



HUFVUDSTADEN

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Interim Report January-March 2019

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- **Gross profit from property management rose by 5 per cent to SEK 343 million (325). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 472 million (445), an increase of 6 per cent.**
- **Profit after tax for the period was SEK 500 million (692), equivalent to SEK 2.42 per share (3.35). The decrease can be attributed to lower unrealized changes in the value of the property holdings.**
- **The fair value of the property holdings was SEK 44.6 billion (44.1 at the turn of the year), resulting in a net asset value of SEK 170 per share (171 at the turn of the year) following payment of a dividend of SEK 3.70 per share. The unrealized change in the value of the property holdings for the period was SEK 332 million (593).**
- **The equity ratio was 62 per cent (61), the net loan-to-value ratio was 17 per cent (16), and the interest coverage ratio multiple was 11.8 (11.2).**
- **The rental vacancy rate at the period-end was 6.2 per cent (4.6). Excluding current development projects, the rental vacancy rate was 2.3 per cent (3.3).**

Key events during the period

The law firm Vinge has moved temporarily from the property Skären 9 at Norrmalmstorg in Stockholm. The property is undergoing redevelopment and expansion, which will continue through to 2020/2021.

The new NK market hall has opened in the NK department store in Stockholm.

In Bibliotekstan, Chanel has signed a lease agreement to expand their store, and Maje will open a new store.

GANT has signed a lease agreement for the opening of a flagship store in Fredstan in Gothenburg.

Performance measures

SEK m	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net revenue, property management	472	445	1,797
Gross profit, property management	343	325	1,302
Unrealized changes in value, investment properties	332	593	3,621
Operating profit	674	926	4,940
Profit for the period	500	692	4,320
Fair value, properties, SEK bn	44.6	40.4	44.1
Net loan-to-value ratio, properties, %	17.5	16.1	14.2
Interest coverage ratio, multiple	11.8	11.2	10.5
Rental vacancy rate, excl. projects (EPRA vacancy rate), %	2.3	3.3	1.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.34	1.27	5.16
Current net asset value (EPRA NNNAV) per share, SEK	170.00	153.00	171.00

GROUP

RESULTS

Property management

Net revenue from property management during the period amounted to SEK 472.0 million (445.1). Gross profit totalled SEK 342.9 million (325.3). 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 for a new property tax assessment and the majority of the cost has been passed on to the tenants. The gross profit has been affected positively to the amount of SEK 5.6 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 it amounted to SEK 12.1 million. Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

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

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue totalled SEK 20.8 million (21.5). The decrease can be attributed mainly to reduced revenue from short-term parking. Expenses totalled SEK -12.9 million (-12.6) and gross profit totalled SEK 7.9 million (8.9).

Other profit and loss items

Central administration totalled SEK -10.8 million (-9.9). Unrealized changes in the value of investment properties totalled SEK 331.8 million (593.0), and changes in interest derivatives totalled SEK 2.2 million (8.8). For further information, see pages 4-5.

Financial income and expense

Net financial income and expense amounted to SEK -28.6 million (-28.4), of which the change according to IFRS 16 affected the financial net by SEK -5.7 million (0.0). The decrease in financial expense related to borrowings 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 -145.9 million (-206.1), of which SEK -44.4 million (-43.0) was actual tax, and SEK -101.5 million (-163.1) was deferred tax.

Profit for the period

The consolidated profit after tax was SEK 499.5 million (691.6). The decrease can be attributed to lower unrealized changes in the value of the property holdings. The application of IFRS 16 has only had a marginal impact on profit for the period.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where the classification takes place on level 3 according to IFRS 13. As at March 31, 2019, the assessed value was SEK 44,582 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 384,100 square metres (384,500 at the turn of the year).

The rental vacancy rate as at March 31, 2019 was 6.2 per cent (2.6 at the turn of the year) and the total floor space vacancy level was 8.3 per cent (4.3 at the turn of the year). The rental vacancy rate, excluding current development projects (EPRA vacancy rate), totalled 2.3 per cent (1.3 at the turn of the year). The increase in the rental vacancy rate, excluding current development projects, can be attributed mainly to a small number of companies vacating office premises. For several of these premises, new leases have already been signed.

