

HUFVUDSTADEN

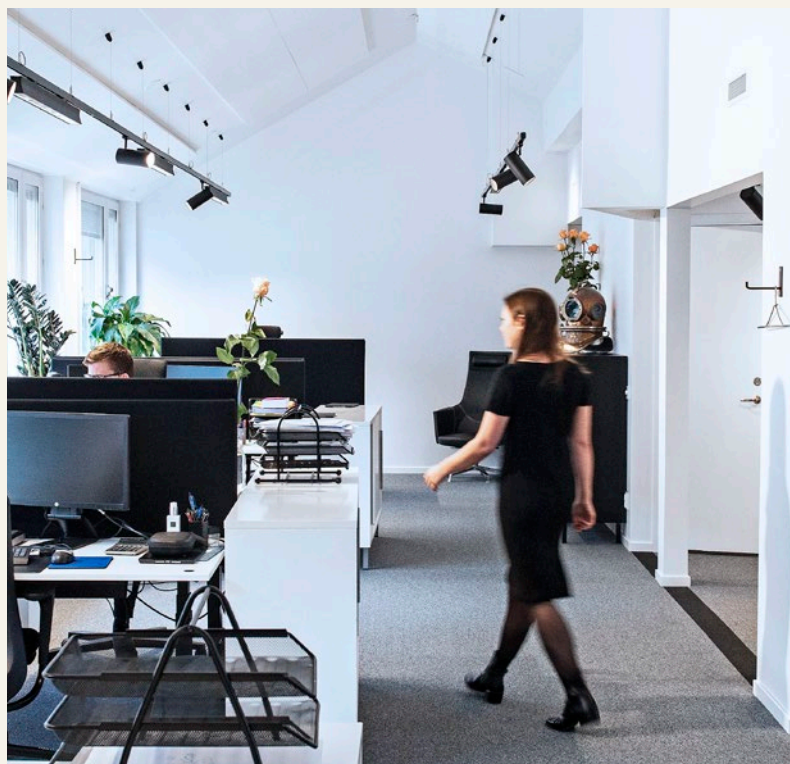
NILS ERICSONSGATAN 17

2022

ANNUAL AND SUSTAINABILITY REPORT

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From coworking to the turnkey REDO concept and own offices in central locations. Hufvudstaden has a flexible offering with office solutions for the varying needs of tenants.



Nordiska Kompaniet is an inspiring meeting place and destination for our visitors. The department stores offer a broad range of shopping and experiences combined with food and drink, as well as services.

Reference to the statutory annual report and sustainability report. The statutory annual report comprises pages 6–7, 28–34, 39–75, 80–85, 88–91 and 98–107. Comparative figures in brackets refer to the corresponding figures for the preceding year. The statutory sustainability report as required under the Swedish Annual Accounts Act is provided on pages 6–7, 28–34, 45–46 and 98–107.

# Hufvudstaden in brief

Hufvudstaden offers attractive office and retail premises in the most central areas of Stockholm and Gothenburg. The Group owns 29 properties valued at SEK 49.5 billion. We are long-term property owners whose main focus is outstanding service, enduring customer relationships and high-quality property management and development. Our objective is to contribute to strengthening the competitiveness and brands of our customers by providing the best possible conditions. We offer successful businesses central locations, sustainable premises and the potential to grow in our properties.

AB Nordiska Kompaniet, owner of the NK brand, with department stores in Stockholm and Gothenburg, and NK Retail, which operates about 40 departments corresponding to about 25 per cent of the departments in the department stores, are included in the Group.

Sustainability is a cornerstone in everything we do. We take economic and social responsibility and develop long-term, green and climate-smart solutions. We cooperate with our tenants and partners to promote sustainable urban development in Stockholm and Gothenburg. Hufvudstaden was founded in 1915 and its series A shares have been listed on what is now Nasdaq Stockholm since 1938. We have been doing business for over 100 years in Stockholm and over 60 years in Gothenburg.

## Business model

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

## Stakeholders

### Customers

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

### Employees

Professional employees with deep commitment.

### Society

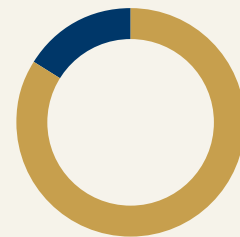
Preserving and developing attractive city centre environments for all.

### Shareholders

Good returns at low risk.

## Fair value of property holdings

# SEK 49.5 bn



Stockholm SEK 41.4 bn  
Gothenburg SEK 8.1 bn



The industry's most satisfied office tenants can be found at Hufvudstaden. For the fifth year in a row, we managed to achieve first place in the Fastighetsbarometern Customer Satisfaction Index among large companies<sup>1)</sup>. In 2022, we matched our best result to date with an index of 86 out of 100. This ranking is a result of a long-term joint effort throughout the organisation, in which all employees have a key role to fill. Hufvudstaden's goal is to contribute to making the customers more successful in our properties. Fastighetsbarometern was launched in 1997 and Hufvudstaden has ranked in the top three property companies ever since.

<sup>1)</sup> Large companies are defined as property companies with more than 100 tenants.

# Financial stability in a challenging world

Net revenue from property management was SEK 1,855 million (1,783), an increase of 4 per cent. Including intra-Group rent revenue of SEK 200 million (153), attributable primarily to NK Retail, the increase was 6 per cent.

Gross profit from property management increased by 1 per cent, totalling SEK 1,235 million (1,221). Including intra-Group rent revenue of SEK 200 million (153), gross profit from property management increased by 4 per cent.

Net profit for the year was SEK 722 million (2,955), equivalent to SEK 3.57 per share (14.61). The decrease can be attributed primarily to lower unrealised changes in the value of the property holdings.

The Board proposes an increased dividend to SEK 2.70 per share (2.60).

The fair value of the property holdings was SEK 49.5 billion (48.8), resulting in net reinstatement value (EPRA NRV) of SEK 201 per share (199). Unrealised changes in the value of the property holdings amounted to SEK -209 million (2,579) for the year.

The equity ratio was 61 per cent (61), the net loan-to-value (LTV) ratio was 19 per cent (18), and the interest coverage ratio multiple was 7.7 (9.3).

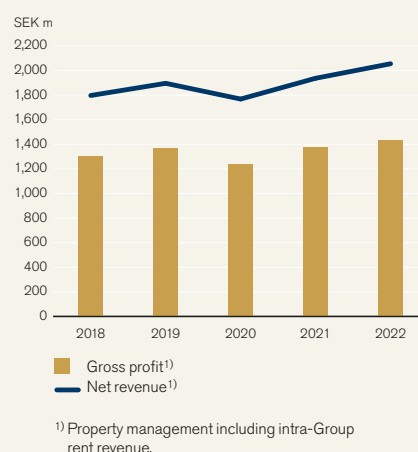
Rental vacancy rate at year-end of the year was 7.0 per cent (7.3). Excluding current development projects, the rental vacancy rate was 4.0 per cent (5.9).

Hufvudstaden secured its high placement from the preceding year in theGRESB's international ranking of property companies' sustainability work and was named Global Sector Leader in the Office and Retail category.

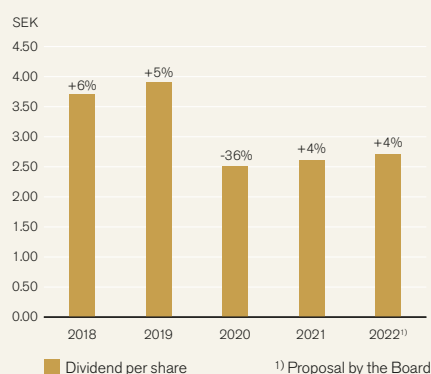
## Financial summary

SEK m	2022	2021	2020	2019	2018
Net revenue, property management	2,055	1,936	1,768	1,896	1,797
Rent revenue, intra-Group	-200	-153	-44	-43	-42
Net revenue, property management, net	1,855	1,783	1,724	1,853	1,755
Gross profit, property management, net	1,235	1,221	1,194	1,330	1,260
Changes in value, investment properties	-209	2,579	-2,930	2,727	3,621
Operating profit/loss	1,089	3,865	-1,702	4,087	4,940
Net profit/loss for the year	722	2,955	-1,462	3,146	4,320
Net profit from current operations	884	911	834	973	915
Fair value of properties, SEK bn	49.5	48.8	45.6	47.7	44.1
Rental vacancy rate, %	7.0	7.3	8.2	5.0	2.6
Net loan-to-value ratio, properties, %	18.7	17.9	18.8	15.5	14.2
Interest coverage ratio, multiple	7.7	9.3	9.1	11.4	10.5

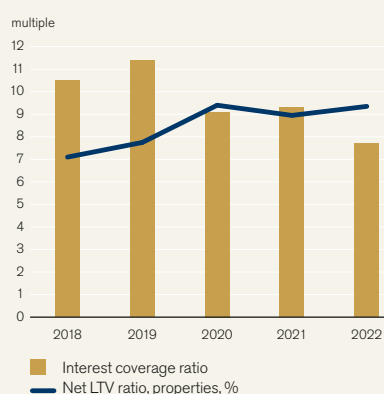
## Gross profit and net revenue



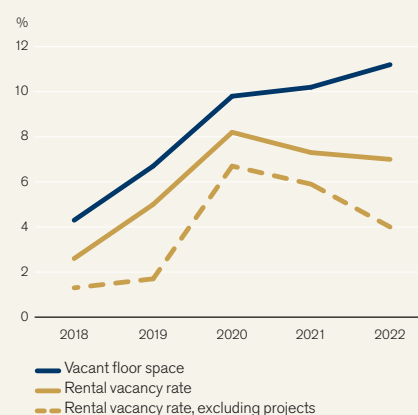
## Dividend

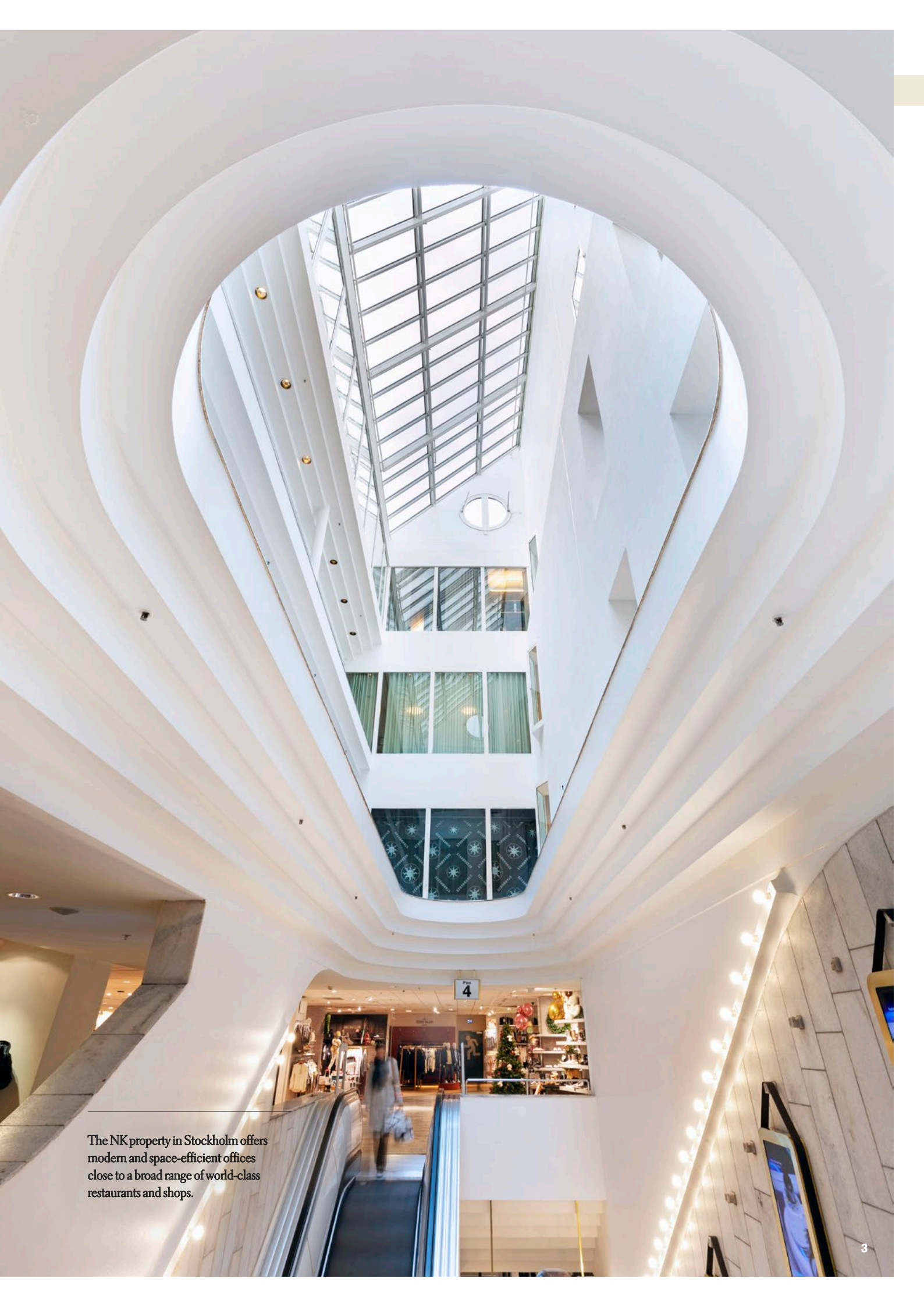


## Interest coverage ratio and net LTV ratio



## Vacancy





The NK property in Stockholm offers modern and space-efficient offices close to a broad range of world-class restaurants and shops.

# Low loan-to-value properties in prime locations

At the beginning of 2022, the office and retail markets were still affected by the covid-19 pandemic. In February, the authorities lifted most of the pandemic restrictions and general advice, which led to the reopening of society. Shortly after, a new uncertainty emerged when Russia invaded Ukraine. The war has led to major destruction and human suffering in Ukraine and a sharp deterioration in the geopolitical situation in Europe. Another consequence of the war was rising energy prices for private individuals and companies. Inflation rose significantly and was more than 10 per cent in Sweden at the end of the year. After a long period of very low interest rates, the Riksbank, Sweden's central bank acted with several increases of the policy rate, which was 2.50 per cent at year-end. Despite the turbulent climate and the challenging economic conditions, GDP growth in Sweden was approximately 2.5 per cent. Large parts of the business sector performed positively in both Stockholm and Gothenburg, with rising employment in the labour market.

