8,653.8                  | 7,927.8                  | 8,293.0                      |
| Non-current leasing liabilities          | 730.0                    | -                        | -                            |
| Other non-current liabilities            | 52.5                     | 51.7                     | 50.1                         |
| Provisions for pension                   | 23.1                     | 18.3                     | 19.6                         |
| <b>Total non-current liabilities</b>     | <b>15,659.4</b>          | <b>13,197.8</b>          | <b>14,062.7</b>              |
| Current interest-bearing liabilities     | 1,650.0                  | 2,250.0                  | 1,650.0                      |
| Current leasing liabilities              | 40.3                     | -                        | -                            |
| Other liabilities                        | 655.3                    | 678.2                    | 663.0                        |
| <b>Total current liabilities</b>         | <b>2,345.6</b>           | <b>2,928.2</b>           | <b>2,313.0</b>               |
| <b>Total equity and liabilities</b>      | <b>47,722.5</b>          | <b>43,380.9</b>          | <b>45,375.2</b>              |

## CHANGES IN EQUITY – SUMMARY

| GROUP, SEK m                              | January-<br>June<br>2019 | January-<br>June<br>2018 | January-<br>December<br>2018 |
|---|--------------------------|--------------------------|------------------------------|
| Equity, opening balance                   | 28,999.5                 | 25,401.7                 | 25,401.7                     |
| Total comprehensive income for the period | 1,481.2                  | 2,575.1                  | 4,319.7                      |
| Dividend                                  | -763.2                   | -721.9                   | -721.9                       |
| <b>Equity, closing balance</b>            | <b>29,717.5</b>          | <b>27,254.9</b>          | <b>28,999.5</b>              |

## STATEMENTS OF CASH FLOWS – SUMMARY

| GROUP, SEK m   | January-<br>June<br>2019 | January-<br>June<br>2018 | January-<br>December<br>2018 |
|--|--------------------------|--------------------------|------------------------------|
| Profit before tax  | 1,911.3                  | 2,640.4                  | 4,819.9                      |
| Depreciation/impairments   | 25.6                     | 4.8                      | 8.6                          |
| Changes in value, investment properties                                    | -1,291.9                 | -2,037.7                 | -3,620.8                     |
| Changes in value, interest derivatives                                     | -3.3                     | -17.5                    | -26.6                        |
| Other changes  | 3.5                      | 2.1                      | 3.4                          |
| Income tax paid  | -77.4                    | -77.5                    | -162.2                       |
| <b>Cash flow from current operations before changes in working capital</b> | <b>567.8</b>             | <b>514.6</b>             | <b>1,022.3</b>               |
| Increase/decrease in operating receivables                                 | -75.6                    | -93.8                    | -37.4                        |
| Increase/decrease in operating liabilities                                 | 6.0                      | 10.7                     | 18.0                         |
| <b>Cash flow from current operations</b>                                   | <b>498.2</b>             | <b>431.5</b>             | <b>1,002.9</b>               |
| Investments in properties  | -391.5                   | -322.7                   | -737.7                       |
| Investments in other non-current assets                                    | -34.2                    | -1.6                     | -17.5                        |
| <b>Cash flow from investments</b>  | <b>-425.7</b>            | <b>-324.3</b>            | <b>-755.2</b>                |
| Loans raised   | 3,200.0                  | 4,050.0                  | 7,100.0                      |
| Amortization of loan debt  | -2,700.0                 | -2,800.0                 | -5,950.0                     |
| Amortization of leasing debt   | -19.5                    | -                        | -                            |
| Dividend paid  | -763.2                   | -721.9                   | -721.9                       |
| <b>Cash flow from financing</b>  | <b>-282.7</b>            | <b>528.1</b>             | <b>428.1</b>                 |
| <b>Cash flow for the period</b>  | <b>-210.2</b>            | <b>635.3</b>             | <b>675.8</b>                 |
| Cash and cash equivalents at the beginning of the period                   | 1,070.7                  | 394.9                    | 394.9                        |
| Cash and cash equivalents at the period-end                                | 860.5                    | 1,030.2                  | 1,070.7                      |
| Cash flow for the period per share, SEK                                    | -1.02                    | 3.08                     | 3.28                         |

