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HUFVUDSTADEN
Year-End Report 2017



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- **Gross profit rose by 3 per cent to SEK 1,301 million (1,262). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue amounted to SEK 1,841 million (1,790), an increase of 3 per cent. The increase is counteracted mainly by costs for vacant space arising in conjunction with development projects.**
- **Profit after tax for the year was SEK 3,035 million (4,120), equivalent to SEK 14.71 per share (19.98). The decrease can be attributed to lower unrealized changes in the value of the property holdings.**
- **The Board of Directors proposes an increase in the dividend to SEK 3.50 per share (3.30).**
- **The fair value of the property holdings was set at SEK 39.7 billion (36.5), resulting in a net asset value of SEK 152 per share (138). The unrealized change in value of the property holdings for the year was SEK 2,848 million (4,160).**
- **The equity ratio was 63 per cent (61), the net loan-to-value ratio was 15 per cent (15), and the interest coverage ratio multiple was 9.3 (8.6).**
- **The rental vacancy level at the year-end was 3.9 per cent (3.9). Excluding vacant space arising in conjunction with projects in progress, the rental vacancy level was 2.4 per cent (2.6).**

GROUP

RESULTS

Property management¹⁾

Net rents from property management during the year amounted to SEK 1,750.6 million (1,703.1). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation, although they were counteracted by the cost of vacant space arising mainly in conjunction with development projects. The gross profit was SEK 1,261.5 million (1,225.6).

The turnover-based rent supplement is reported during the fourth quarter and amounted to SEK 15.7 million (16.0), of which the NK properties accounted for SEK 12.9 million (13.8). Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

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

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 89.9 million (86.8), expenses totalled SEK -50.7 million (-50.0) and gross profit was SEK 39.2 million (36.8).

Other profit and loss items

Central administration totalled SEK -41.3 million (-42.9). Items affecting comparability totalled SEK -138.6 million (0.0) and refer to the net cost for the year as a result of the fire in the property Vildmannen 7, see also below under fourth quarter. Unrealized changes in the value of investment properties totalled SEK 2,848.2 million (4,160.1) and changes in interest derivatives totalled SEK 61.6 million (45.4).

¹⁾ The acquired property Inom Vallgraven 3:2 in Gothenburg is included with effect from March 1, 2016.

Financial income and expense

Net financial income and expense amounted to SEK -135.7 million (-141.1). The decrease can be attributed to a slightly lower rate of interest on loans.

Tax

The Group's tax for the year was SEK -859.9 million (-1,163.7), of which SEK -160.2 million (-152.7) was actual tax, and SEK -699.7 million (-1,011.0) was deferred tax. The decrease in deferred tax can be attributed to a lower unrealized increase in the value of the property holdings.

Profit for the year

The consolidated profit after tax amounted to SEK 3,035.0 million (4,120.2). The decrease can be attributed to a lower unrealized change in the value of the property holdings.

ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 587.3 million (618.7). The decrease can be attributed mainly to the acquisition during the previous year of the property Inom Vallgraven 3:2 in Gothenburg for SEK 78.4 million.

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. The value assessed as at December 31, 2017 was SEK 39,730 million (36,517). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 385,000 square metres (389,000). The change in rentable floor space can be explained by fire in the property Vildmannen 7, where much of the building was destroyed.

The rental vacancy level as at December 31, 2017 was 3.9 per cent (3.9) and the total floor space vacancy level was 5.5 per cent (5.3). The level of vacant space, excluding projects in progress, totalled 2.4 per cent (2.6).

Property value and net asset value

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

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

In the light of the above, the assessed unrealized change in the value of the property holdings for 2017 was SEK 2,848.2 million (4,160.1). The total value of the property holdings as at December 31, 2017 was SEK 39.7 billion, including investments. The unrealized increase in value can be attributed to rising market rents and slightly lower yield requirements.

The average yield requirement at the above valuation point was 3.8 per cent (3.9).

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 was 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 needs. For leasehold properties, the calculation is based on a yield requirement that was 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level, and normalized operating and maintenance costs.

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

Yield requirements, property valuation

Stockholm	3.4-3.9 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 39.7 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.0 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sqm	SEK 1,020 m
Property costs	SEK 50/sqm	SEK 510 m
Rental vacancy level	1.0 percentage points	SEK 510 m
Yield requirement	0.25 percentage points	SEK 2,620 m

¹⁾ Valuation date: December 31, 2017.