Hufvudstaden's properties are located in the most central areas of Sweden's two largest cities. Most of our properties have a high architectural value, which is appreciated by people and companies. We have strong and successful tenants, which generates good earnings capacity over time. The leases are indexed by CPI and minimum indexation, which is why the company is shielded from rising costs in society. Our financial position is very solid, with a low loan-to-value ratio. In times of change and increased uncertainty, this makes Hufvudstaden a safe investment and asset.

## Changed property market

Over the past decade, the property market has performed strongly, supported by historically low interest rates and good availability of capital. The turnaround in monetary policy towards higher interest rates has had a considerable impact on the property market, leading to increased financial expenses and rising yield requirements. For the property sector, this entailed an intensified focus on debt, access to capital and the ability to meet financial covenants. The changed market situation resulted in a decline in property sales from the preceding year's peak listing, and the transaction volume in 2022 amounted to approximately SEK 200 billion.

Hufvudstaden has a favourable position, with low loan-to-value and properties in prime locations. At year-end, the loan-to-value ratio was 19 per cent and there are unutilised loan commitments for all loans maturing in the next three years. Property holdings were valued at SEK 49.5 billion (48.8) at year-end. The increase in value was due to rising net operating incomes and investments in the portfolio, but was largely offset by higher yield requirements. NAV amounted to SEK 201 per share (199) and the share price was SEK 148.30 per share.

## Development of marketplaces

Hufvudstaden's long term strategy is to continuously develop our marketplaces to be the first choice for companies, brands and people. The right composition of operations is crucial to create an attractive overall setting.

Hufvudstaden is in an intensive period of development projects and the identified project volume amounts to approximately SEK 3 billion. The largest development project is Johanna in Gothenburg, where we are creating a new meeting place that strengthens the Fredstan area and the central parts of the city.

In the fire-damaged Vildmannen 7 property in Bibliotekstan, the reconstruction project is in its completion phase. The property will be entirely unique, with the original façade preserved and an ultra-modern building behind it. All office spaces are leased and two strong fashion brands have signed leases for the ground floor. The first tenants will move in around mid-year 2023.

To better address the changes occurring in the retail sector, development of the physical and digital environment in the NK department stores is under way. The right range, first-class service and unique experiences provide a basis to be a world-class department store.

## Strong demand for offices in central locations

For many companies, the importance of being able to offer employees an attractive workplace in a central location has increased. The office creates added value through opportunities for creative meetings, to build corporate culture and to establish business contacts. The choice of office address is also impacted by the surrounding environment. A unique offering of restaurants, shopping, service, exercise and culture are now even more highly appreciated by office tenants. This trend has led to strong demand for offices in our marketplaces.

In the Stockholm CBD, the vacancy rate declined and was approximately 5–6 per cent at year-end. The top rents increased to more than SEK 10,000 per square metre. In the Gothenburg CBD, the vacancy rate was somewhat higher at approximately 7–8 per cent, mainly due to the completion of new office properties, which increased supply of office space. The top rents are about SEK 4,500 per square metre.

The recent years' demand for increased flexibility and service continues. Hufvudstaden's Cecil Coworking offering has proved successful and is essentially fully leased. However, leasing an individual office with a longer lease duration is what remains most in demand.

## Recovery and new challenges in the retail sector

The retail sector was strengthened in both Stockholm and Gothenburg during the spring following the lifting of restrictions and recommendations. The war in Ukraine created some uncertainty in the market and resulted in cost increases within many areas. Despite this, sales of consumer durables increased somewhat during the year. The trend of working remotely a couple of days a week has changed footfall, with a decline on weekdays and an increase on Saturdays. In our marketplaces, we can see higher average purchases than prior to the pandemic. However, cost increases have begun to erode households' purchasing power and it is highly probable that private consumption will be affected going forward.

The rental market for retail premises performed positively during the year. The stores on the street in our properties in Stockholm, were essentially all premises let at year-end. Market rents were stable and some leases were signed at top rent levels. In Gothenburg, demand was somewhat cautious, but a couple of new contracts were signed for the vacancies that arose during the pandemic.

In the NK department stores, the streamlining of the women's floors was completed, resulting in improved customer flows and the establishment of several new brands and concepts. In NK Saluhall in Stockholm, a new food store opened to strengthen the department store's offering of food and groceries. On NK e-commerce, several departments and an extended product offering were launched, which improved sales for the year.

The NK Retail operations have been part of the Group for two years. The acquisition has led to synergies in several areas. In the department stores, brand repositioning and activation of spaces have been simplified, the development of NK e-commerce has progressed more rapidly and the cooperation on the marketing of NK was strengthened. The first two years for the operation have been challenging, with the pandemic, war and high inflation. The objective going forward is to increase profitability for NK Retail and to further strengthen our NK department stores.

### Sustainability and energy in focus

The rising electricity prices led to attention being directed towards the energy market. Large sections of society focused on energy-saving measures, both to reduce costs and climate impact, but also to support the entire energy system.

Sustainability and a long-term approach permeate Hufvudstaden's operations, not least from a climate change perspective. Our sustainability plan governs our daily work. Based on this, we work to minimise our footprint, future-proof our properties and collaborate to create long-term sustainable business.

For Hufvudstaden, reduced energy use is a key aspect of minimising our climate impact. Together with our tenants, we work consistently to reduce energy consumption. Several major energy-saving projects were conducted during the year, including in the Pumpstocken and Rännilen blocks.

All properties were analysed based on climate change and extreme weather. Where needed, preventive measures were taken.

Several of Hufvudstaden's properties have stood for more than 100 years and are still appreciated for their architecture and design. Adaptation of the properties and premises is conducted with a focus on creating high flexibility and long-term solutions to minimise future material use and redevelopment.

A recognition that we are working in the right direction is that we retained our high ranking from the preceding year in theGRESB's international sustainability ranking and were named Global Sector Leader in the Office and retail category.

Customer focus is one of our strategies to create positive and enduring customer relations. Accordingly, we are very proud that for the fifth year in a row we managed to achieve first place in the annual Customer Satisfaction Index for offices in the Large Company category.

### Higher profit

The office operations performed favourably during the year with increased rents from renegotiations and new leases. The retail sector recovered during the spring, but faced new challenges during the autumn when households were impacted by higher costs, which had a dampening effect on consumption. Gross profit from property management was SEK 1,235 million (1,221), an increase of 1 per cent. Including intra-Group rent revenue of SEK 200 million (153), the increase was 4 per cent.

Net profit for the year was SEK 722 million (2,955). The decrease was mainly due to lower unrealised changes in the value of the property holdings, largely driven by higher yield requirements, which were nearly fully offset by increased rent levels.

### The future

Hufvudstaden has a unique and well-managed portfolio of properties in the most central areas of Stockholm and Gothenburg. Over the years, we have created attractive marketplaces where people,



Hufvudstaden has a favourable position, with low loan-to-value and properties in prime locations.

brands and companies want to be. The company has a strong financial position and is well-equipped to address the rapid changes occurring in the business environment. We are well-positioned to capitalise on business opportunities that arise in times of uncertainty. The process of adapting our offerings to changing needs continues. The strategy of good service, long customer relationships and high-quality in-house management and project development stands firm. The goal is to create the best possible conditions for the customers' operations and increase their competitiveness.

During 2023, a great deal of focus will be placed on development and adaptation of the NK business with the goal of increasing sales and profitability. Our largest development project, Johanna in Gothenburg, will continue for several years. At the beginning of 2023, the foundation work for the new buildings will begin and redevelopment across parts of the block will start to take shape. The leasing work has commenced and completion is scheduled for 2025/2026. We will also leverage the opportunities of digital development to enhance the efficiency of the operations and use new technology in properties. Energy-saving projects have priority and the aim is for property management to be climate-neutral by 2025.

Finally, I want to extend my warm thanks to all Hufvudstaden employees for their highly committed and value-generating work during a challenging and eventful year.

Stockholm, February 2023

Anders Nygren  
President

# High quality, good service and a long-term approach

## 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 market-places.*



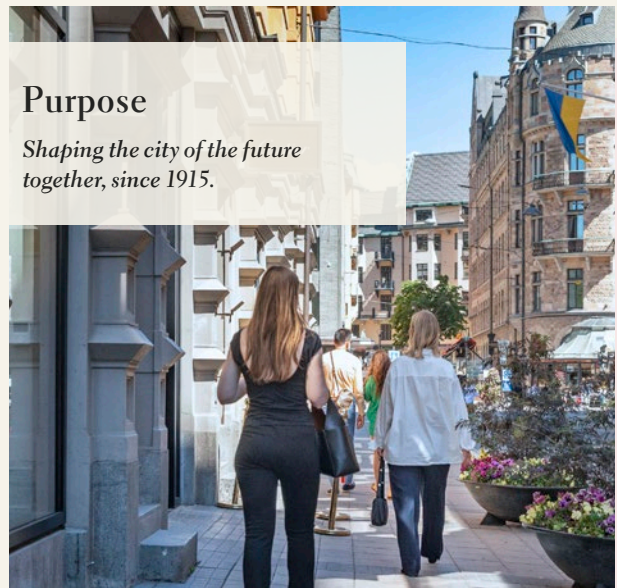
## Values

- *Quality*
- *Honesty*
- *Attentiveness*
- *Commitment*



## Purpose

*Shaping the city of the future together, since 1915.*



## Strategies

### Customer focus

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

### Quality

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

### Skills development

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

### Business development

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

### Sustainability

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



# Our objectives

## Objective

## Outcome

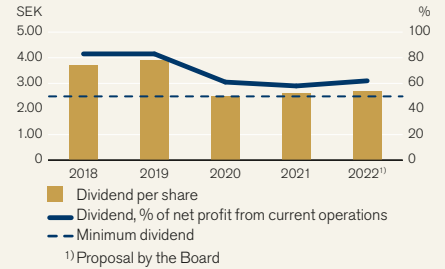
### Dividend and dividend share

>50%

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

62%

The Board of Directors is proposing an increase of the dividend to SEK 2.70 per share (2.60), corresponding to a total dividend of SEK 546 million. The proposed dividend is equivalent to 62 per cent of net profit from current operations.



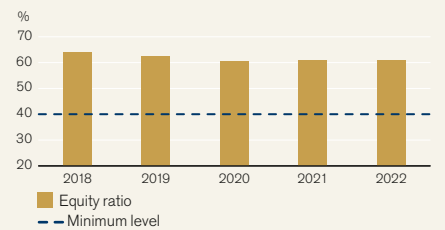
### Equity ratio

>40%

Equity ratio of at least 40 per cent over time.

61%

The equity ratio was 61 per cent at year-end 2022.



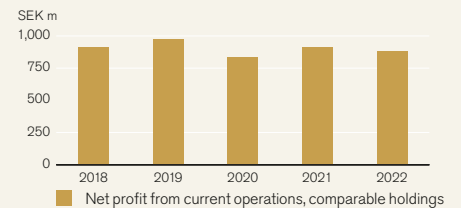
### Net profit

+

Hufvudstaden will gradually increase net profit from current operations.

-3%

Net profit from current operations declined by 3 per cent.



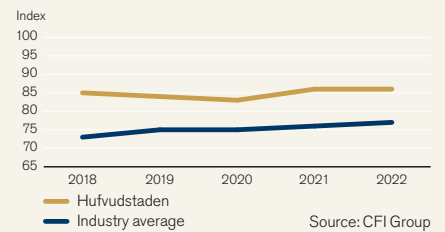
### Customer Satisfaction Index

First place

Hufvudstaden will have the most satisfied customers in the industry.

First place

For the fifth consecutive year, Hufvudstaden ranked first in the Large Company category of the Fastighetsbarometern Customer Satisfaction Index.



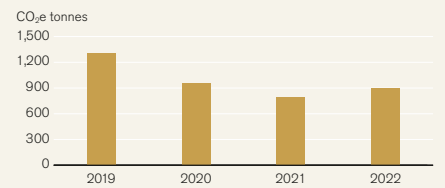
### Climate-neutral property management

+/- 0

Property management to be climate-neutral by 2025.

-31%

To achieve the target, climate-impacting emissions must be reduced to 0. Since 2019, emissions have decreased by 31 per cent.



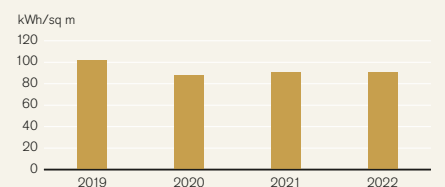
### Energy consumption

-16%

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

-11%

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



### Green building certified properties

100%

All properties will have green building certification by 2025.

72%

A total of 72 per cent of the Group's properties have been certified.





On Kungsgatan in Stockholm, successful companies coexist in an environment where the sense of the street's history is equally as strong as the city pulse of today.

# Changed market conditions but good demand in central locations

## Economic conditions

At the beginning of 2022, most of the remaining closures and restrictions related to covid-19 ended. From a health perspective, society in most countries successively returned to normality. At the end of February, Russia started a war of aggression against Ukraine, resulting in human suffering, geopolitical uncertainty and an energy crisis.

Rising demand following the pandemic, supply disruption and an expansive monetary policy resulted in a significant rise in inflation during the year. To offset the high inflation, the central banks began to raise their policy rates. In the US, the policy rate was in the range of 4.25–4.50 per cent at the end of the year and the European Central Bank's policy rate was 2.50 per cent. Most of the world's stock markets fell and the majority ended the year with a double-digit decline.

The resilience in the global economies was stronger than anticipated. The global gross domestic product (GDP) was estimated to increase by approximately 3 per cent in 2022. Most of the business sector has handled the high inflation and rising interest rates relatively well to date. Households are assumed to be noticing the largest impact of the changed economic situation, since purchasing power is being rapidly eroded, leading to a fall in private consumption.