## SEGMENT REPORT – SUMMARY

The Group's operations are divided into two segments, property management and parking operations. The property management segment is divided into business areas, which are in line with the Company's operational control system.

| GROUP, SEK m                            | Business Area<br>Stockholm |                 | Business Area<br>NK |                 | Business Area<br>Gothenburg |                 | Total           |                 |
|---|----------------------------|-----------------|---------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
|   | Jan-Jun<br>2019            | Jan-Jun<br>2018 | Jan-Jun<br>2019     | Jan-Jun<br>2018 | Jan-Jun<br>2019             | Jan-Jun<br>2018 | Jan-Jun<br>2019 | Jan-Jun<br>2018 |
| <b>Property management:</b>             |                            |                 |                     |                 |                             |                 |                 |                 |
| Net revenue                             | 522.9                      | 491.7           | 239.2               | 235.0           | 176.0                       | 160.9           | 938.1           | 887.6           |
| Property costs                          | -120.8                     | -111.1          | -86.0               | -84.5           | -49.4                       | -44.4           | -256.2          | -240.0          |
| <b>Gross profit property management</b> | <b>402.1</b>               | <b>380.6</b>    | <b>153.2</b>        | <b>150.5</b>    | <b>126.6</b>                | <b>116.5</b>    | <b>681.9</b>    | <b>647.6</b>    |
| <b>Gross profit parking operations</b>  |                            |                 | 15.7                | 17.6            |                             |                 | 15.7            | 17.6            |
| Central administration                  |                            |                 |                     |                 |                             |                 | -22.2           | -19.8           |
| <b>Changes in value:</b>                |                            |                 |                     |                 |                             |                 |                 |                 |
| Investment properties                   |                            |                 |                     |                 |                             |                 | 1,291.9         | 2,037.7         |
| Interest derivatives                    |                            |                 |                     |                 |                             |                 | 3.3             | 17.5            |
| <b>Operating profit</b>                 |                            |                 |                     |                 |                             |                 | <b>1,970.6</b>  | <b>2,700.6</b>  |
| Financial income and expense            |                            |                 |                     |                 |                             |                 | -59.3           | -60.2           |
| <b>Profit before tax</b>                |                            |                 |                     |                 |                             |                 | <b>1,911.3</b>  | <b>2,640.4</b>  |



**PERFORMANCE MEASURES<sup>1)</sup>**

| GROUP   | June 30,<br>2019 | June 30,<br>2018 | Full year<br>2018 |
|---|------------------|------------------|-------------------|
| <b>Property-related</b>   |                  |                  |                   |
| Rentable floor space, 1,000 m <sup>2</sup>                                  | 384.3            | 384.8            | 384.5             |
| Rental vacancy level, %   | 6.5              | 4.2              | 2.6               |
| Floor space vacancy level, %  | 8.2              | 5.1              | 4.3               |
| Fair value, SEK bn  | 45.8             | 42.1             | 44.1              |
| <b>Financial</b>  |                  |                  |                   |
| Return on equity, %   | 6.5              | 9.4              | 14.1              |
| Return on capital employed, %   | 7.1              | 10.1             | 14.7              |
| Equity ratio, %   | 62               | 63               | 64                |
| Interest coverage ratio, multiple   | 11.3             | 10.5             | 10.5              |
| Debt/equity ratio, multiple   | 0.3              | 0.2              | 0.2               |
| Net loan-to-value ratio, properties, %                                      | 17.0             | 15.3             | 14.2              |
| Surplus ratio, %  | 71.2             | 71.5             | 71.0              |
| <b>Data per share</b>   |                  |                  |                   |
| Profit/loss for the period, SEK   | 7.18             | 12.48            | 20.94             |
| Equity, SEK   | 144.07           | 132.13           | 140.59            |
| Properties, fair value, SEK   | 221.91           | 204.06           | 213.75            |
| Number of outstanding shares, 1,000   | 206,266          | 206,266          | 206,266           |
| Number of issued shares, 1,000  | 211,272          | 211,272          | 211,272           |
| <b>EPRA</b>   |                  |                  |                   |
| Result from property management after nominal tax (EPRA Earnings), SEK m    | 563              | 525              | 1,064             |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 2.73             | 2.54             | 5.16              |
| Non-current net asset value (EPRA NAV), SEK m                               | 38,291.4         | 35,077.4         | 37,215.9          |
| Non-current net asset value (EPRA NAV) per share, SEK                       | 186.00           | 170.00           | 181.00            |
| Current net asset value (EPRA NNNAV), SEK m                                 | 36,210.0         | 33,169.1         | 35,218.8          |
| Current net asset value (EPRA NNNAV) per share, SEK                         | 176.00           | 161.00           | 171.00            |
| EPRA Vacancy rate, %  | 2.9              | 2.8              | 1.3               |