External valuation

To guarantee the valuation, external estimates were obtained from three independent valuation companies, Forum Fastighetsekonomi, Cushman & Wakefield and Newsec Advice. The external valuation as at

December 31, 2017 covered 10 properties, equivalent to 39 per cent of the internally assessed fair value. The corresponding figure at the mid-year point was 35 per cent. The basis for selection was that the properties should represent variations in property category, town, location, technical standard and construction standard. The properties that underwent an external valuation as at December 31, 2017 were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Järnplåten 28, Orgelpipan 7, Pumpstocken 10 (part of), Rännilen 18, Rännilen 19 (part of) and Vildmannen 7 in Stockholm, as well as Inom Vallgraven 10:9 (NK Gothenburg) and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a fair value for these properties of SEK 16.0 billion. Hufvudstaden's internal valuation of the same properties was SEK 15.5 billion. The internal valuation thus concurs well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 33.3 billion or SEK 161 per share. The current net asset value (EPRA NNAV) was SEK 31.4 billion or SEK 152 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, December 31, 2017

	SEK m	SEK/ share
Equity according to the Balance Sheet	25,401.7	123
<i>Reversal</i>		
Derivatives according to the Balance Sheet	30.3	-
Deferred tax according to the Balance Sheet	7,823.3	38
Non-current net asset value (EPRA NAV)	33,255.3	161
<i>Deductions</i>		
Derivatives as stated above	-30.3	-
Estimated deferred tax 5%	-1,778.0	-9
Current net asset value (EPRA NNAV)	31,447.0	152

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period. Vacant space in this category has remained at low levels and rents have risen. In Stockholm's most attractive locations – in Bibliotekstan, at Norrmalmstorg/Hamngatan, and in the Hötorget area – office rents of SEK 5,900-8,400 per square metre per year, excluding the property tax supplement, were noted. Interest in prime-location retail premises in the same sub-markets continues to be strong. For retail premises in prime locations, the market rents were SEK 14,000-25,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg continued to be positive, with a low level of vacant space. Market rents in prime locations have risen slightly and are SEK 2,500-3,400 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 the Group renegotiations of both retail and office premises has been positive. A total of 60,500 square metres were renegotiated during the period at a rental value of SEK 322 million. The renegotiations during 2017 resulted in an average increase in rent of about 12 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at December 31, 2017 amounted to SEK 6,200 million (6,650).

Hufvudstaden has an MTN programme totalling SEK 4.0 billion and the outstanding amount is SEK 3.7 billion. Outstanding commercial paper amounted to SEK 1.3 billion. 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 1.8 years (1.9), the average capital tie-up period was 3.4 years (2.7), and the average annual equivalent rate of interest was 1.9 per cent (2.1). Net interest-bearing debt was SEK 5,805 million (5,536). Of the total borrowing, SEK 3,200 million carries a fixed rate of interest. To achieve the desired interest payment structure, use is made of interest derivatives. The underlying credit of SEK 1,750 million (3,250) is hedged via interest derivatives. The fair value of all interest derivatives as at December 31, 2017 was SEK -30.3 million (-91.9). 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 amortized cost, which in all material respects concurs with the fair value.

Fixed interest structure, SEK m, December 31, 2017

Maturity, year	Credit amount	Interest derivatives	Net	AER, % ¹⁾	Proportion, %
< - 1	3,500	-450	3,050	1.9	49
1 - 2	500	450	950	2.7	15
2 - 3	-	-	-	-	-
3 - 4	1,000	-	1,000	1.5	16
4 - 5	1,200	-	1,200	1.5	20
Total	6,200	-	6,200	1.9	100

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

Capital tie-up structure SEK m, December 31, 2017

Maturity year	Credit-agreement	Utilized:			Total	Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾		
< - 1	1,700	200	1,000	-	1,200	20
1 - 2	500	-	500	-	500	8
2 - 3	1,500	500	-	-	500	8
3 - 4	2,000	500	1,000	300	1,800	29
4 - 5	1,200	-	1,200	-	1,200	19
5 - 6	-	-	-	-	-	-
6 - 7	1,000	-	-	1,000	1,000	16
Total	7,900	1,200	3,700	1,300	6,200	100

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

FOURTH QUARTER

Net rents amounted to SEK 456.0 million (444.4). The increase of 3 per cent can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation, although they were counteracted mainly by costs for vacant space arising in conjunction with development projects. Property management costs totalled SEK -138.4 million (-130.0). The increase is mainly the result of staff costs and maintenance costs. A provision was made in December for the bonus costs for the year. Gross profit from property management amounted to SEK 317.6 million (314.4).