In Sweden, GDP growth was approximately 2.5 per cent. Inflation according to CPIF rose to more than 10 per cent at the end of the year. The Riksbank, Sweden's central bank, imposed several increases to the key policy rate, which was raised from 0 to 2.50 per cent. The labour market remained favourable and unemployment dropped to approximately 7.5 per cent. The residential market was negatively impacted by falling prices and fewer production starts. For heavily mortgaged commercial property owners, the situation ahead of imminent loan maturities was challenging. This affected share prices in the property sector, where companies with extensive refinancing needs were hit by large falls in share prices.

The energy market in Sweden was – as in the rest of Europe – under pressure, with volatile electricity prices, which for periods reached extreme levels compared with prior years.

## Hufvudstaden's sub-markets

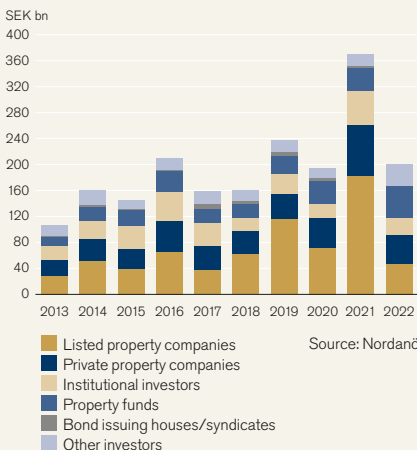
Hufvudstaden owns and manages 24 properties in central Stockholm and 5 properties in central Gothenburg. In Greater Stockholm, the population amounted to approximately 2.4 million inhabitants and to about 1.1 million in Greater Gothenburg. In the past decade, the population has increased in both regions, by approximately 15 per cent in Stockholm and by approximately 13 per cent in Gothenburg. Financial activity is high in both cities. During the 2000s, GRP growth in Greater Stockholm has increased by an average of 3.0 per cent per year according to Statistics Sweden. The corresponding figure in Västra Götaland, an area somewhat larger than that usually referred to as Greater Gothenburg, is 2.3 per cent. For Sweden as a whole, the increase was 2.1 per cent.

For a long time, tourism increased in both Stockholm and Gothenburg, but decreased significantly in both cities in 2020. The recovery began in 2021 and continued to an even greater extent during the year. In Gothenburg, the visitor numbers for 2022 were somewhat higher than prior to the pandemic, while Stockholm remained somewhat lower.

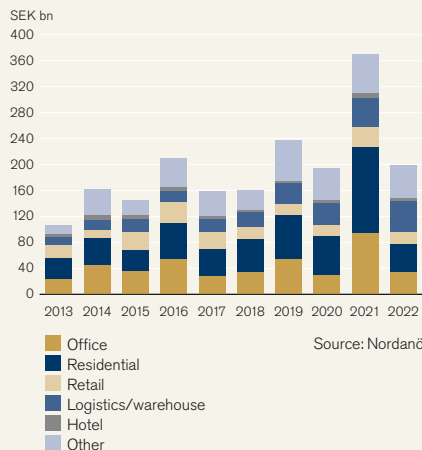
Major infrastructure projects are in progress in Stockholm. The largest projects include the Förbifart Stockholm motorway and an extension of the underground rail system. In Gothenburg, the largest current project is the West Link, a dual-track rail connection that is partly underground, with three new stations. One of the stations will be located in connection with the Nordstan shopping centre.

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

Transaction volume per investor category



Transaction volume per property type



20%

International investors accounted for about 20 per cent of the transaction volume in 2022.

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

**Investor market**

The property market had a strong start to the year with high transaction levels, but from the start of the summer, it was more cautious. This was mainly due to changed financing costs, as the Riksbank began to rapidly increase its policy rate. The price levels in the capital market rose, which made budgeting for the financing of property acquisitions more difficult. The possibility of bank financing remains favourable, particularly with established contacts, but the interest rate levels were high compared with recent years. In total, the transaction volume amounted to approximately SEK 200 billion in 2022. International investors accounted for about 20 per cent of the transaction volume. The property types that most frequently changed hands were residential, office and logistics/warehouse properties and public buildings.

In central Stockholm, some transactions were conducted during 2022. These transactions, involving properties in attractive locations, demonstrated continued high square metre prices and that the yield requirement had increased less compared with other geographic areas. There was also indication of sales in progress that were withdrawn or postponed due to a more uncertain market situation. At year-end, the yield requirement for commercial properties containing office and retail premises in the Stockholm CBD was estimated at between 3.30 and 3.90 per cent. In the Gothenburg CBD, the yield requirement was estimated at between 3.90 and 4.75 per cent.

**Rental market**

**Office**

The office rental market in both of Hufvudstaden's sub-markets was good in 2022. The demand for modern and efficient offices in prime locations in Stockholm was strong, with declining vacancies. In central Gothenburg, the trend was favourable, but the offering of vacant office premises was affected by completed project properties. This resulted in vacancies being somewhat higher than the normal range.

Tenants are increasingly demanding modern offices in central locations, with a large selection of services, stores, restaurants and culture, as well as good communications. This is also a way of attracting new employees to their businesses, but also to support increased office attendance among employees. The physical office workplace is important, for example, for establishing new contacts, building corporate culture and business development. Office tenants that relocate their operations from inner suburban areas to more central locations often reduce their leased space to meet the new approach to work involving remote working a couple of days a week. In this way, the difference in the total rental cost is also reduced between the various geographical locations. The trend in the market is that office structure and location has become even more important in the past year, which favours central office premises of a high standard.

The demand for shorter, more flexible leases is expected to increase, which is met by coworking spaces and other turnkey rental concepts in the market. However, the traditional office remains the alternative that is primarily in demand.

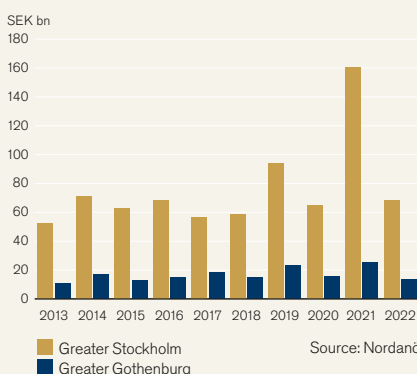
In the Stockholm CBD, the vacancy rate amounted to between 5 and 6 per cent at the end of 2022. Market rents were in the range of SEK 6,600–9,000 per square metre, excluding property tax supplement. In the Gothenburg CBD, the vacancy rate was 7–8 per cent and the market rents were between SEK 3,100 and 3,900 per square metre and year, excluding the property tax supplement.

**Retail**

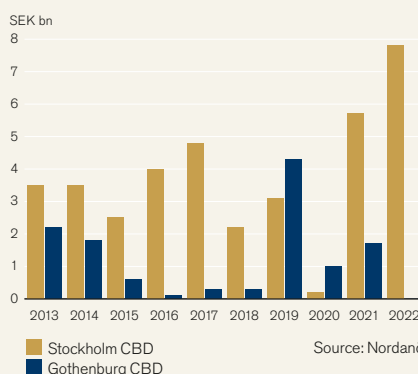
Sales in consumer durables increased somewhat in 2022. The increase was mainly attributable to sectors that experienced the largest fall in sales during the pandemic, including clothes and shoes. Stores in the low-price and luxury segments have had the greatest positive development in recent years. The willingness to establish new stores on the street in central Stockholm was good during the year, with declining vacancies as a result. In Gothenburg, the market for stores was somewhat more cautious, although several leases were signed at the end of the year.

Despite a positive year of sales recovery, parts of the retail sector continued to face challenges and profitability issues. For a number of years, e-commerce has changed purchasing behaviour, although e-commerce sales declined during the year compared with the high levels seen in 2020 and 2021. Remote working a couple of days a week has affected footfall, primarily in central locations in Stockholm

Transaction volume in Greater Stockholm and Greater Gothenburg



Transaction volume in Stockholm CBD and Gothenburg CBD



SEK 200 bn

Properties with a total value of approximately SEK 200 billion were sold in Sweden.

and Gothenburg. High inflation and the rapidly rising interest rates will result in reduced consumer purchasing power. High inflation has also entailed increased costs for stores and restaurants.

The properties that offer consumers attractive meeting places and retail spaces with unique shopping experiences are in a prime position to respond to changed consumer behaviours and market conditions in the future as well.

The market rents in prime commercial locations in Stockholm were in the range of SEK 11,000–24,000 per square metre and year, excluding property tax supplement. Östra Nordstan, Fredstan and Kungsgatan between Östra Hamngatan and Västra Hamngatan are considered prime retail locations in central Gothenburg. Market rents in these locations ranged from SEK 3,000 to 13,000 per square metre and year, excluding property tax supplement.

### Largest property owners in Stockholm CBD

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

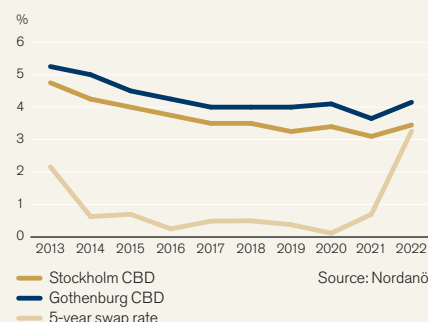
Source: Nordanö

### Largest property owners in Gothenburg CBD

	Rentable floor space, sq m
Vasakronan	336,000
Wallenstam	231,000
Balder	159,000
Hufvudstaden	105,000
Bygg-Göta Gothenburg	91,000
Platzer	82,000

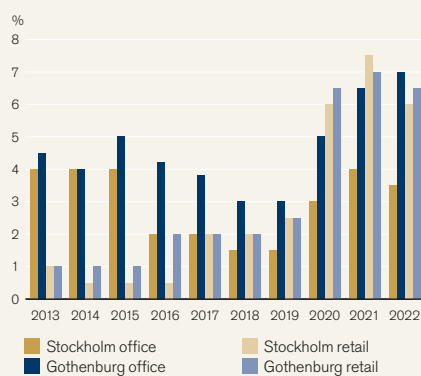
Source: Nordanö

### Yield requirements in Stockholm CBD and Gothenburg CBD



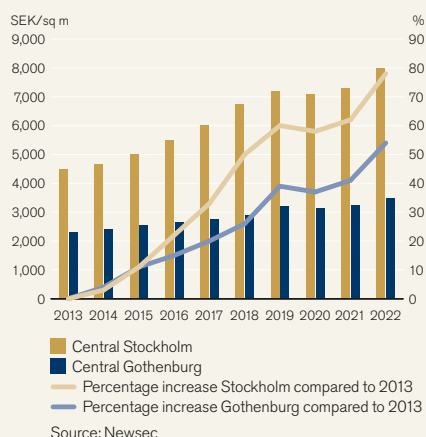
Source: Nordanö

### Vacancy rate, office and retail space in prime locations



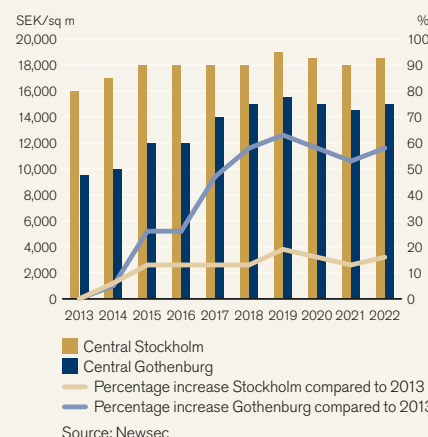
Source: Newsec

### Market rent trend prime location office space, nominal (excluding the property tax supplement)



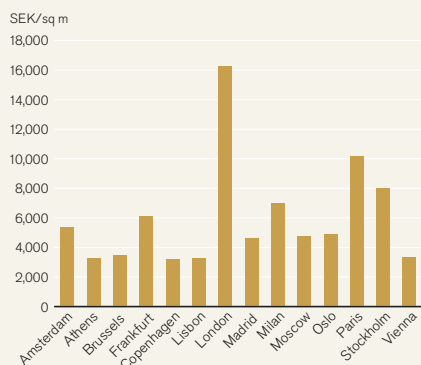
Source: Newsec

### Market rent trend prime location retail space, nominal (excluding the property tax supplement)



Source: Newsec

### Prime location office rents in European cities, December 2022



Source: Newsec

### Market rents, December 2022 (excluding property tax supplement)

	Office, SEK per sq m and year	Retail, SEK per sq m and year
<b>Stockholm</b>		
Bibliotekstan/NK	7,600–9,000	11,000–24,000
Other CBD	6,600–9,000	3,000–12,000
Östermalm	4,000–6,800	2,500–7,000
Gamla Stan	3,700–5,300	2,000–5,000
Södermalm	3,500–5,800	2,000–6,000
Kungsholmen	3,600–6,000	2,000–6,000
Liljeholmen	2,400–3,600	2,000–5,000
Globen	2,400–3,600	2,000–4,000
Arenastaden	2,600–3,800	2,500–10,000
Kista	2,000–2,800	2,000–5,000
<b>Gothenburg</b>		
CBD	3,100–3,900	3,000–13,000

# Good demand for offices in central Stockholm

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

## Portfolio development

Hufvudstaden offers several concepts to meet its customers' various needs: Own office, REDO and Cecil Coworking. These concepts complement each other and provide increased flexibility for our tenants. The concept in most demand is Own office, for which tenants often sign long leases, and the premises can be adapted to the tenant's needs. REDO offers turnkey, fully furnished and equipped premises with the possibility of rapid move-in and flexible leases. Cecil Coworking is the most flexible concept and offers, in addition to office spaces and office rooms, catering in the form of breakfast and lunch, first-class service and unique design, which takes its inspiration from successful boutique hotels.

During the year, renegotiations were conducted with several customers and leases were signed with a number of new tenants. One of the major renegotiations was with the office tenant KG 10 in the Kåkenhusen 40 property on Kungsgatan. Some office tenants who moved in during the year were Allianz, Imodules and Infranode. To meet their changed needs, some office tenants relocated within the portfolio, such as Andulf Advokat and ElinderSten. The tenants Waitwhile and Heidrick & Struggles moved from Cecil Coworking and signed leases for their own offices within the portfolio.

