

# HUFVUDSTADEN



Q2

Half-year Report  
January–June 2020

# HUFVUDSTADEN

## Half-year Report January–June 2020

- Net revenue from property management decreased by 5.5 per cent to SEK 886 million (938). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses for stores and restaurants as a result of Covid-19.
- Gross profit from property management amounted to SEK 626 million (682). The decrease of 8 per cent can be attributed mainly to lower rental revenue for stores and restaurants due to Covid-19.
- The net loss for the period was SEK -1,082 million (1,481), equivalent to SEK -5.24 per share (7.18). The decrease can be attributed mainly to negative unrealized changes in the value of the property holdings regarding properties with a significant proportion of stores and restaurants.
- The fair value of the property holdings was SEK 46.2 billion (47.7 at the turn of the year), resulting in a net tangible asset value (EPRA NTA) of SEK 175 per share (185 at the turn of the year). The unrealized change in the value of the property holdings for the period was SEK -1,915 million (1,292).
- The equity ratio was 62 per cent (62), the net loan-to-value ratio was 18 per cent (17), and the interest coverage ratio multiple was 9.3 (11.3).
- The rental vacancy level at the end of the period was 8.7 per cent (6.5). Excluding current development projects, the rental vacancy level was 4.1 per cent (2.9).

### Operating events during the second quarter

MQ MarQet has chosen the Femman galleria in Gothenburg for its new flagship store and Lidl is expanding its existing store by about 400 square metres.

The debt collection firm Axactor has signed a lease for approximately 1,200 square metres of office space in the Femman property in Gothenburg.

The French fashion brand Ba&Sh is opening its first freestanding concept store in Sweden in the Pumpstocken 10 property, Bibliotekstan.

The Covid-19 pandemic has had impact on society as a whole and on Hufvudstaden's operations in the second quarter. Focus has been on dialogue and negotiations in order to support our tenants, mainly in the retail and restaurant sectors, by means including temporary rent relief, in the best and most professional manner possible.

### Performance measures

SEK m	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net revenue, property management	886	938	1,896
Gross profit, property management	626	682	1,373
Unrealized changes in value, investment properties	-1,915	1,292	2,727
Operating profit or loss	-1,269	1,971	4,087
Net profit or loss for the period	-1,082	1,481	3,146
Fair value, properties, SEK bn	46.2	45.8	47.7
Net loan-to-value ratio, properties, %	17.7	17.0	15.5
Interest coverage ratio, multiple	9.3	11.3	11.4
Rental vacancy level, excl. projects (EPRA vacancy rate), %	4.1	2.9	1.7
Result from property management after nominal tax (EPRA EPS) per share, SEK	2.43	2.73	5.49
Net tangible asset (EPRA NTA) per share, SEK	175.00	176.00	185.00

## COVID-19

The Covid-19 pandemic has had serious effect on the entire world: on people, on communities and on business. Some countries were in total lockdown for a period. The public health authorities in Sweden have, to a greater extent, issued recommendations and directives that have had adverse impact on many sectors, particularly in parts of the consumer durables and restaurant sectors. International tourism has ground virtually to a halt and most people have been working from home. Measures to stop transmission of the virus have had profound impact on Hufvudstaden's centrally located marketplaces and properties.

As a result, the solvency of several of our retail and restaurant tenants has deteriorated. In response, Hufvudstaden has maintained a close dialogue to support these tenants through this period in the best and most professional manner possible. In total, we have signed more than 350 agreements on temporary rent reductions for the second quarter. In the half-year report for 2020 these rent reductions amount to about SEK 90 million. Of that amount, approximately SEK 39 million in compensation from the state under the local rent support scheme is recognized, meaning that Hufvudstaden's earnings were reduced by just over SEK 50 million. Results of operations for the period were also affected by higher costs for bad debt losses.

For details of the effect on property valuation and the rental market, refer to the relevant sections on pages 4-6.

In many cases, Hufvudstaden has a long-term relationship with its tenants, which is a core element in our business concept. We support tenants in all matters related to premises, in good times and bad. Discussions will continue in the third quarter to find the best solution in business terms to help tenants bridge this challenging period. In the company's judgement, the effect on operating results will continue in upcoming quarters.

Hufvudstaden is following official recommendations and directives on how to manage transmission of the virus. Operations have been adapted to ensure full compliance with the directives in stores, restaurants, and office premises. Current and planned development projects are proceeding as planned. Hufvudstaden's financial position is strong and conditions are good for the continued development of our properties and marketplaces. Although rent payments have been affected in the short term, the company remains stable. The business concept remains firm, and properties in prime commercial locations in the two largest cities in Sweden will continue to be in demand after Covid-19 has passed.

## GROUP

### RESULTS

#### Property management

Net revenue from property management during the period amounted to SEK 886.0 million (938.1). Gross profit was SEK 626.1 million (681.9). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses for stores and restaurants as a result of Covid-19. This is offset to a certain extent by higher gross rents in conjunction with new and renegotiated leases, and indexation.