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

**PERFORMANCE MEASURES PER QUARTER**

| GROUP  | Apr-Jun<br>2019 | Jan-Mar<br>2019 | Oct-Dec<br>2018 | Jul-Sep<br>2018 | Apr-Jun<br>2018 | Jan-Mar<br>2018 | Oct-Dec<br>2017 | Jul-Sep<br>2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue, SEK m   | 487             | 493             | 487             | 465             | 464             | 467             | 480             | 456             |
| Return on equity, %  | 6.4             | 4.1             | 14.7            | 10.7            | 9.4             | 5.3             | 12.9            | 9.9             |
| Return on equity, adjusted, %  | 3.0             | 3.2             | 4.1             | 3.4             | 3.3             | 3.5             | 4.0             | 3.6             |
| Equity ratio, %  | 62              | 62              | 64              | 63              | 63              | 61              | 63              | 62              |
| Profit per share for the period, SEK                                     | 4.76            | 2.42            | 5.73            | 2.73            | 9.13            | 3.35            | 4.38            | 2.46            |
| Equity per share, SEK  | 144.07          | 139.31          | 140.59          | 134.86          | 132.13          | 123.00          | 123.15          | 118.77          |
| Result from property management after nom. tax (EPRA EPS) per share, SEK | 1.39            | 1.34            | 1.36            | 1.26            | 1.28            | 1.27            | 1.22            | 1.24            |
| Net asset value (EPRA NNNAV), per share, SEK                             | 176.00          | 170.00          | 171.00          | 164.00          | 161.00          | 153.00          | 152.00          | 147.00          |
| Cash flow per share from current operations, SEK                         | 1.37            | 1.04            | 1.69            | 1.08            | 1.40            | 0.69            | 1.25            | 0.77            |

## ALTERNATIVE PERFORMANCE MEASURES

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

| SEK m  | June 30,<br>2019    | June 30,<br>2018    | Full year<br>2018 |
|--|---------------------|---------------------|-------------------|
| <b>Net asset value (EPRA NNAV)</b> see page 4.                                     |                     |                     |                   |
| <b>Net debt</b>  |                     |                     |                   |
| Non-current interest-bearing liabilities   | 6,200               | 5,200               | 5,700             |
| Non-current leasing liabilities  | 730                 | -                   | -                 |
| Current interest-bearing liabilities   | 1,650               | 2,250               | 1,650             |
| Current leasing liabilities  | 40                  | -                   | -                 |
| Cash and bank holdings   | -860                | -1,030              | -1,071            |
| <b>Net debt</b>  | <b>7,760</b>        | <b>6,420</b>        | <b>6,279</b>      |
| <b>Equity ratio</b>  |                     |                     |                   |
| Equity   | 29,717              | 27,255              | 29,000            |
| Total assets   | 47,723              | 43,381              | 45,375            |
| <b>Equity ratio, %</b>   | <b>62</b>           | <b>63</b>           | <b>64</b>         |
| <b>Net loan-to-value ratio, properties</b>   |                     |                     |                   |
| Interest-bearing liabilities   | 8,620               | 7,450               | 7,350             |
| Interest-bearing assets  | -860                | -1,030              | -1,071            |
| <b>Total</b>   | <b>7,760</b>        | <b>6,420</b>        | <b>6,279</b>      |
| Carrying amount, properties  | 45,772              | 42,090              | 44,089            |
| <b>Net loan-to-value ratio, properties, %</b>                                      | <b>17.0</b>         | <b>15.3</b>         | <b>14.2</b>       |
| <b>Interest coverage ratio</b>   |                     |                     |                   |
| Profit before tax  | 2,527 <sup>1)</sup> | 3,226 <sup>1)</sup> | 4,820             |
| Reversal of changes in value   | -1,295              | -2,055              | -3,647            |
| Interest expense   | 119 <sup>1)</sup>   | 123 <sup>1)</sup>   | 123               |
| <b>Total</b>   | <b>1,351</b>        | <b>1,294</b>        | <b>1,296</b>      |
| Interest expense   | 119 <sup>1)</sup>   | 123 <sup>1)</sup>   | 123               |
| <b>Interest coverage ratio, multiple</b>   | <b>11.3</b>         | <b>10.5</b>         | <b>10.5</b>       |
| <b>Result from property management after nominal tax (EPRA Earnings)</b>           |                     |                     |                   |
| Operating profit before changes in value   | 675                 | 645                 | 1,293             |
| Financial income and expense   | -59                 | -60                 | -120              |
| <b>Result from property management</b>   | <b>616</b>          | <b>585</b>          | <b>1,173</b>      |
| Current tax, result from property management                                       | -53                 | -61                 | -109              |
| <b>Result from property management after nominal tax (EPRA Earnings)</b>           | <b>563</b>          | <b>524</b>          | <b>1,064</b>      |
| Number of outstanding shares, million  | 206.3               | 206.3               | 206.3             |
| <b>Result from property management after nominal tax (EPRA EPS) per share, SEK</b> | <b>2.73</b>         | <b>2.54</b>         | <b>5.16</b>       |