In Bibliotekstan, work continued on the reconstruction of the Vildmannen 7 property following the extensive fire in 2017. All office spaces are leased to Cirio Advokatbyrå. Chanel Fragrance and Beauty Boutique and A.P.C. signed leases for stores on the ground floor. The building will be accessed in stages from mid-year 2023.

The development of Bibliotekstan continued as the number one destination in Scandinavia for Swedish and international fashion in the premium and luxury segments. The retail sector is in a state of transition, but there is large interest in the district from both Swedish and international brands. Premium brands that opened stores in our properties included Breitling, Maanesten and Technogym. Adam & Albin opened Nori Bar, which further strengthened Birger Jarlspassagen as a dining destination. The Ignite exercise facility was also established in the area, adding health and wellness activities with personally adapted training classes.

Several restaurant and café concepts were established on Drottninggatan and in Gamla Stan, including Backstube, Fabrique and Poh-Keh. These contribute to expanded service for office tenants. The right composition of businesses is one of our strategies in creating attractive and vibrant marketplaces. At the end of 2022, essentially all of the business area's store and restaurant premises were leased.

## Customers

Our office tenants in Stockholm are companies with a need for centrally located, high-quality office premises. The predominant businesses are banking and finance, law firms and consultancies in the fields of recruitment, IT, management and media. Long-term office tenants include Brummer & Partners, Danske Bank, Erik Penser Bank, the Swedish Export Credit Agency, Swedish Financial Supervisory Authority, KG 10, Öhman and the law firms of Alrutz, Vinge and White & Case. The business area has 354 customers. The ten largest customers lease 51,000 square metres (50,000) and generate total annual rent of SEK 353 million (332).

Retail tenants include Swedish and international companies with demand of high standards in store design and location. The tenants often represent famous brands that are found only in a few selected places. Retail tenants in Bibliotekstan include Scandinavian high-fashion brands like Axel Arigato, By Marlene Birger, Byredo, Filippa K, Gant, Our Legacy, Rodebjer and Totême, combined with large international fashion houses like Cartier, Celine, Chanel, Maje, Michael Kors, Prada, Ralph Lauren, Sandro and Zara. On Kungsgatan, several of the largest tenants are in the area of sport and leisure, such as Adidas, Alewalds, Haglöfs, Naturkompaniet and Stadium. Other major tenants are Cervera, Telenor, Telia and Ströms.

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

## Brands in the business area

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

**BIRGER JARLSPASSAGEN** – The historic arcade, located between Birger Jarlsgatan and Smålandsgatan, is a well-known meeting place offering exciting dining concepts.

**CECIL COWORKING** – The facility in Bibliotekstan offers members first-class service and flexible office workspaces for development and networking.

**NORRMALMSTORG 1** – The building is a unique profile property and a commercial hub in central Stockholm. ■

Property holdings

	December 31, 2022	December 31, 2021
Number of properties	22	22
Rentable floor space, sq m	206,128	206,251
– of which offices	132,917	133,043
– of which retail and restaurants	42,201	42,107
Annual rent, SEK m	1,329	1,245
Rental vacancy rate, %	3.3	5.0
Floor space vacancy rate, %	4.9	6.8
Number of rentable parking spaces	619	619

Largest tenants

Office	Sq m
Danske Bank	10,800
Advokatfirman Vinge	7,800
Swedish Financial Supervisory Authority	7,200
KG10	6,000
Cecil Coworking <sup>1)</sup>	3,200
Retail & Restaurant	Sq m
Zara	2,900
Eataly	2,800
Alewalds	1,300
Adidas	1,200
Ströms	1,100

<sup>1)</sup> Wholly owned subsidiary.

Profit from property management<sup>1)</sup>

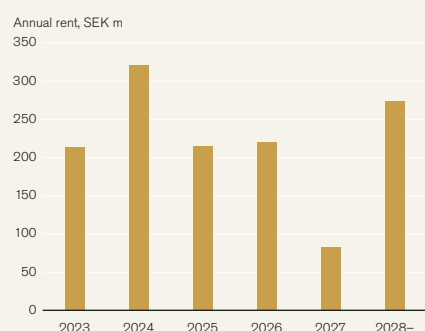
SEK m	2022	2021
<b>Net revenue</b>	<b>1,273.8</b>	<b>1,167.5</b>
Maintenance	-12.7	-14.7
Operation and administration	-130.1	-116.7
Other costs	-152.2	-121.1
<b>Total costs</b>	<b>-295.0</b>	<b>-252.5</b>
<b>Gross profit</b>	<b>978.8</b>	<b>915.0</b>

<sup>1)</sup> Including intra-Group rent revenue.

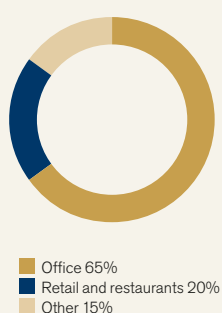
New leases & renegotiations

	2022	2021
New leases, sq m	15,300	12,400
New leases, annual rent, SEK m	116	93
Renegotiated leases, sq m	26,500	25,200
Renegotiated annual rent, SEK m	166	144

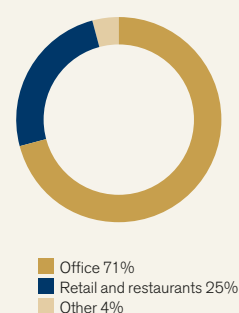
Renewal structure



Rentable floor space by use



Annual rent by use





Turnkey REDO offers fully furnished and equipped offices with the possibility of rapid move-in and flexible leases.



# New departments and brands in the NK department stores

The NK Business Area comprises the NK properties in Stockholm and Gothenburg and the Hästskon 10 property in Stockholm. In addition to department stores, the NK Business Area includes modern and space-efficient office premises in the NK properties.

## AB Nordiska Kompaniet

NK's vision is to be a world-class department store. NK has a unique position in Scandinavia as the leading premium department store for fashion, beauty and lifestyle, and with first-class service. The department stores are a shopping and meeting place, where commercial and cultural worlds meet to create memorable experiences. These are created through various activities arranged by NK in the department stores. During the year, spring and autumn fashion shows were held, as well as the NK Gala, several customer evenings and a number of other activities for NK's key customers. The most important event in the department stores is Christmas, which commences with the unveiling of the Christmas windows and the first appearance by Santa Claus during advent Sunday.

## The NK brand

NK is one of the strongest and most recognised brands in Sweden among Swedish and international consumers. NK's ability to promote shopping in the department stores and thus generate higher rent revenue and increased property values depends on nurturing and building the brand. The NK properties and the NK brand are owned by the wholly owned subsidiary AB Nordiska Kompaniet.

## Development of the departments stores

During the year, several new departments and brands were added. The multi-brand department NK Designers Gallery opened on the women's floors in Stockholm and Gothenburg. The Acne, Eton,

J. Lindeberg, NN07 and Tiger brands signed leases for individual departments in the department stores. The food and restaurant offering was strengthened by the establishment of food store ROT in NK Saluhall. In NK Gothenburg, the brasserie La Belle opened on the ground floor toward Fredsgatan. NK Stage launched a concept where NK offers an area on the women's floor in Stockholm to companies or brands to showcase and sell their products or services for short periods. During Christmas, the Kilian perfume brand opened its Beauty Mocktail Bar at NK Stage. Overall sales by all tenants declined strongly during the years of pandemic restrictions and general recommendations. In 2022, sales increased in the department stores and exceeded the 2019 level for NK Stockholm.

## Customers

The business area's ten largest tenants lease approximately 30,000 square metres (29,000), of which the subsidiary NK Retail leases approximately 11,700 square metres. Combined, they represent annual rent of SEK 260 million (245).

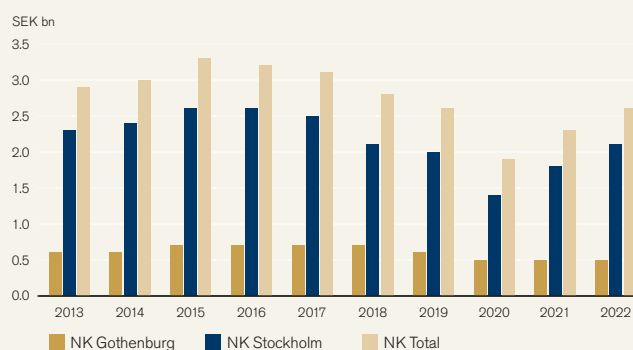
In total, the business area has 106 tenants, both Swedish and international, who have become established in Scandinavia's leading marketplace in the premium and luxury segments.

The NK properties in Stockholm and Gothenburg also comprise a total of 17,000 square metres of modern and space-efficient offices, corresponding to 18 per cent of the total rentable floor space. The business area has a total of 16 office tenants. The three largest are AG Advokat, Deloitte and Starbreeze. ■

## NK Department Stores

	2022	2021
<b>Stockholm</b>		
Rentable retail space, sq m	25,219	25,350
Rentable storage space, sq m	9,237	9,198
<b>Total</b>	<b>34,456</b>	<b>34,548</b>
Number of departments	94	103
Number of restaurants	11	11
Sales including VAT, SEK m	2,067	1,791
<b>Gothenburg</b>	<b>2022</b>	<b>2021</b>
Rentable retail space, sq m	10,562	10,653
Rentable storage space, sq m	1,009	899
<b>Total</b>	<b>11,571</b>	<b>11,552</b>
Number of departments	44	49
Number of restaurants	3	3
Sales including VAT, SEK m	514	476

## Sales NK department stores



Property holdings

	December 31, 2022	December 31, 2021
Number of properties	3	3
Rentable floor space, sq m	91,447	91,597
– of which offices	16,894	16,010
– of which retail and restaurants	36,622	37,714
Annual rent, SEK m	518	487
Rental vacancy rate, %	7.0	7.1
Floor space vacancy rate, %	7.2	6.7
Number of rentable parking spaces	665	665

Largest tenants

Office	Sq m
Starbreeze	2,800
AG Advokat	2,500
Deloitte	1,800
Foyen Advokatfirma	1,200
UBS	800
Retail & Restaurant	Sq m
NK Retail <sup>1)</sup>	11,700
North Retail Sport	1,600
Cervera	1,500
Calceos	1,400
Harjak & Månsson	1,300

<sup>1)</sup> Wholly owned subsidiary.

Profit from property management<sup>1)</sup>

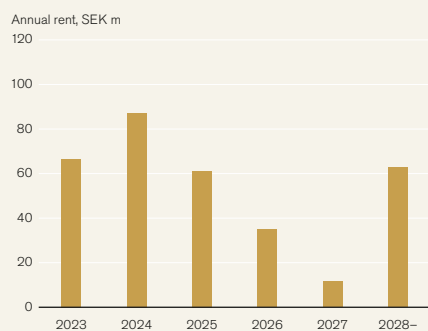
SEK m	2022	2021
<b>Net revenue</b>	<b>477.3</b>	<b>446.1</b>
Maintenance	-13.3	-6.4
Operation and administration	-160.6	-150.4
Other costs	-43.6	-51.7
<b>Total costs</b>	<b>-217.5</b>	<b>-208.5</b>
<b>Gross profit</b>	<b>259.8</b>	<b>237.6</b>

<sup>1)</sup> Including intra-Group rent revenue.

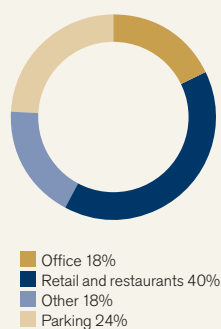
New leases & renegotiations

	2022	2021
New leases, sq m	5,800	5,300
New leases, annual rent, SEK m	34	28
Renegotiated leases, sq m	12,100	6,000
Renegotiated annual rent, SEK m	93	39

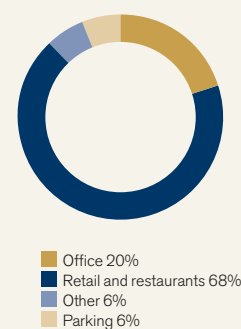
Renewal structure



Rentable floor space by use



Annual rent by use





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Nordiska Kompaniet has a unique position in Scandinavia as the leading premium department store for fashion, beauty and lifestyle.

# Ground broken for the Johanna project

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

## Portfolio development

In Fredstan, work continued on the extensive redevelopment and new construction project Johanna in the Inom Vallgraven 12 block. At the start of the year, demolition work was conducted and in June, the first of two construction cranes was in place in the block. In September, a well-attended event was held where the ground was broken in cooperation with the City of Gothenburg and NCC. The guests of honour were Leif Mannerström and Crister Svantesson, the two chefs behind the legendary restaurant Johanna, which was previously located on the site. At the same time, the area was named the Johanna block (Kvarteret Johanna), a given name that will also be used when the block has been completed. Once Johanna has been completed, visitors and Gothenburgers alike will encounter a wholly new and beautiful silhouette of Fredstan. By connecting the block's five buildings internally, we will be able to offer the market large, cohesive office levels in the best location at the heart of a vibrant city life. In the Inom Vallgraven 3:2 property, also known as Textilfabriken, the redevelopment to 16 apartments was essentially complete at the end of the year. The redevelopment is part of the Johanna project and also comprised major maintenance measures.

During 2022, adaptations were conducted in Nordstan for several office tenants in conjunction with new and renegotiated leases. Fastighetsägarna GFR, Iver and Sitowise moved into newly adapted premises in Femman. In total, new tenants moved into approximately 4,300 square metres in Femman. In conjunction with the renegotiation and extension of leases, adaptation of premises for Alektum Group also commenced. Talentwise and Professionals Nord were welcomed to newly adapted premises in Fyran totalling approximately 550 square metres. The rental vacancy rate excluding current development projects was 5.8 per cent for the business area at year-end 2022.

Hufvudstaden is one of the largest partners in the Nordstan Cooperative Association, which owns and manages the Nordstan parking facility as well as the adjoining stores, squares and pedestrian streets. Nordstan is one of the largest and busiest commercial centres in Sweden, with a wide variety of stores, restaurants and parking facilities, as well as modern offices in the best location in Gothenburg. The Cooperative Association and property owners continued their joint planning during the year for how the shopping centre and parking structure can be adapted and developed to incorporate the planned West Link entrance at the Central Station. In November, parallel architectural assignments were announced for proposals for the design of Nordstan's northern extension with a new entrance. In September, Nordstan celebrated 50 years, with well-attended festivities and events in the commercial centre.