The turnover-based rent supplement is reported during the fourth quarter and amounted in the preceding year to SEK 11.1 million. Apart from this, there are no other material seasonal variations in rents.

The property management results for each business area are reported on page 9.

#### Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 34.9 million (41.6). The decrease can be attributed to reduced revenue from short-term parking. Expenses totalled SEK -26.2 million (-25.9) and gross profit totalled SEK 8.7 million (15.7).

#### Other profit and loss items

Central administration totalled SEK -23.4 million (-22.2). Unrealized changes in the value of investment properties totalled SEK -1,914.7 million (1,291.9) and changes in interest rate derivatives totalled SEK 0.0 million (3.3). For further information, see pages 4-6.

Items affecting comparability were SEK 34.7 million (0.0) and refer to insurance compensation for loss in rental revenue and emergency response costs after the fire at the property Vildmannen 7 in 2017.

#### Financial income and expense

Net financial income and expense amounted to SEK -66.0 million (-59.3), of which SEK -54.8 million (-48.5) refers to the cost of borrowing, and SEK -11.2 million (-11.2) to leasing cost for mainly site leasehold charges. The increase in financial expense related to borrowing can be attributed to a higher average rate of interest on loans. For further information, see page 6.

#### Tax

The Group's tax for the period was SEK 253.1 million (-430.1), of which SEK -64.8 million (-69.3) in current tax and SEK 317.9 million (-360.8) in deferred tax.

#### Net profit or loss for the period

The consolidated net loss was SEK -1,081.5 million (1,481.2). The decrease can be attributed mainly to negative unrealized changes in the value of the property holdings, regarding properties with a significant proportion of stores and restaurants.

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The assessed value as at June 30, 2020 was SEK 46,214 million (47,681 at the turn of the year). The decrease can be attributed to negative unrealized changes in value in the property holdings. Rentable floor space totalled approximately 384,100 square metres (384,200 at the turn of the year).

The rental vacancy level as at June 30, 2020 was 8.7 per cent (5.0 at the turn of the year) and the total floor space vacancy level was 9.2 per cent (6.7 at the turn of the year). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 4.1 per cent (1.7 at the turn of the year). The increase in the rental vacancy level excluding current development projects is mainly attributed to a couple of office tenants vacating the premises. For several of these spaces, new leases have already been signed. In addition, the vacancy level was affected by the bankruptcies of some retail tenants during the first half of the year.

### Acquisitions and investments

The total investments in properties and other non-current assets during the period was SEK 470.4 million (425.7).

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

Current and planned development projects will continue as scheduled despite the Covid-19 outbreak.

Extensive redevelopment has taken place in recent years at NK in Stockholm with the aim of strengthening its position as a world-class department store. Most of the project will be completed by the autumn and during the quarter the work has continued to complete the remaining departments. The NK department store will continue to be developed to meet changing consumer behaviours.

The expansion and redevelopment project at the Skären 9 property in Bibliotekstan is approaching the final phase. The building is mostly completed and the work with building systems and premises adaptations was ongoing during the quarter. The law firm Vingé will lease around 75 per cent of the floor space. The remainder of the office floor space will comprise of Hufvudstaden's own coworking concept Cecil, which will open in early 2021.

At the Vildmannen 7 property in Stockholm, demolition work has continued according to plan behind the original facades, that have been secured in preparation for the new construction.

In Gothenburg, a new local plan was received at the end of 2019 for the Inom Vallgraven 12 block. Planning has commenced as part of an extensive redevelopment and expansion project. The new local plan will result in an additional 15,000 square metres of gross floor space. Existing apartments in the block will be replaced by new apartments in the Inom Vallgraven 3:2 property. Planning work related to conversion of the property has commenced ahead of the production start in the autumn.

### 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 quality of the valuation, external valuations of parts of the property holdings are obtained at least once a year. The internal valuation of the properties is updated continuously during the year 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.

The Covid-19 outbreak resulted in a slightly greater degree of uncertainty than normal in the valuation as at June 30, 2020. Hufvudstaden applies a well-established process and to reduce uncertainty, a larger proportion of the property holdings was valued externally compared to 2019.

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK -1,914.7 million (1,291.9). The total value of the property holdings as at June 30, 2020 was SEK 46.2 billion, including investments made during the period. The unrealized decrease in value can be attributed to lower market rents primarily for stores, and to slightly rising yield requirements, primarily for properties with a significant share of retail premises.

The average yield requirement is unchanged compared to the first quarter and stood at 3.7 per cent at the above valuation (3.6 at the turn of the year).

### Major current and planned projects in the second quarter 2020

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	Vildmannen 7	Demolition work, planning	Office & retail	-	-	-	-
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Gothenburg	Inom Vallgraven 3:2	Planning	Residential	1,300	-	85	2021/2022
Gothenburg	Inom Vallgraven 12 block	Planning	Office, retail & restaurant	-	-	-	-

<sup>1)</sup> Includes estimated costs for rent losses and financing that are continuously recognized in profit and loss as well as costs for evacuation.

### 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 arises 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. Transactions that have yet to be finalized also provide guidance on market yield requirements.