Acquisitions and investments

Total investment in properties and other non-current assets during the period was SEK 173.9 million (124.0).

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.

In Stockholm, work continued at the beginning of 2019 on developing NK with the aim of reinforcing its position as a world-class department store. The new NK market hall has opened and the department store can now be accessed through the new entrance from NK Parkaden. Interest from international high-end brands continues to be high, negotiations are taking place, and for a number of these lease agreements have been signed.

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, has resulted in improved customer areas, combined with a broader range of restaurants.

A redevelopment and expansion project is in progress on the property Skären 9 in Bibliotekstan. The law firm Vinge has moved out of the property

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 ¹⁾ (SEK m)	Estimated completion
Stockholm	NK Stockholm, Hästskon 10	Current	Retail, restaurant and parking	50% of the department store floor space and a 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 and retail	-	-	-	-
Gothenburg	NK Gothenburg	Current	Retail and restaurant	2,100 and foundation reinforcement	-	150	2018/2019
Gothenburg	Inom Vallgraven 12 block	Local planning	Office, retail and restaurant	-	-	-	-

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

temporarily whilst work takes place. 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 work on the property Vildmannen 7 in Stockholm and the Inom Vallgraven 12 block in Gothenburg proceeds 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 during the period was SEK 331.8 million (593.0). The total value of the property holdings as at March 31, 2019 was SEK 44.6 billion, including investments made during the period. The unrealized increase in value can be attributed to the effect of rising rents.

The average yield requirement in conjunction with the above valuation stood at 3.8 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 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 sub-area, 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 sub-areas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income from the properties is based on market rental revenue, the long-term rental vacancy rate, 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	3.8 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 44.6 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.2 billion. Below are the key factors that influence the valuation and the consequent impact on profit before tax.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,030 m
Property costs	SEK 50/sq m	SEK 515 m
Rental vacancy rate	1.0 percentage points	SEK 570 m
Yield requirement	0.25 percentage points	SEK 2,950 m

¹⁾Valuation date: March 31, 2019.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 37.1 billion or SEK 180 per share. The current net asset value (EPRA NNAV) was SEK 35.0 billion or SEK 170 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, March 31, 2019

	SEK m	SEK/ share
Equity according to the Balance Sheet	28,735.8	140
<i>Reversal</i>		
Derivatives according to the Balance Sheet	1.5	0
Deferred tax investment properties	8,314.1	40
Non-current net asset value (EPRA NAV)	37,051.4	180
<i>Deductions</i>		
Derivatives as stated above	-1.5	0
Estimated actual deferred tax 5%	-2,018.0	-10
Current net asset value (EPRA NNAV)	35,031.9	170

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period with low rates of vacant space. In Stockholm's most attractive locations – in Bibliotekstan, at Normalmstorg/Hamngatan, and in the Hötorget area – market rents for office space have risen slightly within the range of SEK 6,000-8,700 per square metre per year, excluding the property tax supplement. There has continued to be a good level of interest in prime-location retail premises in the same sub-markets. For retail premises in prime locations, 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 rate of vacant space. Market rents in prime

locations have risen slightly and are now 2,700-3,700 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.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at March 31, 2019 amounted to SEK 7,350 million (7,350 at the turn of the year). Interest-bearing net debt was SEK 7,789 million (6,279 at the turn of the year). The increase can be attributed to the additional leasing liability according to IFRS 16 and the payment of a dividend.

Hufvudstaden has an MTN programme totalling SEK 6,000 million, and a commercial paper programme totalling SEK 3,000 million. The outstanding amount in bonds was SEK 4,700 million, and in commercial paper SEK 1,650 million. 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 3.7 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 4,700 million carries a fixed rate of interest. In addition, credit of SEK 250 million (450 at the turn of the year) is hedged via interest derivatives.

The fair value of all interest derivatives as at March 31, 2019 was SEK -1.5 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 concurs with the fair value.