The Femman shopping centre comprises approximately 16,000 square metres of retail space on three floors. The new office and

shopping centre entrance by Nils Ericsonsgatan was completed during the year. The new entrance will strengthen customer flows and improve the street environment extending towards Central Station. Stadium Outlet moved into approximately 1,900 square metres of adapted space on the basement level of the shopping centre, which is now leased in full. Webhallen re-established its lease on the entry level and in conjunction with this, updated its store concept. VR Park, a popular virtual reality concept, was established on the upper level.

Nearly 11 million shoppers visited Femman in 2022, a increase of approximately 38 per cent compared to 2021. Retail turnover in Nordstan in total was more than SEK 3.7 billion, of which Femman accounted for more than SEK 750 million and Fyran for almost SEK 300 million.

## Customers

Customers in Gothenburg operate locally, nationally and internationally. The business area's office customers prefer high-quality premises in prime locations, with close proximity to Central Station, parking facilities, shops, restaurants and service. The predominant sectors are law firms, accountancy firms, and finance and consultancy companies. Retail customers appreciate attractive marketplaces and shopping centres in prime locations.

Retail trade is changing, which is putting increasingly high demands on property owners and retail entrepreneurs. Strong and unique marketplaces like Femman, Nordstan and Fredstan are expected to remain attractive in the future. The business area has a total of 113 customers. The ten largest customers lease 27,000 square metres (25,000) and generate total annual rent of SEK 119 million (113).

## Brands in the business area

**FEMMAN** – The Femman shopping centre is one of Gothenburg's most popular marketplaces for shopping, food and social interaction, as well as centrally located, high-quality offices.

**FREDSTAN** – Fredstan is a vibrant and attractive city district that comprises the blocks surrounding Fredsgatan between Brunns-parken and Trädgårdsföreningen.

**JOHANNA** – Hufvudstaden's largest development project, comprising approximately 32,000 square metres of newly built and remodelled commercial premises. A dynamic destination and place of interaction at the very heart of Gothenburg's city centre.

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

Property holdings

	December 31, 2022	December 31, 2021
Number of properties	4	4
Rentable floor space, sq m	88,987	88,619
– of which offices	50,428	50,356
– of which retail and restaurants	31,604	31,094
Annual rent, SEK m	367	363
Rental vacancy rate, %	20.5	15.9
Floor space vacancy rate, %	30.0	21.9
Number of rentable parking spaces	51	51

Largest tenants

Office	Sq m
Alektum Group	5,500
Folksam	3,800
Advokatfirman Vinge	3,300
Iver	2,800
Grant Thornton	2,000
Retail & Restaurant	Sq m
H&M	2,100
Lidl	2,100
Stadium Outlet	1,900
Lager 157	1,800
KappAhl	1,800

Profit from property management<sup>1)</sup>

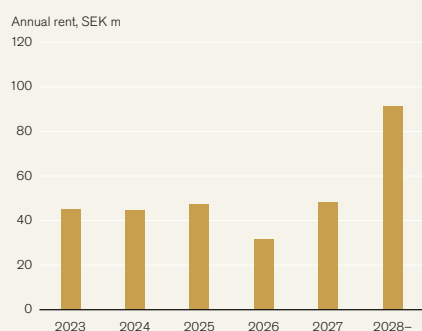
SEK m	2022	2021
<b>Net revenue</b>	<b>303.6</b>	<b>322.9</b>
Maintenance	-6.1	-5.2
Operation and administration	-64.3	-59.0
Other costs	-37.1	-37.2
<b>Total costs</b>	<b>-107.5</b>	<b>-101.4</b>
<b>Gross profit</b>	<b>196.1</b>	<b>221.5</b>

New leases & renegotiations

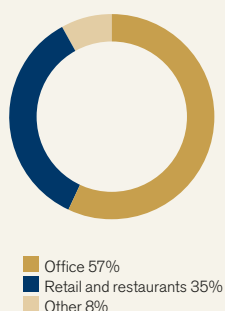
	2022	2021
New leases, sq m	7,700	4,400
New leases, annual rent, SEK m	27	13
Renegotiated leases, sq m	10,900	11,400
Renegotiated annual rent, SEK m	51	48

<sup>1)</sup> Including intra-Group rent revenue.

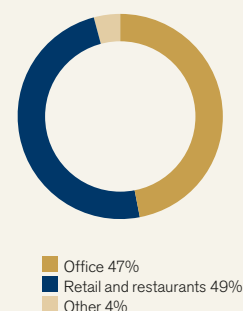
Renewal structure



Rentable floor space by use



Annual rent by use





In the heart of Cothenburg, amidst the bustling city life between Brunnsparken and Hotellplatsen, the Inom Vallgraven 12 block is under development, known as the Johanna block (Kvarteret Johanna).

## Range and concept development in focus

NK Retail operates and develops departments and the range across approximately 11,700 square metres divided between NK Stockholm and NK Gothenburg. The operations comprise around 25 per cent of the total number of departments. The range, primarily in fashion, beauty and accessories, is also represented on NK e-commerce.

### NK Retail AB

NK Retail, a subsidiary of AB Nordiska Kompaniet, conducts retail operations within the fashion, accessories, jewellery and beauty segments in a total of 37 departments in NK Stockholm and NK Gothenburg. A large share of the range is also represented on NK e-commerce, which is an area of growth.

The brand portfolio comprises carefully selected international and Swedish premium and luxury brands. The customer offering comprises more than 600 brands, including such well-known designers as By Malene Birger, Byredo, Cartier, Chanel, Max Mara, Moncler, Off-White, Omega, Tom Ford and Zegna. With commitment, first-class service and inspiring multi-brand concepts, NK Retail will be an obvious choice for the purchase of premium and luxury brands in stores and through e-commerce. Approximately 430 employees work in the operations, corresponding to approximately 290 full-time equivalents.

The cooperation between AB Nordiska Kompaniet and NK Retail has led to positive synergies in several areas. This involved,

for example, the launch of NK Retail's departments at the e-commerce site, nk.se, joint planning of marketing activities, brand repositioning and activation of spaces for short periods, so-called pop-ups.

The fact that AB Nordiska Kompaniet operates part of the retail operations at NK in our own subsidiary has led to more rapid renewal in both department stores. Many of NK Retail's departments have been remodelled and, using shared concept development work aimed at strengthening the customer offering, several new multi-brand departments have been launched. NK Designers Gallery, NK Lingerie, NK Wedding & Parties, which all opened in both Stockholm and Gothenburg, are examples of this. NK Details, NK Herrtrend and NK Sophisticated opened in Stockholm, where pop-ups were also operated for the Bally, Byredo, Hugo and Teurn Studios brands. NK Retail's largest departments are NK Beauty, NK Fine Jewellery & Watches and NK Man. These departments comprise about half of the total sales and recorded a positive trend in 2022. ■

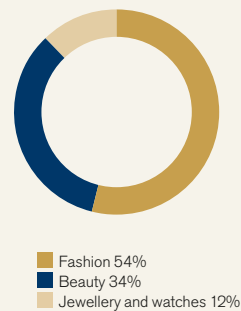


### NK Retail

NK Stockholm	2022	2021
Rentable retail space, sq m	7,448	7,334
Number of departments	22	25
Sales including VAT, SEK m	702	551 <sup>1)</sup>
NK Gothenburg	2022	2021
Rentable retail space, sq m	4,259	4,685
Number of departments	15	19
Sales including VAT, SEK m	220	188 <sup>1)</sup>
	<b>Total</b>	<b>Total</b>
Number of employees	430	409

<sup>1)</sup> Sales as of February 3, 2021.

### Sales



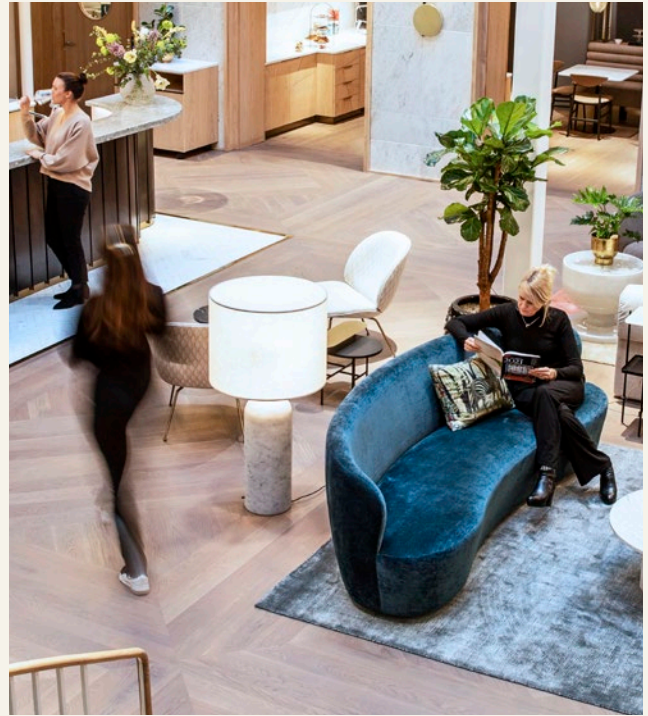
## Expanded offering with service focus

### Cecil Coworking

In Bibliotekstan in Stockholm, Hufvudstaden operates a coworking facility called Cecil Coworking. The facility has approximately 3,200 square metres and space for about 300 members. Cecil Coworking opened in 2021 and offers various alternatives for members, such as individual offices of various sizes, individual desk spaces or lounge spaces. The facility offers a unique environment that is inspired by boutique hotels. At Cecil Coworking, extensive possibilities are offered for networking in such shared spaces as the café, the lounge, the kitchen and the beautiful atrium, which is the heart of the premises.

During 2022, the occupancy of Cecil averaged more than 95 per cent and approximately 80 companies in most sectors now have their domicile at Cecil.

At Cecil, personal service is in focus and, in addition to the reception service and member events, every weekday both breakfast and lunch are offered, prepared by Cecil's own chef. There is also a fully equipped conference facility, with inspiring design, available to members and other visitors. In addition to personal service, it is the facility's central location, the focus on design and furnishings – and above all, our members – that combine to create the unique atmosphere. Cecil is a place where new ideas are born and networks are interwoven. This is where we collaborate to establish a culture, in which people and companies thrive, grow and achieve their full potential.



### Parkaden

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

The number of electric cars is still rising, which is leading to a greater need for charging points in parking facilities. To meet this demand, the number of charging points was increased to 325 at NK Parkering and 102 at Continentalgaraget. NK Parkering is one of the parking facilities that offers the most charging points in central Stockholm.

During the year, Parkaden AB invested in a new barrier system for NK Parkering to facilitate entrance and exit.

The revenue from short-term and contract customers increased during 2022, which had a positive effect on net revenue for Parkaden AB.

### NK e-commerce

Investments continued to be made in the NK e-commerce platform and other digital development projects. Launches of departments at nk.se are continuing, with a further ten departments joining during the year. At year-end, about half of the departments could be found on nk.se. The purpose of NK e-commerce is to inspire shopping online and in the department stores. The range on nk.se is to largely reflect NK Stockholm's offering, but also serve as a digital channel for inspiration, information and service.

During the year, NK e-commerce won the Optimizely Award for the "most innovative digital experience" (Nordics & Central Europe). Optimizely is the world's leading platform for digital experiences and e-commerce, which is used by tens of thousands of brands throughout the world.







Cecil Coworking is designed to enable an activity-based approach to working, using flexible agreements, shared office solutions and first-class service in prime business locations.



Completion of the Vildmannen 7 property is under way in Bibliotekstan. Behind the 120-year-old façade, modern office and retail premises are taking shape and creating a unique mix between old and new.

# Development of the city of the future

Hufvudstaden is working actively to develop existing properties and increase rentable floor space. The areas surrounding our properties are being developed to create vibrant and attractive marketplaces, often in partnership with other property owners and local authorities. Development lays the foundation for good, long-term value growth. We see continued demand for primarily modern, flexible and high-quality office and retail space in attractive locations.

## Business development

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

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

Change and development projects are carried out with a focus on responding to changes in society and the needs of our tenants. Over the years, projects have been conducted to address the structural transformation that is under way in the retail sector and, to a certain extent, offices. Changed purchasing behaviour, office use patterns and sustainability are key factors in our development work. An example of this is development of NK's customer offering in the department stores' physical environment and in the digital presence at nk.se. In the physical environment, women's fashion, for example, was developed at NK Stockholm, where a new stage for fashion news and experiences was created in the form of NK Stage. NK Stage makes it possible for brands and experiences not active at NK to receive temporary exposure in the department stores.

There was extensive focus on the development of the commercial concept for the Johanna project in Gothenburg, where an extensive redevelopment and new construction project is under way, all to create an attractive future marketplace.

To develop and adapt our operations to our customers' and employees' needs, we conducted a digitalisation strategy project during the year, which generated a new digitalisation strategy and new working groups within the company. The purpose is to support the operations' overarching strategies to contribute to achieving our operational goals.

## Property development

Hufvudstaden's properties are continuously developed in a process rooted in sustainability and a long-term approach. The Property Development department runs renovation and development projects. Operations are divided into two main segments, maintenance projects and adaptations, and major development projects based on existing or new building permissions. The projects are conducted in cooperation with the department for business development and the management organisation, as well as with our customers and suppliers.

Work to digitalise the properties intensified during the year, primarily in the Internet of Things (IoT) area. Digitalisation is used, for example, to identify solutions to further enhance the energy efficiency of the properties.

The company's sustainability plan, with the watchwords minimise, future-proof and collaborate, comprise one of the basic features of

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

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

Hufvudstaden has invested approximately SEK 840 million per year in projects for the past five years. Investments in projects in 2022 amounted to around SEK 980 million (580). Large-scale development projects account for about 60 per cent, adaptations around 25 per cent and maintenance projects nearly 15 per cent.