The yield requirement can vary between different regions and different subareas within the regions. The type of property, technical standard, construction of the building and major investment requirements are also taken into account. 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 of the properties is based on market rental income, the long-term rental vacancy level, and normalized operating and maintenance costs. If there is a greater degree of uncertainty than normal, this is compensated for by increased yield requirements in the valuation.

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

### Yield requirements, property valuation<sup>1)</sup>

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

<sup>1)</sup> Valuation date: June 30, 2020.

### Sensitivity analysis

Fair value is an estimation of the probable sales price on the market at the time of the valuation. However, the price can only be established 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 estimations of fair value. The range is usually +/- 5 per cent but can vary depending, in part, on the market situation, the technical standard of the property, and investment requirements.

Hufvudstaden's property holdings are valued at SEK 46.2 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.3 billion. The opinion is that uncertainty in the valuation as at June 30, 2020 is greater than normal. Below are the key factors that influence the valuation and the consequent impact on profit or loss before tax.

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

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

<sup>1)</sup> Valuation date: June 30, 2020.

### External valuation

To assure the quality of the valuation, external estimates were obtained from three independent valuation firms, Cushman & Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuation covered ten properties, equivalent to 44 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 were externally valued were Achilles 1, Grönlandet Södra 11, Hästhuvudet 13, Hästen 19 and 20 (NK Stockholm), Kvasten 2, Orgelpipan 7, Oxhuvudet 18, Rännilen 18, and Rännilen 19 (part of) in Stockholm, and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation firms set a fair value for these properties of SEK 21,007 million. Hufvudstaden's internal valuation of the same properties was SEK 20,533 million. The internal valuations thus concur well with the external valuations.

### Net asset value

Based on the valuation of the property holdings, the current net reinstatement value (EPRA NRV) was SEK 38.2 billion or SEK 185 per share. The net tangible asset value (EPRA NTA) was SEK 36.0 billion or SEK 175 per share after 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 assumed at 5 per cent.

### Net asset value, June 30, 2020

	SEK m	SEK/ share
Equity according to the balance sheet	29,496.7	143
<i>Reversal</i>		
Deferred tax <sup>1)</sup>	8,752.4	42
Long-term EPRA NRV	38,249.1	185
<i>Deduction</i>		
Intangible assets	-91.5	0
Estimated fair liability, deferred tax 5%	-2,124.4	-10
EPRA NTA	36,033.2	175
<i>Reversal</i>		
Intangible assets as above	91.5	0
Deferred tax in its entirety	-6,628.0	-32
EPRA NDV	29,496.7	143

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

### RENTAL MARKET

As a result of the outbreak of Covid-19, demand for modern, flexible office space in prime locations in central Stockholm was hesitant during the beginning of the quarter. Towards the end of the period, however, a certain recovery was noticed in terms of both prospective tenants and closed agreements. Vacant space continued to be low and in Stockholm's most attractive locations – in Bibliotekstan, at Norrmalstorg/Hamn-gatan, and in the Hötorget area – market rents for office space were SEK 6,300-8,700 per square metre per year, excluding the property tax supplement. For retail premises, the effects are difficult to assess, but market rent levels are estimated, at least temporarily, to be negatively affected. The assessment is that market rents for retail premises in prime commercial locations were SEK 13,000-25,000 per square metre per year, excluding the property tax supplement.

In Gothenburg's central submarkets, demand for modern and flexible office space has continued somewhat hesitant. Vacant space remained low and market rents in the most attractive locations were SEK 2,900-3,800 per square metre per year, excluding the property tax supplement. For retail premises in prime locations, market rents are slightly declining and amounted to SEK 5,000-14,000 per square metre per year, excluding the property tax supplement.

The outcomes of Group renegotiations were unchanged for retail premises and positive for office premises. During the period, a total of 24,200 square metres were renegotiated at a rental value of SEK 137 million. On average, the renegotiations resulted in a rent increase of approximately 8 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, 2020 was SEK 7,900 million (8,350 at the turn of the year). Interest-bearing net debt was SEK 7,446 million (6,644 at the turn of the year). In addition, leasing debt according to IFRS 16 amounts to SEK 740 million (760 at the turn of the year), total net debt was SEK 8,186 million (7,404 at the turn of the year). During the fourth quarter SEK 500 million in bank loans will fall due. In addition to outstanding loans, there are unutilized loan commitments amounting to SEK 3,000 million, of which SEK 700 million is reserved as backup for outstanding commercial paper.

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 is SEK 6,200 million and there is SEK 700 million outstanding in commercial paper. Hufvudstaden ensures that there are unutilized loan commitments to cover all outstanding commercial paper at all times. The average fixed interest period was 2.3 years (2.6 at the turn of the year), the average capital tie-up period was 2.8 years (3.3 at the turn of the year), and the average equivalent rate of interest was 1.3 per cent (1.2 at the turn of the year). To achieve the desired interest payment structure, borrowing takes place at both fixed and variable interest rates. Of the total borrowings, SEK 6,200 million carries a fixed rate of interest. Financial assets and liabilities are recognized at amortized cost, which in all material respects concurs with the fair value. There is no offsetting of financial assets and liabilities, and there are no agreements that permit netting.