Fixed interest structure, SEK m, March 31, 2019

Maturity, year	Credit amount	AER, % ¹⁾	Proportion, %
< 1	2,650	0.7	36
1 - 2	500	1.8	7
2 - 3	900	1.3	12
3 - 4	1,800	1.4	24
4 - 5	1,000	1.3	14
5 - 6	500	1.5	7
Total	7,350	1.2	100

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

Capital tie-up structure, SEK m, March 31, 2019

Maturity year	Credit Agreement	Utilized			Total	Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾		
< 1	-	-	-	-	-	-
1 - 2	2,000	500	500	-	1,000	14
2 - 3	1,900	-	900	650	1,550	21
3 - 4	2,300	500	1,800	-	2,300	31
4 - 5	1,000	-	1,000	-	1,000	14
5 - 6	1,500	-	500	1,000	1,500	20
Total	8,700	1,000	4,700	1,650	7,350	100

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

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 24,646 shareholders at the period-end. The proportion of foreign ownership as at March 31, 2019 was 29.7 per cent of the total number of outstanding shares (28.1 at the turn of the year). As at March 31, 2019, the series A share price was SEK 161.30, and market capitalization was SEK 38.5 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 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 Company shares.

Buy-back of shares as at March 31, 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 March 31, 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 this 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 applies IFRS 16 Leases from January 1, 2019 and has selected the simplified transition method and does not apply the standard retroactively. Reported rights of use will be assigned the same value as the reported lease liability as at January 1, 2019. In its capacity as lessee, Hufvudstaden has 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 defined as perpetual leases. They are 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, while interest accrues to the leasing liabilities and is 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 also 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 balance sheet items 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 STATEMENT

GROUP, SEK m	Jan-Mar 2019 (incl. IFRS 16)	Jan-Mar 2019 (excl. IFRS 16)
Net revenue	492.8	492.8
Operating expenses	-142.0	-147.6
Gross profit	350.8	345.2
Central administration	-10.8	-10.8
Operating profit before changes in value	340.0	334.4
Changes in value	334.0	334.0
Operating profit	674.0	668.4
Financial income and expense	-28.6	-22.9
Profit before tax	645.4	645.5
Tax	-145.9	-145.9
Profit after tax	499.5	499.6
Total comprehensive income for the period	499.5	499.6

PERFORMANCE MEASURES

GROUP	March 31, 2019 (incl. IFRS 16)	March 31, 2019 (excl. IFRS 16)
Surplus ratio, %	71.2	70.1
Net debt, SEK m	7,789	7,011
Loan-to-value ratio, properties, %	18.2	16.5
Net loan-to-value ratio, properties, %	17.5	15.7
Equity ratio, %	62	63
Interest coverage ratio, multiple	11.8	14.4
Debt/equity ratio, multiple	0.3	0.2

FORTHCOMING INFORMATION

Half-Year Report, January-June 2019	August 21, 2019
Interim Report, January-September 2019	November 7, 2019
Year-end Report 2019	February 13, 2020
Annual Report 2019	February 2020
Annual General Meeting 2020 in Stockholm	March 19, 2020

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

rities Market Act. The information was published through the auspices of the persons named below on May 9, 2019.

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

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

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	January- March 2019	January- March 2018	January December 2018
Net revenue¹⁾			
Property management	472.0	445.1	1,797.1
Parking operations	20.8	21.5	85.8
	492.8	466.6	1,882.9
Property management expenses			
Maintenance	-5.3	-3.6	-24.5
Operation and administration	-72.3	-69.0	-283.1
Ground rents	-	-5.6	-21.8
Property tax	-50.3	-41.6	-165.9
Depreciation	-1.2	-	-
	-129.1	-119.8	-495.3
Parking operations, expenses	-12.9	-12.6	-51.1
Operating expenses	-142.0	-132.4	-546.4
Gross profit	350.8	334.2	1,336.5
- of which Property management	342.9	325.3	1,301.8
- of which Parking operations	7.9	8.9	34.7
Central administration	-10.8	-9.9	-43.5
Operating profit before changes in value	340.0	324.3	1,293.0
Changes in value, investment properties	331.8	593.0	3,620.8
Changes in value, interest derivatives	2.2	8.8	26.6
Operating profit	674.0	926.1	4,940.4
Financial income and expense ²⁾	-28.6	-28.4	-120.5
Profit before tax	645.4	897.7	4,819.9
Tax	-145.9	-206.1	-500.2
Profit after tax	499.5	691.6	4,319.7
Other comprehensive income	-	-	-
Total comprehensive income for the period	499.5	691.6	4,319.7
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	2.42	3.35	20.94