## Current major projects

### NK Stockholm

Change is constantly under way at the NK department stores. During the year, a development project was completed on the women's floor at NK Stockholm with the aim of creating a more attractive floor aimed at the fashion-conscious customer. Several new departments opened during the first half of 2022.

At the end of the year, a redevelopment of the food hall in NK Stockholm was conducted, where the entire space was opened up again and a new food store, ROT, was opened.

NK Parkering increased the number of full-power charging points for electric cars and retained its position as one of the best-developed parking structures for fossil-free car traffic in central Stockholm. There are a total of 325 charging points, corresponding to nearly half of the parking spaces.

### NK Gothenburg

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

### Johanna project, Gothenburg

Planning, demolition, foundation and structural reinforcement and other preparatory work took place during the year as part of the first stage of the extensive redevelopment and new construction project, Johanna. The extended building permission for approximately 15,000 square metres in gross area creates a new overall concept for the block, where the new total building permissions could be up

to 45,000 square metres in gross area. In total, the project is expected to result in an increase in the rentable floor space of approximately 11,600 square metres. The Fredstan city district will gain modern and flexible store and office premises that strengthen and develop the core of the city. The development is being carried out in close collaboration with the City of Gothenburg and completion is scheduled for the end of 2025.

### Inom Vallgraven 3:2, Gothenburg

In the Inom Vallgraven 3:2 property, also known as Textilfabriken, the conversion from offices to 16 residential apartments was largely completed. The change is being made to replace the earlier housing in the block where the Johanna project is being carried out. In conjunction with the residential project, large-scale maintenance measures were also performed to ensure that the property remains attractive for many years to come.

### Bibliotekstan, Stockholm

In Vildmannen 7, work continued on the reconstruction of the property following the extensive fire in 2017. The frame, roof and façades were completed and work on the interior is continuing and scheduled for completion around mid-year 2023. All of the office spaces have been leased in the new building, which has its original street façade preserved. A couple of leases were signed for retail premises with prominent brands.

In the Rännilen and Pumpstocken blocks, a major project to upgrade technical installations was conducted, where the properties make joint use of heating and cooling systems for improved energy efficiency.

Solar cells were installed on the roof of Packarhuset 4.

### Kungsgatan and Klarabergsgatan, Stockholm

During the year, a comprehensive programme for the Hästhuvudet 13 property was prepared. The project will contribute to improved access, more rational floor plans and improved conditions for energy efficient operations.

In the Orgelpipan 7 property, preparatory work was in progress for two major projects: a large-scale window replacement and a major adaptation for an existing office tenant. The work to replace

the windows has been characterised by meticulous consideration for the antiquarian aspects. The window replacement will enhance the attractiveness of the office and improve the energy performance of the property.

### Adaptations

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

Hufvudstaden owns many properties adjacent to each other, which creates flexibility as it facilitates integration of premises with adjoining spaces. In all redevelopment projects, there is considerable emphasis on preserving the character and architectural value of the building. Hufvudstaden takes responsibility for building and developing in a sustainable, long-term and eco-friendly way to meet the needs of today and tomorrow.

During the year, approximately 50 adaptations were conducted for a total of about 29,000 square metres. The adaptations were carried out for both new and existing tenants.

In Stockholm, the adaptations to the Oxhuvudet 18 property for the Infranode and Waitwhile tenants were undertaken. Andulf Advokat relocated from Kåkenhusen 40 to Kvasten 6, where adaptations were completed. The Ignite exercise concept opened a facility in Skären 9.

In connection with renegotiations with AG Advokat, adaptations were carried out in the NK Building in Stockholm. In the NK building in Gothenburg, adaptations were made on the women's floor and to the new La Belle restaurant on the ground floor.

Several adaptations were completed for both new and existing tenants in Femman during the year. Fastighetsägarna GFR, Iver, Sitowise and Stadium Outlet were some of the tenants that moved in. ■

### Major current and planned projects at the end of the year

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment <sup>1)</sup> (SEK m)	Estimated completion (year)
Stockholm	Vildmannen 7	Current	Office, retail & residential	4,800	4,800	800	2023
Stockholm	Hästhuvudet 13	Current	Office	3,100	–	135	2023
Stockholm	Orgelpipan 7	Local planning	Office	–	–	–	–
Gothenburg	Inom Vallgraven 12 block	Current	Office, retail & restaurant	31,600	11,600	2,200	2025/2026
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	–	160	2022
Gothenburg	NK Gothenburg	Local planning	Office, retail & restaurant	–	–	–	–

<sup>1)</sup> Includes estimated costs for rent losses and financing that are continuously charged to the income statement as well as costs for evacuation. The investment in the Vildmannen 7 property includes extraordinary costs resulting from the fire in 2017.



The Inom Vallgraven 3:2 property, known as Textilfabriken, is a cultural-historical gem. Work was under way during the year to convert the building to apartments with a high standard.

# We achieve success together

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

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

Our values are integrated in everything we do. The values are the foundation of the Group's culture and an important tool in steering the operations. Since the Group operates several businesses of differing character, the formulation of its values varies. The shared factor is that we all make the customer our central focus.

## The past year

During the year, we returned to our offices and principal workplaces. The physical workplace is functioning once again as a value-generating workplace for tenants, customers and employees. The chance to interact and to jointly create productive meetings has strengthened the company culture and increased employee commitment.

## Recruitment and introduction

A long-term approach is a key parameter when we recruit new employees. Most recruitment is conducted in-house to ensure that it is governed by our values and based on competence. In addition, diversity and equal opportunities are always a natural part of all our recruitment processes. Through in-house recruitment, we also have the possibility to build a candidate base in everything from property management and retail to e-commerce and digital competencies.

For future recruitment requirements, we present our operations on social media, where vacancies are advertised. This is both a strategy to find the most professional employees in the industry and a way to build our brand.

All new employees are offered an introductory programme adapted to specific roles and introductory training with general company information. Additionally, the "New at Hufvudstaden" introductory training course is held regularly and this enables new employees in the property operations to meet some of our managers to better get to know each other and the company. All new employees attend introductory training within the NK School, which also offers continuous skills development.

## Leadership

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

Situation-adapted leadership and employeeship is applied throughout the organisation. It creates the right conditions for succeeding in a rapidly evolving world. Continuously identifying and

developing employees who demonstrate leadership qualities is a priority. Young employees are given the opportunity to grow into the position as manager at an early stage. Management training is conducted continuously and during the year, NK Retail conducted a training course for all managers, with a focus on personal development, self-management and coaching of employees. The aim of the training course was to enhance self-management and drive at both management and employee levels.

A conference is arranged annually for managers in the property operation for the sharing of experiences and discussion of leadership issues. This year's management conference was held with the theme of work environment, and diversity and inclusion. Within NK Retail, management training courses were conducted on the subjects of amendments to the Swedish Employment Protection Act (LAS), performance and career development reviews and the salary review process.

## Skills and learning

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

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

Performance and career development reviews are based on situation-adapted leadership and employeeship. Values, goals, goal achievement and future challenges are discussed in these reviews. An action plan is subsequently prepared, in which each employee is given the possibility to influence their own development. The goal is for all employees to have a annual performance and career development review at least once a year.

NK Retail has the goal of creating memorable experiences and world-class service. To provide inspiration to serve as good examples and to motivate sales staff in customer meetings, a service training course was conducted for managers and sales leaders.

## A work environment to thrive in

We prioritise health, wellness and workplace satisfaction to create a good working environment in which employees feel engaged and are thriving. We take a preventative approach to health by offering all employees health checks and an annual fitness allowance. We are making a concerted effort to maintain low absenteeism due to illness by encouraging physical activity and arranging group activities to promote better health and workplace satisfaction. All Group employees are covered by collective agreements that serve as key building blocks for a healthy work environment.

During the spring, a staff conference was arranged on the theme of "Together", where an important point of discussion was



Creative meetings and discussions between employees in an inspiring setting.

our purpose. The Well-being committee resumed its activities after the pandemic and organised various staff activities.

The Health and Safety Committee conducted regular follow-ups of the systematic health and safety work, incidents and accidents. In addition to this, inspection rounds are carried out to prevent any injuries and to create a healthy work environment.

#### Attractive employer

Hufvudstaden shall be an attractive employer and employees should be proud to work for us. Employees should be happy, enjoy their work and feel motivated. We carry out employee surveys and pulse surveys to evaluate how we are perceived as an employer. The autumn's various pulse surveys focusing on well-being, commitment, cooperation and leadership, had a very high response rate and most of the respondents were motivated in their daily work. The share of employees who would recommend Hufvudstaden as an employer remained extremely high.

Diversity and equal opportunities are key perspectives in everything from recruitment to the day-to-day work. To support this work, we have an activity plan, which helps us create an equal opportunity

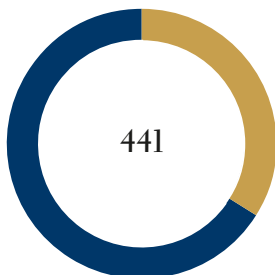
workplace with understanding for differences and counteracts discrimination and victimisation. Based on this, an equal treatment plan was prepared with goals within: health and safety, parenthood, harassment, recruitment, promotion and skills development, and equal pay for equal work.

The equality goal is to achieve an even gender structure with at least 40/60-per cent proportion between women and men at Group level as well as among managers and in all departments. Within the property operations, the proportion is approximately 50/50 between women and men, although some work groups are not as equal. Within NK Retail, most of the employees are women, which corresponds with the statistics for the retail sector. There is also an ambition to achieve the equality goals for this area of the operations.

Each year, a salary survey is conducted to prevent and correct salaries set erroneously based on gender.

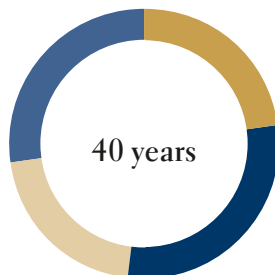
Our culture is characterised by strong employee commitment and clear values. Our employees appreciate working in a values-governed culture with competent colleagues, stimulating tasks and good career development opportunities. ■

Employees<sup>1)</sup>



■ Property operations, 34%  
■ NK Retail AB, 66%

Age



■ Aged <30, 23%  
■ Aged 30-39, 29%  
■ Aged 40-49, 21%  
■ Aged >50, 27%

Duration of employment



■ < 1 year, 22%  
■ 1-3 years, 25%  
■ 4-6 years, 15%  
■ 7-9 years, 8%  
■ 10-15 years, 13%  
■ > 15 years, 17%

<sup>1)</sup> Restated as full-time equivalents on an annual basis.

# For a sustainable future

At Hufvudstaden, we manage and develop properties from a long-term perspective. We have been developing city centres for people and commerce for more than 100 years, and we will do so for at least another 100 years. We work with tenants and partners to promote sustainable urban development in Stockholm and Gothenburg.

## Hufvudstaden and sustainability

Climate change is one of the greatest challenges of our time. The need to pursue sustainable development and create growth within the planetary boundaries has never been more tangible. The development and management of buildings has a major climate impact, primarily due to material and energy usage. In Sweden, buildings account for about 40 per cent of energy use and about one fifth of Sweden's greenhouse gas emissions. This is a major challenge, but the construction and property sector can contribute solutions and influence change.

Hufvudstaden manages and develops properties with the ambition that they will remain attractive for the next century. When the needs of tomorrow change, Hufvudstaden will stand equipped to accommodate them. The core of our decisions must take a long term perspective.

Responsible sustainability work is a success factor and a prerequisite for our continued business. Hufvudstaden works according to a sustainability plan, which sets the course for the sustainability work. The sustainability plan is organised into three focus areas: minimise, future-proof and collaborate. We will work to minimise our emissions and support the Paris Agreement. Future-proofing entails that we will be resource-efficient in meeting future expectations and requirements. We are therefore adaptable and manage our buildings and operations using a long-term perspective. We collabo-

rate with our customers, suppliers and partners to create the conditions for sustainable development and to resolve the climate problems through shared efforts.

The sustainability work includes all subsidiaries. For AB Nordiska Kompaniet, there is a supplementary sustainability strategy for the department store operation with a focus on range, department store and experiences. ■

## EU Taxonomy Regulation

The purpose of the taxonomy is to classify which investments are environmentally sustainable. A summary of the taxonomy is presented below. For the complete taxonomy report, see pages 105–107.

	Total, SEK m	Taxonomy-eligible, %	Taxonomy-aligned, %	Taxonomy-non-eligible, %
Turnover	2,746	72	10	28
CapEx	1,018	95	6	5
OpEx	80	78	11	22



## Sustainability awards

Hufvudstaden consolidated its high placement from the preceding year in the GRESB's international ranking of property companies' sustainability work in 2022. Hufvudstaden was named global sector leader in the Office and retail category – recognition of its industry-leading sustainability work.



GRESB  
★★★★★ 2022



# Sustainability targets

## Minimise

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

## Future-proof

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

## Collaborate

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

### Ongoing goals

- Reduce the total amount of waste and increase the sorting rate from property management and construction projects.
- The properties are to be future-proofed for climate change.
- Increase the proportion of green financing.
- Active work for a sustainable supply chain. Our main suppliers are to be evaluated annually.
- Zero tolerance of serious workplace accidents.
- Hufvudstaden will have the most satisfied customers in the industry.

### Outcome 2022

- The sorting rate in our properties amounted to 32 per cent.
- All properties have been analysed and specific action plans prepared.
- The proportion of green financing amounted to 33 per cent.
- 69 per cent of our main suppliers were evaluated.
- During the year, six workplace accidents occurred, of which none were of a serious character.
- For the fifth consecutive year, Hufvudstaden ranked first in the Large Company category of the Fastighetsbarometern Customer Satisfaction Index.

### By 2025 <sup>1)</sup>

- Management of our properties is to be climate-neutral.
- Energy use per square metre will be reduced by 16 per cent.
- All properties will have green building certification.

### Outcome 2022 <sup>1)</sup>

- CO<sub>2</sub>e emissions have decreased by 31 per cent.
- Energy use has decreased by 11 per cent.
- 72 per cent of properties has been certified.

### By 2030 <sup>1)</sup>

- Climate emissions from project development will be halved.