### Fixed interest structure, SEK m, June 30, 2020

Maturity, year	Credit amount	AER, % <sup>1)</sup>	Proportion, %
< 1	2,200	1.5	28
1 - 2	900	1.3	11
2 - 3	2,300	1.4	29
3 - 4	1,000	1.4	13
4 - 5	1,500	1.1	19
Total	7,900	1.3	100

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

### Capital tie-up structure SEK m, June 30, 2020

Maturity, year	Credit Agree-ment	Utilized:				Proportion, %
		Bank loans	Bonds	Commercial paper <sup>1)</sup>	Total	
< 1	1,000	500	500	-	1,000	12
1 - 2	2,400	500	900	-	1,400	18
2 - 3	2,300	-	2,300	-	2,300	29
3 - 4	2,000	-	1,000	-	1,000	13
4 - 5	2,500	-	1,500	700	2,200 <sup>2)</sup>	28
Total	10,200	1,000	6,200	700	7,900	100

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

<sup>2)</sup> SEK 700 million is reserved as backup for outstanding commercial paper.

## SECOND QUARTER

Gross profit from property management amounted to SEK 276.0 million (339.0), a decrease of 19 per cent. Net revenue amounted to SEK 403.8 million (466.1), a decrease of 13 per cent. The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses, for stores and restaurants, as a result of Covid-19. This is offset to a certain extent by higher gross rents in conjunction with new and renegotiated leases, and indexation. The cost was SEK -127.8 million (-127.1).

Gross profit from parking operations was SEK 2.5 million (7.8). Net revenue was SEK 15.7 million (20.8) and costs totalled SEK -13.2 million (-13.0).

Changes in the value of investment properties amounted to SEK -985.3 million (960.1) and changes in the value of interest rate derivatives amounted to SEK 0.0 million (1.1). Items affecting comparability were SEK 34.7 million (0.0) and refer to insurance compensation for loss in rental revenue and emergency response costs after the fire in the property Vildmannen 7 in 2017. Net financial income and expense totalled SEK -34.0 million (-30.7).

## SHARES AND SHAREHOLDERS

Hufvudstaden class A shares are listed on NASDAQ Stockholm. The Company's class C shares were delisted from NASDAQ Stockholm in January 2020. The Company had 33,299 shareholders at the end of the period. The proportion of foreign ownership as at June 30, 2020 was 30.4 per cent of the total number of outstanding shares (28.4 at the turn of the year). The class A share price as at June 30, 2020 was SEK 115.80, and total market capitalization of all shares based on the class A share price was SEK 24.5 billion.

### Conversion of Hufvudstaden's class C shares

At the 2001 Annual General Meeting a conversion clause was added to Hufvudstaden's articles of association. Shareholders have the right at any time to request conversion of their series C shares into series A shares. During the second quarter of 2020, 748 class C shares were converted to class A shares.

### Share structure as at June 30, 2020

Share class	Number of shares	Number of votes	Equity %	Votes %
A (1 vote)	202,999,827	202,999,827	96.1	19.7
C (100 votes)	8,272,106	827,210,600	3.9	80.3
Total	211,271,933	1,030,210,427	100.0	100.0

### Shares bought back

The total number of treasury shares held by Hufvudstaden as at June 30, 2020 was 5,006,000 class A shares, equivalent to 2.4 per cent of all issued shares. There were no buybacks during or subsequent to the reporting period. At the 2020 Annual General Meeting, the board of directors was granted renewed authorization to acquire class A shares up to 10 per cent of all shares outstanding and to transfer treasury shares held by the company.

### Share buybacks as at June 30, 2020, million shares

	Total number of shares	Treasury shares	Other shareholders
As at January 1, 2020	211.3	5.0	206.3
Buyback	-	-	-
As at June 30, 2020	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. Other than the material risks and uncertainties described in the 2019 Annual Report, a greater degree of uncertainty has been identified as a result of the current Covid-19 pandemic. See page 3 for further details.

## **MATERIAL TRANSACTIONS WITH RELATED PARTIES**

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

## **ACCOUNTING POLICIES**

Hufvudstaden applies the EU-endorsed IFRS standards. This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Swedish Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the interim report. In addition to the accounting policies and computation bases applied in the 2019 Annual Report, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance has been applied. This refers mainly to government assistance in the form of compensation for reduced rents that is expected to be obtained.

Government grants are recognized when there is reasonable assurance that the company will comply with any conditions attached to the grant and that the grant will be received. The grants are accounted for in net revenues from property management and recognized in profit or loss in the same period as the reduced rental revenue.

## **FORTHCOMING INFORMATION**

Interim Report, January-September 2020	November 5, 2020
Year-end Report 2020	February 18, 2021
Annual Report 2020	March 2021
Annual General Meeting in Stockholm 2021	March 25, 2021

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was published through the auspices of the persons named below on August 26, 2020.