¹⁾ Service revenue totalled SEK 21.4 million, equivalent to 4% of the total net revenue for the period Jan-Mar 2019. The figure for Jan-Mar 2018 was SEK 19.5 million, equivalent to 4%, and for Jan-Dec 2018 SEK 77.7 million, equivalent to 4%.

²⁾ The figure for Jan-Mar 2019 includes SEK -5.7 million, which is attributable mainly to ground rents according to IFRS 16.

BALANCE SHEETS – SUMMARY

GROUP, SEK m	March 31, 2019	March 31, 2018	December 31, 2018
Investment properties	44,582.0	40,445.8	44,088.5
Reported rights of use	778.3	-	-
Other non-current assets	49.7	20.9	37.1
Total non-current assets	45,410.0	40,466.7	44,125.6
Current assets	627.8	885.4	1,249.6
Total assets	46,037.8	41,352.1	45,375.2
Equity	28,735.8	25,371.4	28,999.5
Non-current interest-bearing liabilities	5,700.0	4,700.0	5,700.0
Deferred tax liabilities	8,394.5	8,103.0	8,293.0
Non-current leasing liabilities	739.2	-	-
Other non-current liabilities	51.4	52.1	50.1
Provisions for pensions	21.3	16.3	19.6
Total non-current liabilities	14,906.4	12,871.4	14,062.7
Current interest-bearing liabilities	1,650.0	2,400.0	1,650.0
Current leasing liabilities	39.2	-	-
Other liabilities	706.4	709.3	663.0
Total current liabilities	2,395.6	3,109.3	2,313.0
Total equity and liabilities	46,037.8	41,352.1	45,375.2

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- March 2019	January- March 2018	January- December 2018
Equity, opening balance	28,999.5	25,401.7	25,401.7
Total comprehensive income for the period	499.5	691.6	4,319.7
Dividend	-763.2	-721.9	-721.9
Equity, closing balance	28,735.8	25,371.4	28,999.5

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- March 2019	January- March 2018	January- December 2018
Profit before tax	645.4	897.7	4,819.9
Depreciation/impairments	12.7	2.7	8.6
Changes in value, investment properties	-331.8	-593.0	-3,620.8
Changes in value, interest derivatives	-2.2	-8.8	-26.6
Other changes	1.7	0.1	3.4
Income tax paid	-38.9	-35.9	-162.2
Cash flow from current operations before changes in working capital	286.9	262.8	1,022.3
Increase/decrease in operating receivables	-113.2	-146.9	-37.4
Increase/decrease in operating liabilities	41.4	26.2	18.0
Cash flow from current operations	215.1	142.1	1,002.9
Investment in properties	-161.7	-122.8	-737.7
Investment in other non-current assets	-12.2	-1.2	-17.5
Cash flow from investments	-173.9	-124.0	-755.2
Loans raised	1,450.0	2,800.0	7,100.0
Amortization of loan debt	-1,450.0	-1,900.0	-5,950.0
Amortization of leasing liabilities	-9.7	-	-
Dividend paid	-763.2	-721.9	-721.9
Cash flow from financing	-772.9	178.1	428.1
Cash flow for the period	-731.7	196.2	675.8
Cash and cash equivalents at the beginning of the period	1,070.7	394.9	394.9
Cash and cash equivalents at the period-end	339.0	591.1	1,070.7
Cash flow for the period per share, SEK	-3.55	0.95	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 Stockholm		Business Area NK		Business Area Gothenburg		Total	
	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018
Property management								
Net revenue	264.1	243.3	117.9	120.8	90.0	81.0	472.0	445.1
Property costs	-60.8	-55.5	-42.8	-42.5	-25.5	-21.8	-129.1	-119.8
Gross profit, property management	203.3	187.8	75.1	78.3	64.5	59.2	342.9	325.3
Gross profit, parking operations			7.9	8.9			7.9	8.9
Central administration							-10.8	-9.9
Changes in value:								
Investment properties							331.8	593.0
Interest derivatives							2.2	8.8
Operating profit							674.0	926.1
Financial income and expense							-28.6	-28.4
Profit before tax							645.4	897.7