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

## PARENT COMPANY

### RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 636.3 million (592.3). The increase can be attributed mainly to higher gross rents in conjunction with renegotiated and new leases, and indexation. Property tax has increased slightly as a result of a provision for a new property tax assessment and the cost has mainly been passed on to the tenants. Costs totalled SEK -407.4 million (-309.8). Gross profit was SEK 228.9 million (282.5). Net financial income and expense was SEK -48.0 million (-60.1). The decrease in financial expense can be attributed to a lower rate of interest on borrowings.

Cash and cash equivalents at the period-end amounted to SEK 856.8 million (1,029.8). Investment in properties and other non-current assets was SEK 104.8 million (57.7).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

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

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

### ACCOUNTING PRINCIPLES

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

## INCOME STATEMENTS – SUMMARY

| PARENT COMPANY, SEK m                           | April-<br>June<br>2019 | April-<br>June<br>2018 | January-<br>June<br>2019 | January-<br>June<br>2018 | January-<br>December<br>2018 |
|---|------------------------|------------------------|--------------------------|--------------------------|------------------------------|
| Net revenue <sup>1)</sup>                       | 313.4                  | 298.1                  | 636.3                    | 592.3                    | 1,210.8                      |
| Operating expenses                              | -231.0                 | -149.3                 | -407.4                   | -309.8                   | -656.5                       |
| <b>Gross profit</b>                             | <b>82.4</b>            | <b>148.8</b>           | <b>228.9</b>             | <b>282.5</b>             | <b>554.3</b>                 |
| Central administration                          | -11.4                  | -9.9                   | -22.2                    | -19.8                    | -43.5                        |
| Changes in value, interest derivatives          | 1.1                    | 8.7                    | 3.3                      | 17.5                     | 26.6                         |
| <b>Operating profit</b>                         | <b>72.1</b>            | <b>147.6</b>           | <b>210.0</b>             | <b>280.2</b>             | <b>537.4</b>                 |
| Group contributions received                    | -                      | -                      | -                        | -                        | 158.2                        |
| Other financial income and expense              | -25.1                  | -31.8                  | -48.0                    | -60.1                    | -120.4                       |
| <b>Profit after financial items</b>             | <b>47.0</b>            | <b>115.8</b>           | <b>162.0</b>             | <b>220.1</b>             | <b>575.2</b>                 |
| Appropriations                                  | -                      | -                      | -                        | -                        | 136.4                        |
| <b>Profit before tax</b>                        | <b>47.0</b>            | <b>115.8</b>           | <b>162.0</b>             | <b>220.1</b>             | <b>711.6</b>                 |
| Tax   | -17.5                  | 25.0                   | -51.2                    | -6.5                     | -96.5                        |
| <b>Profit for the period</b>                    | <b>29.5</b>            | <b>140.8</b>           | <b>110.8</b>             | <b>213.6</b>             | <b>615.1</b>                 |
| <b>Statement of comprehensive income, SEK m</b> |                        |                        |                          |                          |                              |
| Profit for the period                           | 29.5                   | 140.8                  | 110.8                    | 213.6                    | 615.1                        |
| Other comprehensive income                      | -                      | -                      | -                        | -                        | -                            |
| <b>Profit for the period</b>                    | <b>29.5</b>            | <b>140.8</b>           | <b>110.8</b>             | <b>213.6</b>             | <b>615.1</b>                 |