*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- June 2020</b>	<b>April- June 2019</b>	<b>January- June 2020</b>	<b>January- June 2019</b>	<b>January- December 2019</b>
<b>Net revenue<sup>1)</sup></b>					
Property management	403.8	466.1	886.0	938.1	1,896.4
Parking operations	15.7	20.8	34.9	41.6	84.8
	<b>419.5</b>	<b>486.9</b>	<b>920.9</b>	<b>979.7</b>	<b>1,981.2</b>
<b>Property management expenses</b>					
Maintenance	-6.2	-7.3	-12.6	-12.6	-28.9
Operation and administration	-70.2	-68.1	-144.5	-140.4	-287.0
Property tax	-50.1	-50.4	-100.3	-100.7	-200.7
Depreciation, right-of-use assets	-1.3	-1.3	-2.5	-2.5	-6.8
<b>Property management expenses</b>	<b>-127.8</b>	<b>-127.1</b>	<b>-259.9</b>	<b>-256.2</b>	<b>-523.4</b>
Parking operations, expenses	-13.2	-13.0	-26.2	-25.9	-52.5
<b>Operating expenses</b>	<b>-141.0</b>	<b>-140.1</b>	<b>-286.1</b>	<b>-282.1</b>	<b>-575.9</b>
<b>Gross profit</b>	<b>278.5</b>	<b>346.8</b>	<b>634.8</b>	<b>697.6</b>	<b>1,405.3</b>
- of which Property management	276.0	339.0	626.1	681.9	1,373.0
- of which Parking operations	2.5	7.8	8.7	15.7	32.3
Central administration	-11.9	-11.4	-23.4	-22.2	-49.2
<b>Operating profit before items affecting comparability and changes in value</b>	<b>266.6</b>	<b>335.4</b>	<b>611.4</b>	<b>675.4</b>	<b>1,356.1</b>
Items affecting comparability <sup>2)</sup>	34.7	-	34.7	-	-
Changes in value, investment properties	-985.3	960.1	-1,914.7	1,291.9	2,726.9
Changes in value, interest rate derivatives	-	1.1	-	3.3	3.7
<b>Operating profit</b>	<b>-684.0</b>	<b>1,296.6</b>	<b>-1,268.6</b>	<b>1,970.6</b>	<b>4,086.7</b>
Financial income or expense	-34.0	-30.7	-66.0	-59.3	-118.7
<b>Profit or loss before tax</b>	<b>-718.0</b>	<b>1,265.9</b>	<b>-1,334.6</b>	<b>1,911.3</b>	<b>3,968.0</b>
Tax	135.0	-284.2	253.1	-430.1	-821.6
<b>Net profit or loss</b>	<b>-583.0</b>	<b>981.7</b>	<b>-1,081.5</b>	<b>1,481.2</b>	<b>3,146.4</b>
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income or loss for the period</b>	<b>-583.0</b>	<b>981.7</b>	<b>-1,081.5</b>	<b>1,481.2</b>	<b>3,146.4</b>
Average number of outstanding shares following buybacks during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Net earnings per share after tax for the period, basic and diluted, SEK	-2.83	4.76	-5.24	7.18	15.25

<sup>1)</sup> Service revenue totalled SEK 46.9 million, equivalent to 5 per cent of total net revenue for Jan-Jun 2020. The figure for Jan-Jun 2019 was SEK 45.0 million, equivalent to 5 per cent, and the figure for Jan-Dec 2019 was SEK 86.8 million, equivalent to 4 per cent.

<sup>2)</sup> Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>December 31, 2019</b>
Investment properties	46,214.1	45,771.9	47,680.6
Right-of-use assets	739.0	770.0	760.0
Other non-current assets	120.0	72.3	101.1
<b>Total non-current assets</b>	<b>47,073.1</b>	<b>46,614.2</b>	<b>48,541.7</b>
Current assets	634.7	1,108.3	1,799.9
<b>Total assets</b>	<b>47,707.8</b>	<b>47,722.5</b>	<b>50,341.6</b>
Equity	29,496.7	29,717.5	31,382.7
Non-current interest-bearing liabilities	6,200.0	6,200.0	6,700.0
Deferred tax liabilities	8,654.4	8,653.8	8,972.3
Non-current lease liabilities	712.4	730.0	719.0
Other non-current liabilities	75.9	52.5	61.0
Other provisions	24.0	23.1	25.7
<b>Total non-current liabilities</b>	<b>15,666.7</b>	<b>15,659.4</b>	<b>16,478.0</b>
Current interest-bearing liabilities	1,700.0	1,650.0	1,650.0
Current lease liabilities	27.1	40.3	41.4
Other liabilities	817.3	655.3	789.5
<b>Total current liabilities</b>	<b>2,544.4</b>	<b>2,345.6</b>	<b>2,480.9</b>
<b>Total equity and liabilities</b>	<b>47,707.8</b>	<b>47,722.5</b>	<b>50,341.6</b>



## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- June 2020	January- June 2019	January- December 2019
Equity, opening balance	31,382.7	28,999.5	28,999.5
Total comprehensive income or loss for the period	-1,081.5	1,481.2	3,146.4
Dividend	-804.4	-763.2	-763.2
<b>Equity, closing balance</b>	<b>29,496.7</b>	<b>29,717.5</b>	<b>31,382.7</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- June 2020	January- June 2019	January- December 2019
Profit or loss before tax	-1,334.6	1,911.3	3,968.0
Depreciation/impairments	57.0	25.6	52.8
Changes in value, investment properties	1,914.7	-1,291.9	-2,726.9
Changes in value, interest rate derivatives	-	-3.3	-3.7
Other changes	-1.7	3.5	6.0
Income tax paid	-78.9	-77.4	-138.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>556.5</b>	<b>567.8</b>	<b>1,158.2</b>
Increase/decrease in operating receivables	-119.9	-75.6	72.1
Increase/decrease in operating liabilities	56.7	6.0	136.8
<b>Cash flow from operating activities</b>	<b>493.3</b>	<b>498.2</b>	<b>1,367.1</b>
Investments in properties	-448.2	-391.5	-865.2
Investments in other non-current assets	-22.2	-34.2	-63.0
<b>Cash flow from investing activities</b>	<b>-470.4</b>	<b>-425.7</b>	<b>-928.2</b>
Borrowings	1,600.0	3,200.0	5,350.0
Amortization of loan debt	-2,050.0	-2,700.0	-4,350.0
Amortization of lease debt	-20.8	-19.5	-40.3
Dividend paid	-804.4	-763.2	-763.2
<b>Cash flow from financing activities</b>	<b>-1,275.2</b>	<b>-282.7</b>	<b>196.5</b>
<b>Cash flow for the period</b>	<b>-1,252.3</b>	<b>-210.2</b>	<b>635.4</b>
Cash and cash equivalents at the beginning of the period	1,706.1	1,070.7	1,070.7
Cash and cash equivalents at the end of the period	453.8	860.5	1,706.1
Cash flow from operating activities per share, SEK	2.39	2.42	6.63
Cash flow for the period per share, SEK	-6.07	-1.02	3.08

## SEGMENT REPORT – SUMMARY

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

GROUP, SEK m	Business Area Stockholm		Business Area NK		Business Area Gothenburg		Total	
	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
<b>Property management:</b>								
Net revenue	520.6	522.9	189.7	239.2	175.7	176.0	886.0	938.1
Property costs	-117.3	-120.8	-92.8	-86.0	-49.8	-49.4	-259.9	-256.2
<b>Gross profit property management</b>	<b>403.3</b>	<b>402.1</b>	<b>96.9</b>	<b>153.2</b>	<b>125.9</b>	<b>126.6</b>	<b>626.1</b>	<b>681.9</b>
<b>Gross profit Parking operations</b>			8.7	15.7			8.7	15.7
Central administration							-23.4	-22.2
Items affecting comparability <sup>1)</sup>							34.7	-
<b>Changes in value:</b>								
Investment properties							-1,914.7	1,291.9
Interest derivatives							-	3.3
<b>Operating profit or loss</b>							<b>-1,268.6</b>	<b>1,970.6</b>
Financial income and expense							-66.0	-59.3
<b>Profit or loss before tax</b>							<b>-1,334.6</b>	<b>1,911.3</b>

<sup>1)</sup> Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

## PERFORMANCE MEASURES

GROUP	June 30, 2020	June 30, 2019	Full year 2019
<b>Property-related</b>			
Rentable floor space, 1,000 sq m	384.1	384.3	384.2
Rental vacancy level, %	8.7	6.5	5.0
Floor space vacancy level, %	9.2	8.2	6.7
Fair value, SEK bn	46.2	45.8	47.7
<b>Financial</b>			
Return on equity, %	-2.2	6.5	10.4
Return on capital employed, %	-1.7	7.1	10.7
Equity ratio, %	62	62	62
Interest coverage ratio, multiple	9.3	11.3	11.4
Debt/equity ratio, multiple	0.3	0.3	0.2
Net loan-to-value ratio, properties, %	17.7	17.0	15.5
NOI ratio, %	68.9	71.2	70.9
<b>Data per share</b>			
Net earnings per share for the period, SEK	-5.24	7.18	15.25
Equity, SEK	143.00	144.07	152.15
Properties, fair value, SEK	224.05	221.91	231.16
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	500	563	1,132
Result from property management after nominal tax (EPRA EPS) per share, SEK	2.43	2.73	5.49
Net reinstatement value (EPRA NRV), SEK m	38,249.1	38,430.7	40,453.3
Net reinstatement value (EPRA NRV) per share, SEK	185.00	186.00	196.00
Net tangible asset value (EPRA NTA), SEK m	36,033.2	36,272.2	38,181.2
Net tangible asset value (EPRA NTA) per share, SEK	175.00	176.00	185.00
Net disposal value (EPRA NDV), SEK m	29,496.7	29,717.5	31,382.7
Net disposal value (EPRA NDV) per share, SEK	143.00	144.00	152.00
EPRA Vacancy rate, %	4.1	2.9	1.7