Gross profit from parking operations was SEK 11.4 million (11.4). Net revenue was SEK 24.0 million (23.9) and costs were SEK -12.6 million (-12.5).

Unrealized changes in the value of investment properties amounted to SEK 970.3 million (1,709.5) and changes in the value of interest derivatives amounted to SEK 13.2 million (20.9). Net financial income and expense totalled SEK -31.5 million (-33.9).

On November 7, a fire broke out in the project property Vildmannen 7 in Bibliotekstan in Stockholm. No-one was seriously injured in the fire although much of the building was destroyed. The property is insured for its full value. Settlement of the insurance compensation has yet to be completed and for cautionary reasons only part of the possible insurance payment has been reported. The profit for the year also includes the cost of a change in value and disposal of the building. The net amount is SEK -138.6 million, and is reported under items affecting comparability.

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 22,620 shareholders at the period-end. The proportion of foreign ownership as at December 31, 2017 was 30.3 per cent (31.5) of the total number of outstanding shares. The series A share price as at December 31, 2017 was SEK 131.40, and market capitalization was SEK 29.2 billion.

Largest shareholder groups, December 31, 2017

	Number of shares, %	Number of votes, %
L E Lundbergföretagen	44.2	87.6
State Street Bank and Trust	6.6	1.4
SEB Funds	4.2	0.9
JP Morgan Funds	3.7	0.8
Citi Bank	3.4	0.7
AMF Funds	2.6	0.5
BNP Paribas	2.1	0.4
NTC Wealth	2.0	0.4
AFA Insurance	1.5	0.3
Other shareholders	27.3	6.5
Outstanding shares	97.6	99.5
Company holdings	2.4	0.5
Total number of issued shares	100.0	100.0

Shares bought back

The total number of shares held by Hufvudstaden as at December 31, 2017 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 2017 Annual 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. The Board of Directors will present a proposal at the Annual Meeting on March 22, 2018 that authorization to acquire and assign company shares be renewed.

Buy-back of shares as at December 31, 2017, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2017	211.3	5.0	206.3
Buy-back	-	-	-
As of December 31, 2017	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 Company has not identified any material risks and uncertainties other than those described in the 2016 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the Year-End Report. The accounting principles and computation basis are the same as those applied in the most recent Annual Report. Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures.

New standards that will come into effect in the future

A number of new and amended IFRS will come into effect during coming financial years. The amendments are not expected to have any material effect on the consolidated financial statements with the exception of the following

IFRS 9 Financial instruments will come into effect on January 1, 2018. For Hufvudstaden, the standard will mean a new model for making provisions for credit losses. The introduction is not expected to have any material impact on the consolidated financial statements.

IFRS 15 Revenue Recognition will come into effect on January 1, 2018. Hufvudstaden's main source of revenue is rental revenue, which is reported according to IAS 17. The transition to IFRS 15 means that the reporting of income must be divided up into two parts: rental income and service income. In the case of service income, an assessment is made of whether Hufvudstaden acts as principal or agent for the services that are provided. As Hufvudstaden's primary revenue source is rental income and, in most cases, Hufvudstaden acts as principal, the coming into effect is not expected to have any material impact on the consolidated financial statements apart from expanded disclosure requirements.

IFRS 16 Leasing will be applied from January 1, 2019. Hufvudstaden has begun the task of analysing the consequences of the new standard. At present, the introduction is not expected to have any material impact on the consolidated financial statements.

PROPOSED DIVIDEND

The Board of Directors proposes that the dividend be increased to SEK 3.50 per share (3.30).

PROPOSAL REGARDING ELECTION OF THE BOARD OF DIRECTORS AND AUDITORS

The Company's main shareholders have notified the Company of the intention to present a proposal at the Annual Meeting that the current members of the

Board of Directors, Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Lundberg, Fredrik Persson, Sten Peterson, Anna-Greta Sjöberg and Ivo Stopner be re-elected, and that Fredrik Lundberg be re-elected as Chairman of the Board. It is proposed that KPMG AB be elected as the auditing company with Joakim Thilstedt as lead auditor.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3.30pm on Thursday, March 22, 2018 at Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2017 will be available in week 9 at the Company's office and on the Company's website. At the same time, it will be distributed to those shareholders who have made a request to that effect.