PERFORMANCE MEASURES¹⁾

GROUP	March 31, 2019	March 31, 2018	Full year 2018
Property-related			
Rentable floor space, 1,000 m ²	384.1	384.7	384.5
Rental vacancy rate, %	6.2	4.6	2.6
Floor space vacancy rate, %	8.3	5.9	4.3
Fair value, SEK bn	44.6	40.4	44.1
Financial			
Return on equity, %	4.1	5.3	14.1
Return on capital employed, %	4.6	5.9	14.7
Equity ratio, %	62	61	64
Interest coverage ratio, multiple	11.8	11.2	10.5
Debt/equity ratio, multiple	0.3	0.3	0.2
Net loan-to-value ratio, properties, %	17.5	16.1	14.2
Surplus ratio, %	71.2	71.6	71.0
Data per share			
Profit/loss for the period, SEK	2.42	3.35	20.94
Equity, SEK	139.31	123.00	140.59
Properties, fair value, SEK	216.14	196.09	213.75
Number of outstanding shares, 1,000	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272
EPRA			
Result from property management after nominal tax (EPRA Earnings), SEK m	276	261	1,064
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.34	1.27	5.16
Non-current net asset value (EPRA NAV), SEK m	37,051.4	33,377.4	37,215.9
Non-current net asset value (EPRA NAV) per share, SEK	180.00	162.00	181.00
Current net asset value (EPRA NNNAV), SEK m	35,031.9	31,541.3	35,218.8
Current net asset value (EPRA NNNAV) per share, SEK	170.00	153.00	171.00
EPRA Vacancy rate, %	2.3	3.3	1.3

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

PERFORMANCE MEASURES PER QUARTER

GROUP	Jan-Mar 2019	Oct-Dec 2018	July-Sept 2018	Apr-June 2018	Jan-Mar 2018	Oct-Dec 2017	July-Sept 2017	Apr-June 2017
Net revenue, SEK m	493	487	465	464	467	480	456	453
Return on equity, %	4.1	14.7	10.7	9.4	5.3	12.9	9.9	8.6
Return on equity, adjusted, %	3.2	4.1	3.4	3.3	3.5	4.0	3.6	3.5
Equity ratio, %	62	64	63	63	61	63	62	62
Profit per share for the period, SEK	2.42	5.73	2.73	9.13	3.35	4.38	2.46	5.59
Equity per share, SEK	139.31	140.59	134.86	132.13	123.00	123.15	118.77	116.31
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.34	1.36	1.26	1.28	1.27	1.22	1.24	1.20
Net asset value (EPRA NNNAV), per share, SEK	170.00	171.00	164.00	161.00	153.00	152.00	147.00	144.00
Cash flow per share from current operations, SEK	1.04	1.69	1.08	1.40	0.69	1.25	0.77	1.41

ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority's (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	March 31, 2019	March 31, 2018	Full year 2018
Net asset value (EPRA NNAV) see page 4.			
Net debt			
Non-current interest-bearing liabilities	6,439	4,700	5,700
Current interest-bearing liabilities	1,689	2,400	1,650
Cash and bank holdings	-339	-591	-1,071
Net debt	7,789	6,509	6,279
Equity ratio			
Equity	28,736	25,371	29,000
Total assets	46,038	41,352	45,375
Equity ratio, %	62	61	64
Net loan-to-value ratio, properties			
Interest-bearing liabilities	8,128	7,100	7,350
Interest-bearing assets	-339	-591	-1,071
Total	7,789	6,509	6,279
Carrying amount, properties	44,582	40,446	44,089
Net loan-to-value ratio, properties, %	17.5	16.1	14.2
Interest coverage ratio			
Profit before tax	1,580 ¹⁾	1,786 ¹⁾	4,820
Reversal, changes in value	-334	-602	-3,647
Interest expense	115 ¹⁾	116 ¹⁾	123
Total	1,361	1,300	1,296
Interest expense	115 ¹⁾	116 ¹⁾	123
Interest coverage ratio, multiple	11.8	11.2	10.5
Result from property management after nominal tax (EPRA Earnings)			
Operating profit before changes in value	340	324	1,293
Financial income and expense	-29	-28	-120
Result from property management	311	296	1,173
Current tax, result from property management	-35	-35	-109
Result from property management after nominal tax (EPRA Earnings)	276	261	1,064
Number of outstanding shares, million	206.3	206.3	206.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.34	1.27	5.16