## PERFORMANCE MEASURES PER QUARTER

GROUP	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Sept 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sept 2018
Share price, class A, SEK	115.80	135.70	185.10	178.20	157.90	161.30	136.90	135.20
Net revenue, SEK m	420	501	512	489	487	493	487	465
Return on equity, %	-2.6	0.7	10.9	7.8	6.4	4.1	14.7	10.7
Return on equity, adjusted, %	2.6	3.1	3.8	3.2	3.0	3.2	4.1	3.4
Equity ratio, %	62	62	62	62	62	62	64	63
NOI ratio, %	66.4	71.1	69.1	72.3	71.2	71.2	69.9	71.1
Net profit or loss per share for the period, SEK	-2.83	-2.42	5.34	2.73	4.76	2.42	5.73	2.73
Equity per share, SEK	143.00	145.83	152.15	146.81	144.07	139.31	140.59	134.86
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.07	1.36	1.38	1.38	1.39	1.34	1.36	1.26
Net tangible asset value (EPRA NTA) per share, SEK	175.00	178.00	185.00	179.00	176.00	170.00	171.00	164.00
Cash flow from operating activities per share, SEK	1.42	0.98	1.98	2.23	1.37	1.04	1.69	1.08

## 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, 2020	June 30, 2019	Full year 2019
<b>Net asset value, see page 5.</b>			
<b>Net debt</b>			
Non-current interest-bearing liabilities	6,200	6,200	6,700
Non-current lease liabilities	713	730	719
Current interest-bearing liabilities	1,700	1,650	1,650
Current lease liabilities	27	40	41
Cash and bank holdings	-454	-860	-1,706
<b>Net debt</b>	<b>8,186</b>	<b>7,760</b>	<b>7,404</b>
<b>Equity ratio</b>			
Equity	29,497	29,717	31,383
Total assets	47,708	47,723	50,342
<b>Equity ratio, %</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>Net loan-to-value ratio, properties</b>			
Interest-bearing liabilities	7,900	7,850	8,350
Lease liabilities	740	770	760
Interest-bearing assets	-454	-860	-1,706
<b>Total</b>	<b>8,186</b>	<b>7,760</b>	<b>7,404</b>
Carrying amount, properties	46,214	45,772	47,681
<b>Net loan-to-value ratio, properties, %</b>	<b>17.7</b>	<b>17.0</b>	<b>15.5</b>
<b>Interest coverage ratio</b>			
Profit or loss before tax	-789 <sup>1)</sup>	2,527 <sup>1)</sup>	3,968
Reversal of items affecting comparability and changes in value	1,880	-1,295	-2,731
Interest expense	132 <sup>1)</sup>	119 <sup>1)</sup>	119
<b>Total</b>	<b>1,223</b>	<b>1,351</b>	<b>1,356</b>
Interest expense	132 <sup>1)</sup>	119 <sup>1)</sup>	119
<b>Interest coverage ratio, multiple</b>	<b>9.3</b>	<b>11.3</b>	<b>11.4</b>
<b>Result from property management after nominal tax (EPRA Earnings)</b>			
Operating profit before items affecting comparability and changes in value	611	675	1,356
Financial income and expense	-66	-59	-119
<b>Result from property management</b>	<b>545</b>	<b>616</b>	<b>1,237</b>
Current tax, result from property management	-45	-53	-105
<b>Result from property management after nominal tax (EPRA Earnings)</b>	<b>500</b>	<b>563</b>	<b>1,132</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>2.43</b>	<b>2.73</b>	<b>5.49</b>

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

## PARENT COMPANY

### RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 634.1 million (636.3). The decrease can be attributed mainly to temporary rent reductions and increased bad debt losses for stores and restaurants as a result of Covid-19. This is offset to a certain extent by higher gross rents in conjunction with new and renegotiated leases, and indexation. Operating expenses totalled SEK -436.2 million (-407.4). The increase is attributed to higher maintenance costs, mainly as a result of major current development projects. Gross profit was SEK 197.9 million (228.9). Net financial income and expense was SEK -54.8 million (-48.0).

Cash and cash equivalents at the end of the period amounted to SEK 424.0 million (856.8). Investments in properties, intangible assets and equipment amounted to SEK 191.4 million (104.8).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

Hufvudstaden is mainly exposed to financing, interest and credit risks. Other than the material risks and uncertainties described in the 2019 Annual Report, a

greater degree of uncertainty has been identified as a result of the current Covid-19 pandemic. See page 3 for further details.

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

### ACCOUNTING POLICIES

The Parent Company applies RFR2 Accounting for Legal Entities and the Swedish Annual Accounts Act. This interim report for the Parent Company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. Apart from that stated in the Accounting Policies section for the Group concerning the application of IAS 20, the accounting policies and computation basis are otherwise the same as those applied in the 2019 Annual Report.

### INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	April-June 2020	April-June 2019	January-June 2020	January-June 2019	January-December 2019
Net revenue <sup>1)</sup>	302.4	313.4	634.1	636.3	1,282.7
Operating expenses	-233.4	-231.0	-436.2	-407.4	-802.7
<b>Gross profit</b>	<b>69.0</b>	<b>82.4</b>	<b>197.9</b>	<b>228.9</b>	<b>480.0</b>
Central administration	-11.9	-11.4	-23.4	-22.2	-49.2
Items affecting comparability <sup>2)</sup>	34.7	-	34.7	-	-
Changes in value, interest rate derivatives	-	1.1	-	3.3	3.7
<b>Operating profit</b>	<b>91.8</b>	<b>72.1</b>	<b>209.2</b>	<b>210.0</b>	<b>434.5</b>
Group contributions received	-	-	-	-	162.9
Other financial income and expense	-28.4	-25.1	-54.8	-48.0	-96.3
<b>Profit after financial items</b>	<b>63.4</b>	<b>47.0</b>	<b>154.4</b>	<b>162.0</b>	<b>501.1</b>
Appropriations	-	-	-	-	174.5
<b>Profit before tax</b>	<b>63.4</b>	<b>47.0</b>	<b>154.4</b>	<b>162.0</b>	<b>675.6</b>
Tax	-21.2	-17.5	-48.1	-51.2	-145.0
<b>Profit for the period</b>	<b>42.2</b>	<b>29.5</b>	<b>106.3</b>	<b>110.8</b>	<b>530.6</b>
<b>Statement of comprehensive income, SEK m</b>					
Profit for the period	42.2	29.5	106.3	110.8	530.6
Other comprehensive income	-	-	-	-	-
<b>Profit for the period</b>	<b>42.2</b>	<b>29.5</b>	<b>106.3</b>	<b>110.8</b>	<b>530.6</b>

<sup>1)</sup> Service revenue totalled SEK 22.7 million, equivalent to 4 per cent of total net revenue for Jan-Jun 2020. The figure for Jan-Jun 2019 was SEK 21.6 million, equivalent to 3 per cent, and the figure for Jan-Dec 2019 was SEK 43.7 million, equivalent to 3 per cent.

<sup>2)</sup> Refers to insurance compensation of SEK 34.7 million for rent losses and emergency response costs after the 2017 fire at the Vildmannen 7 property.

### BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	June 30, 2020	June 30, 2019	December 31, 2019
Investment properties	8,168.5	7,991.8	8,066.7
Other non-current assets	2,919.7	2,911.6	2,914.7
Total non-current assets	11,088.2	10,903.4	10,981.4
Current assets	1,265.4	1,594.2	2,353.3
<b>Total assets</b>	<b>12,353.6</b>	<b>12,497.6</b>	<b>13,334.7</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	661.7	940.1	1,359.9
Total equity	2,640.4	2,918.8	3,338.6
Untaxed reserves	161.6	340.5	161.6
Provisions	897.0	893.0	896.7
Non-current liabilities	6,268.4	6,248.0	6,754.4
Current liabilities	2,386.2	2,097.3	2,183.4
<b>Total equity and liabilities</b>	<b>12,353.6</b>	<b>12,497.6</b>	<b>13,334.7</b>

## BOARD CERTIFICATION

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

Group, and presents material risks and uncertainties that are faced by the Parent Company and the companies included in the Group.

Stockholm, August 26, 2020

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, 2020 and the six-month period then ended. 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 26, 2020  
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 end of the period.

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

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

**EPRA NRV - Net Reinstatement Value.** Shareholders' equity according to the balance sheet after reversal of interest rate derivatives and deferred tax according to the balance sheet, excluding deferred tax on assets and/or liabilities other than investment properties and right-of-use assets attributable to ground rents..

**EPRA NTA - Net Tangible Assets.** Shareholders' equity according to the balance sheet after reversal of interest rate derivatives and deduction for intangible assets, adjusted for actual deferred tax instead of nominal deferred tax..

**EPRA NDV - Net Disposal Value.** Shareholders' equity according to the balance sheet.

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

**Interest coverage ratio.** Profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, plus interest expense in relation to interest expense. In the interim accounts, net profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, as well as interest expense, have been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations.

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

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

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

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

**Return on capital employed.** Profit or loss before tax plus interest expense in relation to average capital employed. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the company's operations and with the

exception of items affecting comparability and changes in value.

**Return on equity.** Net profit or loss in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations and with the exception of changes in value.

**Return on equity, adjusted.** Net profit or loss, excluding items affecting comparability and changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in operations and with the exception of items affecting comparability and changes in value.

**Net Operating Income (NOI) ratio.** Gross profit in relation to net revenue.

**Tax.** Total tax for the Group comprises both current 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 end of the period.

**Earnings per share.** Net profit or loss for the period 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 end of the period, including supplements, calculated on an annual basis. Vacant premises are reported at the Estimated Rental Value (ERV).

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

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

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

**Market value (fair value), properties.** The amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. In accounting terms, this is known as "fair value".

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

**Fredstan.** The area around Fredsgatan between Brunnsparken and Trädgårdsföreningen, 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 all property holdings.

*In certain 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.* Systematic quality management 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.

*Sustainability.* Hufvudstaden will work actively and in the long term to ensure financial, environmental and social sustainability.



BIBLIOTEKSTAN



FREDSTAN  
GÖTEBORG

nordstan



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**HUFVUDSTADEN**