### Outcome 2022

- Several project were carried out during the year with a major focus on circularity.

<sup>1)</sup> The targets were developed in 2020 and thus use 2019 as the base year. Outcome calculated in relation to the base year.

## ● Minimise

### Journey toward reduced climate impact

Hufvudstaden's goal is to achieve climate-neutral property management by 2025. Since 2019, emissions have decreased by 31 per cent. Compared with the preceding year, emissions increased by 8 percentage points. The increase is due to increased leakage of refrigerants and a higher share of fossil fuels used by district heating suppliers. To achieve the goal, we are partly dependent on local energy producers becoming fossil-free and climate-neutral. During the year, an investigative project was launched to review alternatives to existing refrigerants. Ahead of future redevelopments, alternative refrigerants will be evaluated to find alternatives that have less climate impact.

By 2030, climate-impacting emissions from our project development activities are to be halved, measured as emissions per square metre. Project development comprises maintenance projects and adaptations, as well as major development projects. To halve emissions, we work to minimise the use of new resources. We focus on retaining existing layouts and construction elements, as well as selecting materials with a lower climate footprint.

### Energy consumption

The year's strained energy situation put a focus on energy use and prompted increased public debate. In conjunction with rising electricity prices and the authorities' warnings of temporary shutdown of the electricity network, society mobilised to reduce energy use. During the year, we reduced the operating times for ventilation and

The goal of climate-neutral property management by 2025 implies that net emissions of greenhouse gases must be zero and include the emissions generated within the confines of Hufvudstaden's own operations. These include emissions from our own vehicles and refrigerants (Scope 1) and purchased energy (Scope 2). We have also chosen to include business travel (Scope 3) within the framework of climate-neutral property management. Initially, actual emissions will be reduced. Climate compensation is permitted to neutralise the emissions that cannot be entirely eliminated.

Hufvudstaden has set ambitious climate goals to minimise emissions. Our commitments to reduced emissions were validated by the Science Based Targets Initiative (SBTi). SBTi is a global initiative that helps companies to establish targets for reducing emissions in line with the latest research and the Paris Agreement.



adjusted lighting times to reduce electricity use. We constantly work to reduce energy consumption in our properties. This will be achieved through optimisation of operations and investments in energy-efficient technology. The electricity we purchase is produced from 100 per cent renewable, origin-labelled hydropower. During the year, we continued to invest in solar panels. Since 2019, energy use has decreased by 11 per cent. Compared with the preceding year, the energy use per square metre decreased marginally. The smaller decrease is mainly due to an ongoing energy project in one of our blocks during the year. During the project, it was not possible to optimise the operation of the buildings, which caused a significant increase in energy consumption. Adjusting the energy use for this, the reduction is 18 per cent compared to 2019.

### Construction and demolition waste

Large amounts of waste arise in connection with construction. Hufvudstaden wants to avoid waste arising by, for example, not replacing existing materials during redevelopment. Waste management in the industry needs to be developed. We work to create conditions for more circular flows of materials through, for example, re-use and recycling of materials. Together with suppliers and waste entrepreneurs, we have, for example, organised seminars on waste and sorting at construction sites. The focus during 2022 has been to create internal tools and to test solutions for re-use and reconditioning of materials in our adaptations. We see major potential in recognising the value in existing material and the possibility of increasing the re-purposing of construction materials. ■



### Solar panels in the city

The investment in solar panels continues. For Hufvudstaden, an important part of the work when installing solar panels is ensuring that they blend in as part of the property's architectural design. In addition, particular demands apply to older properties in central locations. To obtain building permission, there is a requirement that they are not visible and do not detract from the building, which restricts the possibility of installing solar panels on our properties. Since 2016, we have installed solar panels on several roofs and in 2022, the Järnplåten 28 and Oxhuvudet 18 properties were fitted with solar panels. In pace with the development of technology or requirements, we will continue to investigate potential locations.

## ● Future-proofing

### Flexible properties meet future needs

Hufvudstaden develops properties for long-term ownership. When we manage and develop properties, we do so resource efficiently, which means future-proofing. The needs for properties change over time and our ambition is to conduct these changes without any major climate impact or use of resources. We do this by focusing on flexible and adaptable solutions. This applies to everything from floor plans to the materials and technology in our properties. By selecting robust material with timeless design, functionality and quality, there is a greater chance that the product will stand the test of time. During the year, Hufvudstaden initiated work to update standards governing construction and material selection for its properties. This is to create a solid basis for the development of flexible and timeless properties. The aim is to create a product that is attractive for customers and partners, but also to ensure resource efficiency in the form of avoiding future redevelopment to the extent that this is possible. This is also a way to ensure more possibilities for use of the properties with existing resources.

### Climate adaptation of our portfolio

Adapting the properties to the climate of the future will also be of major importance to reduce risk of damage to the properties. During the year, we added an analysis of all potential climate risks to the comprehensive torrential rain and flooding analysis that was conducted in recent years. Flooding resulting from heavy rainfall or rising water levels remains the largest potential climate risk. Each building is unique and the conditions vary. Accordingly, we have carried out thorough analyses, with site visits to all of our properties in order to identify potential risks and necessary proactive measures. The site visits resulted in specific action and development plans for each property to enable the management of flooding. In practice, we have already begun climate adaptation measures. In major projects,

we have future-proofed the properties using, for example, overflow drains from courtyards and check valves for wastewater. During the year, work commenced to prepare our property blocks to be able to manage sudden torrential rain and flooding. For example, we have purchased equipment enabling us to shield off water, thus reducing the risk that the properties will suffer major damage.

### Mobility in the city centres of the future

As a property owner, Hufvudstaden wants to contribute to creating conditions for the transition of transport and infrastructure in our cities. In conjunction with electrification's key role on the road to fossil-free transport, demand for commercial ev charging points has increased. The possibilities to charge a vehicle need to increase, at the same time as we can see that growing numbers of electric vehicles are parking in our parking facilities. In recent years, Hufvudstaden has made large investments to increase the number of charging points for cars in our properties. During the year, we installed further charging points and we now offer charging points in all of our garages. In our public parking facility, NK Parkering, approximately half of the parking spaces have charging points. We have a total of more than 550 charging points in our portfolio. In 2022, Hufvudstaden was nominated for the Laddguldet award, which is presented to a societal stakeholder that demonstrates concrete initiatives for investment in the transition to a fossil-free vehicle fleet. Hufvudstaden aims to continue its work to promote the use of electric vehicles.

Hufvudstaden's central locations provide favourable conditions for people to access our properties more sustainably, such as by train, bike, e-scooter or on foot. To promote more sustainable commuting and a healthy lifestyle, we increased the amount of bike parking during the year and offer bike service for our tenants. ■



### Textilfabriken under development

The Inom Vallgraven 3:2 property in Gothenburg, also known as Textilfabriken, was built in 1856 and is a cultural treasure that is an important feature of the architectural environment. During the year, the property was converted from offices to apartments with great care. To retain the property's character and charm, original details were preserved. Existing material, including bricks, windows, doors, facade details and interior and exterior surfaces, were re-used. High-quality material was selected to ensure that future renovation work will be less frequent and less extensive. The property has acquired improved energy performance using new technology and a more highly insulated design. Today, the property accommodates 16 rental apartments, which will replace those previously in the Inom Vallgraven 12 block.

## ● Collaborate

### Attractive and safe urban environments

Hufvudstaden is partnering with other property owners and organizations, as well as the cities of Stockholm and Gothenburg, in several different projects with the aim of creating safer and more attractive urban environments. For example, Hufvudstaden has participated for several years in the Purple Flag collaborative project for better and safer urban centres in Gothenburg. During the year, parts of central Gothenburg have again been Purple Flag certified and the collaboration agreement extended. Activities conducted in recent years include improved lighting, redevelopment of streets and squares, a stronger evening offering and social measures. A large share of the activities already in progress will continue in 2023, with a focus on, for example, lighting in Fredstan and the environment around Nordstan. According to police statistics, the trend is favourable and the number of reported crimes has decreased in all Purple Flag areas in the past five years.

During the year, the collaborative project for the redevelopment of Vasagatan was completed. The project, in which we participated with the city and other property owners, was ongoing for several years. The street now features wider footpaths, new bike lanes, more trees and seats, and new street lighting. The purpose is to create safe and pleasant environments for people in the city.

### Tenants want to collaborate for energy savings

The year's energy situation has awoken extensive commitment among our tenants to collaborate on reduced energy use. During the autumn, the tenants were kept regularly informed of tips on energy saving. We have a continuous dialogue with our tenants and, during this period, we have made additional visits on several occasions to offices and stores to identify appropriate energy-saving measures. The increased interest resulted in more tenants requesting and receiving their energy statistics. It is positive that tenants have an increased awareness of the energy use in the properties. This is an important step in achieving our energy goals.

### Property industry's initiative for sustainable supply chain

Hufvudstaden, together with several commercial property owners in the Stockholm region, has developed The Real Estate Industry's Initiative for a Sustainable Supply Chain (Swedish acronym: FIHL), with the aim of strengthening the industry's shared sustainability focus. The purpose of the initiative is to develop a coordinated supplier follow-up and a unified approach for the effective follow-up of sustainability aspects for suppliers in the property sector.

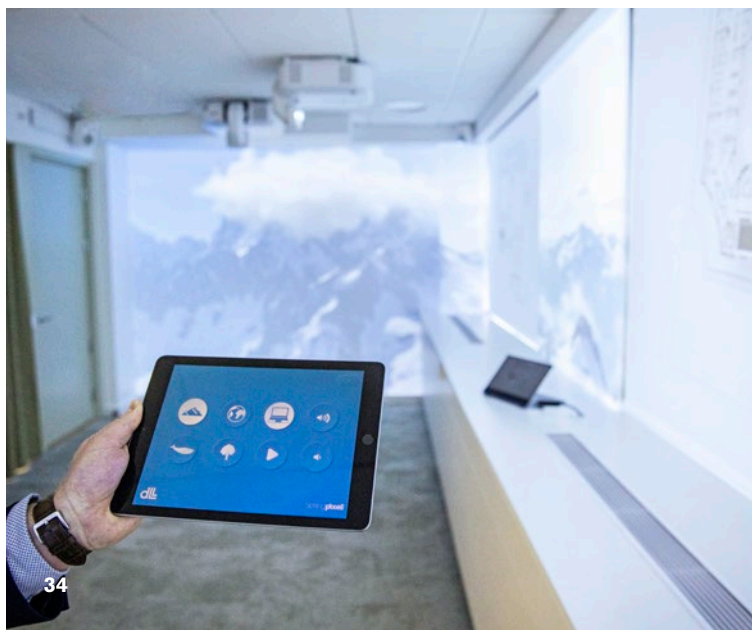
Hufvudstaden's suppliers must be well acquainted and comply with our requirements and work methods. We evaluate suppliers in areas that include work environment, working conditions, tax, human rights, legislation and regulations. As a result of this initiative, we are well on the way to establishing a new, high standard for the industry, while we are also simplifying the work for our suppliers.

### Initiative for re-use in Gothenburg

Hufvudstaden participates in the Handslaget initiative, which aims to increase the use of recycled material and circular construction in Gothenburg. Private and public property owners are participating in the initiative, the goal of which is to create a functioning market for recycled material. The goal of the initiative is to have an established re-use market by 2025, which will contribute to bringing Gothenburg's climate footprint close to zero in 2030. This is an example of how cooperation can contribute strong knowledge and a platform for achieving our goal of halving the emissions from project development by 2030.

### Remake Stockholm at NK

For many years, Hufvudstaden has cooperated with Stadsmissionen in Stockholm and Gothenburg. During the year, we made it possible for the Remake Stockholm fashion brand, which is operated by Stockholm Stadsmission as a social enterprise, to open pop-up stores in NK Stockholm and NK Gothenburg. Remake designs and produces clothes from materials donated to Stockholms Stadsmission. ■



### Connected properties

Hufvudstaden is a participant in the property sector's new think tank, REDI (Real Estate Digitalization Initiative). It is a collaborative forum to advance the digitalisation of properties for a better, more efficient and sustainable society. The initiative was launched in 2022 and participating stakeholders are all united in their willingness to address shared challenges to accelerate the digitalisation of the property industry.





Remake Stockholm designs clothes using material from donations made to Stockholms Stadsmission.

# Good returns over time at low risk

## Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million and 6,000 shares with a quotient value of SEK 100. At year-end 2022, share capital amounted to SEK 1,056.4 million with a quotient value of SEK 5 per share.

## Share structure

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

The Articles of Association include a conversion clause, by which owners of series C shares have the right to request conversion of their shares to series A shares. Since the delisting, 3,241 series C shares have been converted to series A shares, of which 30 shares this year.

At year-end, the total number of shares outstanding was 202,306,933 of which 194,035,110 were series A shares and 8,271,823 were series C shares. In addition, Hufvudstaden held 8,965,000 series A shares.

## Ownership structure

The number of shareholders at year-end was 35,531. The largest shareholder was L E Lundbergföretagen AB with 47.2 per cent of the total number of shares outstanding and 88.6 per cent of the votes. AMF was the second largest shareholder with 9.3 per cent of shares outstanding and 1.8 per cent of the votes.

Institutions and companies with holdings of 100,000 shares or more owned a combined total of 176,333,320 shares as of December 31, 2022, equivalent to 87.2 per cent of total shares outstanding and 96.5 per cent of the votes. Of these, 55 were Swedish institutions and companies, who had a combined holding of 136,354,133 shares equivalent to 67.4 per cent of shares

outstanding and 92.6 per cent of the votes. There were 38 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to 39,979,187 shares equivalent to 19.8 per cent of shares outstanding and 3.9 per cent of the votes. In addition, there were eleven Swedish private individuals who each owned 100,000 shares or more. The number of shareholders decreased during the year by 4,999. The proportion of foreign ownership decreased during the year from 24.9 to 21.0 per cent of shares outstanding.

## Buy-back of shares

The Annual General Meeting held in 2003 authorised the Board to buy back series A shares amounting to a maximum of 10 per cent of all shares in the company. The authorisation was renewed at the 2022 Annual General Meeting. At the end of the year, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent of all issued shares. No shares were bought back in 2022.