¹⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 322.9 million (294.2). Costs totalled SEK -176.4 million (-160.5). Gross profit was SEK 146.5 million (133.7). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation. Property tax has increased slightly as a result of a provision for a new property tax assessment and the cost has mainly been passed on to the tenants. The result from financial items amounted to SEK -22.9 million (-28.3). The decrease in financial expenses can be attributed to a lower rate of interest on loans.

Cash and cash equivalents at the period-end amounted to SEK 337.5 million (590.7). Investment in properties and other non-current assets totalled SEK 44.5 million (20.8).

MATERIAL RISKS AND UNCERTAINTY FACTORS

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

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	January- March 2019	January- March 2018	January- December 2018
Net revenue ¹⁾	322.9	294.2	1,210.8
Operating expenses	-176.4	-160.5	-656.5
Gross profit	146.5	133.7	554.3
Central administration	-10.8	-9.9	-43.5
Changes in value, interest derivatives	2.2	8.8	26.6
Operating profit	137.9	132.6	537.4
Group contributions received	-	-	158.2
Other financial income and expense	-22.9	-28.3	-120.4
Profit after financial items	115.0	104.3	575.2
Appropriations	-	-	136.4
Profit before tax	115.0	104.3	711.6
Tax	-33.7	-31.5	-96.5
Profit for the period	81.3	72.8	615.1
Statement of comprehensive income, SEK m			
Profit for the period	81.3	72.8	615.1
Other comprehensive income	-	-	-
Profit for the period	81.3	72.8	615.1

¹⁾ Service revenue totalled SEK 10.7 million, equivalent to 3% of the total net revenue for the period Jan-Mar 2019. The figure for Jan-Mar 2018 was SEK 9.3 million, equivalent to 3%, and for Jan-Dec 2018 SEK 38.7 million, equivalent to 3%.

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	March 31, 2019	March 31, 2018	December 31, 2018
Investment properties	7,978.5	7,999.3	7,980.7
Other non-current assets	2,910.0	2,905.0	2,908.4
Total non-current assets	10,888.5	10,904.3	10,889.1
Current assets	1,058.4	1,149.8	1,711.0
Total assets	11,946.9	12,054.1	12,600.1
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	910.6	1,050.2	1,592.5
Total equity	2,889.3	3,028.9	3,571.2
Untaxed reserves	340.5	516.2	340.5
Provisions	890.5	937.8	887.8
Non-current liabilities	5,746.3	4,747.7	5,745.1
Current liabilities	2,080.3	2,823.5	2,055.5
Total equity and liabilities	11,946.9	12,054.1	12,600.1

Stockholm, May 9, 2019

Ivo Stopner
President

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

DEFINITIONS AND GLOSSARY

Finance

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

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

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

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

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

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

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

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

Interest coverage ratio. Profit after financial items, excluding items affecting comparability and changes in value, plus interest expense in relation to interest expense. In the interim accounts, profit after financial items, excluding items affecting comparability and changes in value, as well as interest expense, have been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in 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 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 Brunnsparken and Trädgårdsföreningen, where the vision is to offer a unique range of stores, restaurants and cultural events and facilities.

Property tax supplement. Property tax payments received from tenants.

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

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

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

HUFVUDSTADEN

Hufvudstaden

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

Vision

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

Business concept

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

Financial objectives

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

Operating objectives

Hufvudstaden will:

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

Strategies to achieve the objectives

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

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

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

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



BIBLIOTEKSTAN



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