FORTHCOMING INFORMATION

Annual Report 2017	Week 9, 2018
Annual Meeting in Stockholm 2018	March 22, 2018
Interim Report, January-March 2018	May 3, 2018
Interim Report, January-June 2018	August 20, 2018
Interim Report, January-September 2018	November 9, 2018

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on February 15, 2018.

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

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

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	October-December 2017	October-December 2016	January-December 2017	January December 2016
Net revenue				
Property management	456.0	444.4	1,750.6	1,703.1
Parking operations	24.0	23.9	89.9	86.8
	480.0	468.3	1,840.5	1,789.9
Property management expenses				
Maintenance	-10.8	-7.7	-29.8	-29.0
Operation and administration	-80.3	-76.7	-269.4	-262.2
Ground rents	-5.5	-5.5	-22.6	-21.8
Property tax	-41.8	-40.1	-167.3	-164.5
Property management expenses	-138.4	-130.0	-489.1	-477.5
Parking operations, expenses	-12.6	-12.5	-50.7	-50.0
Operating expenses	-151.0	-142.5	-539.8	-527.5
Gross profit	329.0	325.8	1,300.7	1,262.4
- of which Property management	317.6	314.4	1,261.5	1,225.6
- of which Parking operations	11.4	11.4	39.2	36.8
Central administration	-12.9	-15.2	-41.3	-42.9
Operating profit before items affecting comparability and changes in value	316.1	310.6	1,259.4	1,219.5
Items affecting comparability ¹⁾	-138.6	-	-138.6	-
Changes in value, investment properties	970.3	1,709.5	2,848.2	4,160.1
Changes in value, interest derivatives	13.2	20.9	61.6	45.4
Operating profit	1,161.0	2,041.0	4,030.6	5,425.0
Financial income and expense	-31.5	-33.9	-135.7	-141.1
Profit before tax	1,129.5	2,007.1	3,894.9	5,283.9
Tax	-226.2	-442.0	-859.9	-1,163.7
Profit after tax	903.3	1,565.1	3,035.0	4,120.2
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	903.3	1,565.1	3,035.0	4,120.2
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	4.38	7.59	14.71	19.98

¹⁾ Change in value and disposal, SEK -219.2 million, as well as part of possible insurance compensation, SEK 80.6 million, as a result of a fire at the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2017	December 31, 2016
Investment properties	39,730.0	36,517.3
Other non-current assets	20.3	18.5
Total non-current assets	39,750.3	36,535.8
Current assets	544.6	1,173.0
Total assets	40,294.9	37,708.8
Equity	25,401.7	23,047.4
Non-current interest-bearing liabilities	3,700.0	4,000.0
Deferred tax liabilities	7,939.9	7,240.2
Other non-current liabilities	56.9	106.4
Provisions for pensions	16.3	14.9
Total non-current liabilities	11,713.1	11,361.5
Current interest-bearing liabilities	2,500.0	2,650.0
Other liabilities	680.1	649.9
Total current liabilities	3,180.1	3,299.9
Total equity and liabilities	40,294.9	37,708.8

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- December 2017	January- December 2016
Equity, opening balance	23,047.4	19,566.7
Total comprehensive income for the period	3,035.0	4,120.2
Dividend	-680.7	-639.4
Equity, closing balance	25,401.7	23,047.4

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- December 2017	January December 2016
Profit before tax	3,894.9	5,283.9
Depreciation/impairments	3.7	3.0
Items affecting comparability	138.6	-
Changes in value, investment properties	-2,848.2	-4,160.1
Changes in value, interest derivatives	-61.6	-45.4
Other changes	1.3	1.9
Income tax paid	-150.6	-105.7
Cash flow from current operations before changes in working capital	978.1	977.6
Increase/decrease in operating receivables	-11.5	28.6
Increase/decrease in operating liabilities	32.5	22.5
Cash flow from current operations	999.1	1,028.7
Investment in properties	-583.7	-616.7
Investment in equipment	-3.6	-2.2
Sale of equipment	-	0.2
Cash flow from investments	-587.3	-618.7
Loans raised	4,000.0	3,300.0
Amortization of loan debt	-4,450.0	-2,400.0
Dividend paid	-680.7	-639.4
Cash flow from financing	-1,130.7	260.6
Cash flow for the period	-718.9	670.6
Cash and cash equivalents at the beginning of the period	1,113.8	443.2
Cash and cash equivalents at the period-end	394.9	1,113.8
Cash flow for the period per share, SEK	-3.49	3.25

SEGMENT REPORT – SUMMARY¹⁾²⁾

As part of the increased focus on business development and projects, Hufvudstaden has carried out a reorganization. The new organization came into effect on April 1, 2017 and Hufvudstaden now consists of three business areas. The division of properties has changed for the Stockholm Business Area (previously Stockholm City East Business Area) and the NK Business Area (previously Stockholm City West Business Area) but remains the same for the Gothenburg Business Area.