<sup>1)</sup> Service revenue totalled SEK 21.6 million, equivalent to 3% of the total net revenue for the period Jan-Jun 2019. The figure for Jan-Jun 2018 was SEK 18.3 million, equivalent to 3%, and for Jan-Dec 2018 SEK 38.7 million, equivalent to 3%.

## BALANCE SHEETS – SUMMARY

| PARENT COMPANY, SEK m               | June 30,<br>2019 | June 30,<br>2018 | December 31,<br>2018 |
|-------------------------------------|------------------|------------------|----------------------|
| Investment properties               | 7,991.8          | 7,996.4          | 7,980.7              |
| Other non-current assets            | 2,911.6          | 2,906.4          | 2,908.4              |
| Total non-current assets            | 10,903.4         | 10,902.8         | 10,889.1             |
| Current assets                      | 1,594.2          | 1,575.4          | 1,711.0              |
| <b>Total assets</b>                 | <b>12,497.6</b>  | <b>12,478.2</b>  | <b>12,600.1</b>      |
| Restricted equity                   | 1,978.7          | 1,978.7          | 1,978.7              |
| Non-restricted equity               | 940.1            | 1,191.0          | 1,592.5              |
| Total equity                        | 2,918.8          | 3,169.7          | 3,571.2              |
| Untaxed reserves                    | 340.5            | 516.2            | 340.5                |
| Provisions                          | 893.0            | 883.2            | 887.8                |
| Non-current liabilities             | 6,248.0          | 5,246.9          | 5,745.1              |
| Current liabilities                 | 2,097.3          | 2,662.2          | 2,055.5              |
| <b>Total equity and liabilities</b> | <b>12,497.6</b>  | <b>12,478.2</b>  | <b>12,600.1</b>      |



## BOARD CERTIFICATION

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

presents material risks and uncertainties that are considered to face the Parent Company and the companies that are included in the Group.

Stockholm, August 21, 2019

Fredrik Lundberg  
*Chairman*

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  
*President and  
Board Member*

## REVIEW REPORT

To the Board of Directors of Hufvudstaden AB (publ).

### Introduction

We have reviewed the Half-Year Report for Hufvudstaden AB (publ), registration number 556012-8240, as at June 30, 2019 and the six-month period ending as at that date. The Board of Directors and the President are responsible for the preparation and fair presentation of this Half-Year Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this Half-Year Report based on our review.

### Scope of review

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

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

### Conclusion

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

Stockholm, August 21, 2019  
KPMG AB

Joakim Thilstedt  
*Authorized Public Accountant*

## DEFINITIONS AND GLOSSARY

### Finance

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

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

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

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

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

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

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

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

*Interest coverage ratio.* Profit after financial items, excluding items affecting comparability and changes in value, plus interest expense in relation to interest expense. In the interim accounts, profit after financial items, excluding items affecting comparability and changes in value, as well as interest expense, have been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

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

*Net liabilities.* Interest-bearing liabilities, including the decided dividend minus current investments and cash and bank holdings.

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

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

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

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

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

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

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

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

### Shares

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

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

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

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

### Properties

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

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

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

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

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

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

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

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

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

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

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

# HUFVUDSTADEN

## Hufvudstaden

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

## Vision

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

## Business concept

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

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

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

## Strategies to achieve the objectives

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

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

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

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



BIBLIOTEKSTAN



FREDSTAN  
GÖTEBORG



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Registered office: Stockholm