GROUP. SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Property management								
Net revenue	951.9	933.1	487.5	484.8	311.2	285.2	1,750.6	1,703.1
Property costs	-237.1	-232.6	-160.0	-159.5	-92.0	-85.4	-489.1	-477.5
Gross profit, property management	714.8	700.5	327.5	325.3	219.2	199.8	1,261.5	1,225.6
Parking operations			39.2	36.8			39.2	36.8
Central administration							-41.3	-42.9
Items affecting comparability ³⁾							-138.6	-
Changes in value:								
Investment properties							2,848.2	4,160.1
Interest derivatives							61.6	45.4
Operating profit							4,030.6	5,425.0
Financial income and expense							-135.7	-141.1
Profit before tax							3,894.9	5,283.9

1) For comparable holdings, net revenue and property costs for the Gothenburg Business Area and the Group should be increased by SEK 0.2 million for 2016 following the acquisition of the property Inom Vallgraven 3:2.

2) Previous periods have been recalculated in the light of the new organization.

3) Change in value and disposal as well as part of possible insurance compensation as a result of a fire at the property Vildmannen 7.

PERFORMANCE MEASURES

GROUP	Full year 2017	Full year 2016
Property-related		
Rentable floor space, 1,000 m ²	385	389
Rental vacancy level, %	3.9	3.9
Floor space vacancy level, %	5.5	5.3
Fair value, SEK bn	39.7	36.5
Surplus ratio, %	70.7	70.5
Financial		
Return on equity, %	12.5	19.3
Return on capital employed, %	13.2	19.7
Equity ratio, %	63	61
Interest coverage ratio, multiple	9.3	8.6
Debt/equity ratio, multiple	0.2	0.2
Net loan-to-value ratio, properties, %	14.6	15.2
Data per share		
Profit/loss for the period, SEK	14.71	19.98
Equity, SEK	123.15	111.74
Properties, fair value, SEK	192.62	177.04
Net asset value (EPRA NNNV), SEK	152.00	138.00
Number of outstanding shares, 1,000	206,266	206,266
Number of issued shares, 1,000	211,272	211,272

ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the key 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.

Net asset value (EPRA NNAV) see page 4.			
		Full year 2017	Full year 2016
Net debt, SEK m			
Non-current interest-bearing liabilities		3,700	4,000
Current interest-bearing liabilities		2,500	2,650
Cash and bank holdings		-395	-1,114
Net debt		5,805	5,536
Equity ratio, SEK m			
Equity		25,402	23,047
Total assets		40,295	37,709
Equity ratio, %		63	61
Net loan-to-value ratio, properties, SEK m			
Interest-bearing liabilities		6,200	6,650
Interest-bearing assets		-395	-1,114
Total		5,805	5,536
Carrying amount, properties		39,730	36,517
Net loan-to-value ratio, properties, %		14.6	15.2
Interest coverage ratio, SEK m			
Profit/loss after financial items excl. changes in value		1,124	1,078
Interest expense		136	141
Total		1,260	1,220
Interest expense		136	141
Interest coverage ratio, multiple		9.3	8.6

PERFORMANCE MEASURES PER QUARTER

GROUP	Oct-Dec	Jul-Sept	Apr-June	Jan-Mar	Oct-Dec	July-Sept	Apr-June	Jan-Mar
	2017	2017	2017	2017	2016	2016	2016	2016
Net revenue, SEK m	480	456	453	452	468	451	439	431
Return on equity, %	12.9	9.9	8.6	4.7	19.4	13.5	10.2	6.8
Return on equity, adjusted, %	4.0	3.6	3.5	3.6	4.0	4.2	4.0	4.1
Equity ratio, %	63	62	62	60	61	61	60	59
Profit per share for the period, SEK	4.38	2.46	5.59	2.29	7.59	4.40	4.41	3.58
Equity per share, SEK	123.15	118.77	116.31	110.73	111.74	104.15	99.75	95.34
Net asset value (EPRA NNAV), per share, SEK	152.00	147.00	144.00	138.00	138.00	129.00	124.00	119.00
Cash flow per share from current operations, SEK	1.25	0.77	1.41	1.42	0.86	1.26	1.43	1.44

PARENT COMPANY

RESULT AND FINANCIAL POSITION

Net revenue amounted to SEK 1,145.9 million (1,104.0). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation. Costs totalled SEK -644.8 million (-729.8). The decrease can be attributed mainly to lower maintenance costs. Gross profit was SEK 501.1 million (374.2). Net financial income and expense was SEK -135.7 million (-141.0). Profit for the year includes group contributions received from subsidiaries totalling SEK 263.0 million (357.3).

Items affecting comparability include a cost for disposal of the building as well as part of the possible insurance compensation associated with the fire at the property Vildmannen 7, see also under fourth quarter. This item does not have any impact on the profit for 2017.

Cash and cash equivalents at the period-end amounted to SEK 364.6 million (1,083.4). Investment in properties and equipment was SEK 170.8 million (158.4). Acquisition of subsidiaries during 2016 totalled SEK 62.1 million.

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group 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 2016 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

No material transactions with associated 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	October-December 2017	October-December 2016	January-December 2017	January-December 2016
Net revenue	295.2	284.4	1,145.9	1,104.0
Operating expenses	-172.1	-180.2	-644.8	-729.8
Gross profit	123.1	104.2	501.1	374.2
Central administration	-12.9	-15.2	-41.3	-42.9
Items affecting comparability ¹⁾	0.0	-	0.0	-
Changes in value, interest derivatives	13.2	20.9	61.6	45.4
Operating profit	123.4	109.9	521.4	376.7
Group contribution received	263.0	357.3	263.0	357.3
Other financial income and expense	-31.6	-33.9	-135.7	-141.0
Profit after financial items	354.8	433.3	648.7	593.0
Appropriations	144.3	156.5	144.3	156.5
Profit before tax	499.1	589.8	793.0	749.5
Tax	-87.9	-130.3	-177.7	-165.9
Profit for the period	411.2	459.5	615.3	583.6
Statement of comprehensive income, SEK m				
Profit for the period	411.2	459.5	615.3	583.6
Other comprehensive income	-	-	-	-
Comprehensive income for the period	411.2	459.5	615.3	583.6

¹⁾ Disposal, SEK -80.6 million, as well as part of possible insurance compensation, SEK 80.6 million, as a result of a fire at the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	December 31, 2017	December 31, 2016
Investment properties	8,017.9	8,086.3
Other non-current assets	2,904.9	2,902.6
Total non-current assets	10,922.8	10,988.9
Current assets	890.6	1,550.1
Total assets	11,813.4	12,539.0
Restricted equity	1,978.7	1,978.7
Non-restricted equity	1,699.3	1,764.7
Total equity	3,678.0	3,743.4
Untaxed reserves	516.2	665.0
Provisions	935.0	916.1
Non-current liabilities	3,752.0	4,103.0
Current liabilities	2,932.2	3,111.5
Total liabilities	8,135.4	8,795.6
Total equity and liabilities	11,813.4	12,539.0

Stockholm, February 15, 2018

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
Board Member

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

DEFINITIONS AND GLOSSARY

For details of derivations of performance measures, see page 9.

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 year-end.

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

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

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

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

Interest coverage ratio. Profit after financial items, excluding unrealized changes in value plus interest expense in relation to interest expense.

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 less current investments and cash and bank holdings.

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

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

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 market rent.

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

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 level. Vacant floor space in square metres in relation to the total lettable floor space.

Property tax supplement. Property tax payments received from tenants.

Rental vacancy level. Vacant floor space at an estimated market rent in relation to the total annual rent.

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.



BIBLIOTEKSTAN



HUFVUDSTADEN

Hufvudstaden

Hufvudstaden was founded in 1915 and rapidly became one of the leading property companies in Sweden and is today 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 retailing premises in attractive marketplaces.

Financial objectives

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

Operating objectives

Hufvudstaden will:

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

Strategies to achieve the objectives

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

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

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

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

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Company registration number: 556012-8240

Registered office: Stockholm



HUFVUDSTADEN