## Market capitalization and trading

At year-end 2022, Hufvudstaden's total market capitalization was SEK 31,332 million based on the price of series A shares. The yield was 1.8 per cent based on the market price for the series A share as of December 31, 2022. In total, 74 million shares were traded on Nasdaq Stockholm during the year, equivalent to 37 per cent (54) of total shares outstanding. The turnover rate calculated in relation to shares available for trading on Nasdaq Stockholm (free float) was 70 per cent (101). On average, 300,000 (440,000) shares in Hufvudstaden were traded on each trading day.

## Dividend

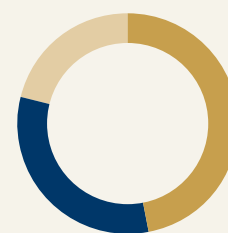
Unless a deviation is justified by investments or the company's financial position in other respects, the Hufvudstaden share will deliver good dividend growth over time and the distribution will amount to more than half of the net profit from current operations. The Board of Directors proposes a dividend of SEK 2.70 per share (2.60), corresponding to 62 per cent of net profit from current operations.

## Ownership structure as of December 31, 2022

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of issued shares	Proportion of shares, %
1-999	31,475	88.6	4,579,399	2.2
1,000-9,999	3,570	10.0	8,004,423	3.8
10,000-99,999	382	1.1	9,659,250	4.6
100,000-	104	0.3	180,063,861	85.2
<b>Shares outstanding</b>	<b>35,531</b>	<b>100.0</b>	<b>202,306,933</b>	<b>95.8</b>
Hufvudstaden			8,965,000	4.2
<b>All issued shares</b>			<b>211,271,933</b>	<b>100.0</b>

Source: Euroclear Sweden

## Ownership structure



Lundbergs, 47%  
Swedish shareholders, 32%  
Foreign shareholders, 21%

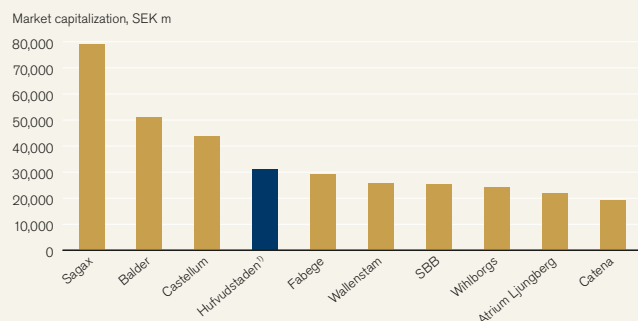
Largest shareholders as of December 31, 2022

	Number of series A shares	Number of series C shares	Total number of shares	Shares outstanding, %		Issued shares, %	
				Capital	Votes	Capital	Votes
L E Lundbergföretagen	87,311,335	8,177,680	95,489,015	47.2	88.6	45.2	87.9
AMF	18,836,271	0	18,836,271	9.3	1.8	8.9	1.8
State Street Bank and Trust	9,195,518	0	9,195,518	4.5	0.9	4.4	0.9
JP Morgan Chase Bank	5,698,036	0	5,698,036	2.8	0.6	2.7	0.6
BNY Mellon	5,094,238	0	5,094,238	2.5	0.5	2.4	0.5
BNP Paribas, Paris	2,573,378	0	2,573,378	1.3	0.3	1.2	0.2
Spiltan Aktiefond	2,492,712	0	2,492,712	1.2	0.2	1.2	0.2
Norges Bank	2,168,873	0	2,168,873	1.1	0.2	1.0	0.2
BNP Paribas, Luxembourg	2,154,282	0	2,154,282	1.1	0.2	1.0	0.2
Skogstornet	2,050,000	0	2,050,000	1.0	0.2	1.0	0.2
Other shareholders	56,460,467	94,143	56,554,610	28.0	6.5	26.8	6.4
<b>Shares outstanding</b>	<b>194,035,110</b>	<b>8,271,823</b>	<b>202,306,933</b>	<b>100.0</b>	<b>100.0</b>	<b>95.8</b>	<b>99.1</b>
Hufvudstaden	8,965,000		8,965,000			4.2	0.9
<b>All issued shares</b>	<b>203,000,110</b>	<b>8,271,823</b>	<b>211,271,933</b>			<b>100.0</b>	<b>100.0</b>
Votes (excluding treasury shares)	194,035,110	827,182,300	1,021,217,410				
Votes (including treasury shares)	203,000,110	827,182,300	1,030,182,410				

Source: Euroclear Sweden

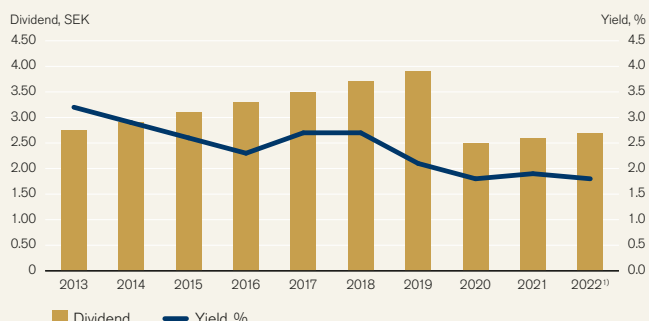
Largest listed property companies

As of December 31, 2022



<sup>1)</sup> All shares, based on the price per series A share. Source: Nasdaq Stockholm.

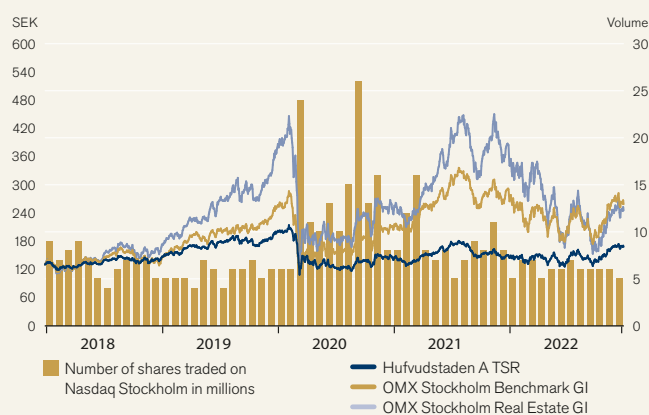
Dividend and yield



<sup>1)</sup> Proposal by the Board.

Share price performance and trading 2018–2022

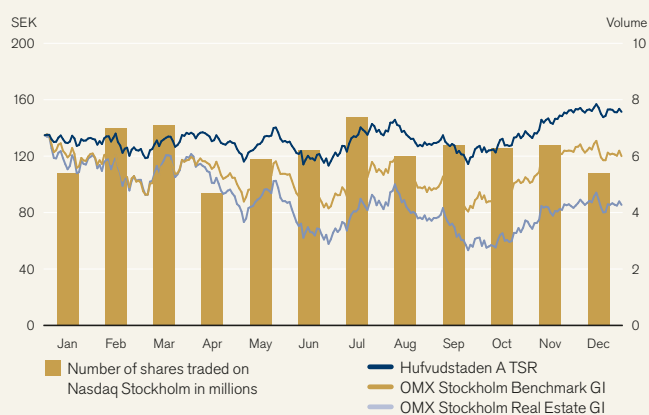
Including dividend in relation to index



Source: Nasdaq Stockholm.

Share price performance and trading 2022

Including dividend in relation to index



Source: Nasdaq Stockholm.



Architectural details from the 17th century meet modern material choices in the office entrance to the property Achilles I in Gamla Stan.



# Administration Report

The Board of Directors and the President of Hufvudstaden AB (publ), company registration number 556012-8240, hereby submit the Annual Report for the 2022 financial year for the Group and the Parent Company. The Hufvudstaden share is listed on Nasdaq Stockholm Large Cap. L E Lundbergföretagen AB, company registration number 556056-8817, has a controlling influence in Hufvudstaden, which is why the company is consolidated in the Lundberg Group.

## Business concept

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

## Key events during the financial year

At the beginning of 2022, most of the remaining restrictions and general advice related to covid-19 ended. From a health perspective, society successively returned to normality. Ukraine was invaded by Russia at the end of February, which caused human suffering, geopolitical uncertainty and a European energy crisis. Inflation rose sharply and amounted to more than 10 per cent in Sweden at year-end. The central banks responded by making a turnaround in monetary policy and policy rates were rapidly raised. The policy rate in Sweden was 2.50 per cent at year-end. For highly leveraged commercial property owners, the situation was challenging and share prices were negatively impacted. The energy market was strained with record high prices. However, the resilience in the global economies was stronger than expected. In Sweden, GDP growth was approximately 2.5 per cent and the labour market saw employment rise.

The office rental market was good in Hufvudstaden's sub-markets in Stockholm and Gothenburg. The demand for modern and space-efficient offices in prime locations in Stockholm was strong, with declining vacancies. The vacancy rate in central Gothenburg was affected by completed project properties, which increased the range of office premises. This resulted in vacancies being somewhat higher than the normal range. In Stockholm CBD, market rents ranged from SEK 6,600 to 9,000 per square metre, and in Gothenburg CBD were between SEK 3,100 and 3,900 per square metre.

Sales in consumer durables increased somewhat in 2022. In central Stockholm, the willingness to establish new stores on street level was good, with declining vacancies as a result. In Gothenburg, the market for stores was somewhat more cautious, although several leases were signed at the end of the year. Despite a positive year of sales recovery, parts of the retail sector continued to face challenges and profitability issues. Cost increases started to erode households' purchasing power and it is highly probable that private consumption will be affected going forward.

The NK Retail operations have been part of the Group since February 3, 2021. The acquisition has led to synergies in several areas at NK, such as brand repositioning, activating spaces, developing NK e-commerce and marketing. The conditions for NK Retail's first two years have been challenging, with the pandemic, war in Europe and high inflation.

The development of NK e-commerce continued during the year with new departments and products being launched. Cecil Cowork-

ing had average occupancy of more than 95 per cent comprising about 80 companies in a variety of industries.

The reconstruction of Vildmannen 7 in Bibliotekstan continued after the fire in 2017. Exterior parts were completed and work on the interior is continuing and scheduled for completion around mid-year 2023. All of the office spaces have been leased in the new building, which has its original street façade preserved, and a couple of prominent brands have signed leases for retail premises.

Planning, demolition, foundation and structural reinforcement along with other preparatory work took place during the year as part of the first stage of the extensive redevelopment and new construction project Johanna in Gothenburg. A new, attractive meeting place is being created that will strengthen the Fredstan area. The rentable floor space in the block will increase by approximately 11,600 square metres. Completion is scheduled for the end of 2025.

Profit for property management increased in 2022 but weaker sales in NK Retail and rising financing costs resulted in profit from current operations declining slightly. Hufvudstaden's leases are indexed by CPI and minimum indexation, which is why the company is shielded from rising costs in society over time. Our financial position remains very solid and the net loan-to-value ratio was 19 per cent, the equity ratio was 61 per cent, and the interest coverage ratio multiple was 7.7.

## Property holdings

At the end of the year, Hufvudstaden owned 29 properties (29). Rentable floor space was 281,100 square metres in Stockholm and 105,500 square metres in Gothenburg, making a total of 386,600 square metres (386,500).

The Group's total rental vacancy rate as of December 31, 2022 was 7.0 per cent (7.3), and the floor space vacancy rate was 11.2 per cent (10.2). Excluding current development projects, the rental vacancy rate was 4.0 per cent (5.9). In Stockholm, the rental vacancy rate was 3.6 per cent and in Gothenburg 20.1 per cent. Excluding current projects, the figures were 2.9 per cent and 8.3 per cent.

During the year, 49,500 square metres (42,600) were renegotiated at a total rental value of SEK 310 million per year, and new leases were signed for 28,800 square metres (22,100).

## Property value

Hufvudstaden has made an internal valuation of all the company's properties. The aim of the valuation is to assess the fair value of the property holdings as of December 31, 2022. To assure the valuation, external valuations were commissioned from three independent valuation companies. The external valuations made at year-end were equivalent to 43 per cent of the internally assessed fair value. The corresponding share at mid-year was 37 per cent.

The fair value of the property holdings as of December 31, 2022 was assessed at SEK 49.5 billion (48.8). The unrealised change in value amounted to SEK -209.1 million (2,579.3), which was primarily due to increasing yield requirements, but was largely offset by the effect of higher rents.

#### Valuation method

A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place in the form of a valuation according to a variation on the location price method, known as the net capitalisation method. The method involves setting the market yield requirements in relation to the net operating income of the properties.

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

A presentation of the valuation method and assumptions can be found in Note 15.

#### SENSITIVITY ANALYSIS, PROPERTY VALUATION<sup>1)</sup>

		Change+/-	Effects on pre-tax profit, SEK m
Rent revenue	SEK 100 per sq m	+/-	1,050
Property costs	SEK 50 per sq m	-/+	525
Rental vacancy rate	1.0 percentage point	-/+	660
Yield requirement	0.25 percentage point	-/+	3,320

<sup>1)</sup> Valuation date December 31, 2022.

#### Net asset value

Based on the valuation of the property holdings, the net reinstatement value (EPRA NRV) was SEK 40.6 billion or SEK 201 per share. Net Tangible Assets (EPRA NTA) were SEK 38.3 billion or SEK 189 per share following a deduction for assessed deferred tax liabilities. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The assessed deferred tax has been set at 5 per cent.

#### NET ASSET VALUE, DECEMBER 31, 2022

	SEK m	SEK/share
Equity	31,262.0	155
<i>Reversal</i>		
Recognised deferred tax <sup>1)</sup>	9,373.1	46
<b>EPRA NRV (Net Reinstatement Value)</b>	<b>40,635.1</b>	<b>201</b>
<i>Deduction</i>		
Intangible fixed assets	-89.3	-1
Estimated actual deferred tax 5%	-2,275.0	-11
<b>EPRA NTA (Net Tangible Assets)</b>	<b>38,270.8</b>	<b>189</b>
<i>Reversal</i>		
Intangible fixed assets as above	89.3	1
Recognised deferred tax <sup>1)</sup> less estimated actual deferred tax	-7,098.1	-35
<b>EPRA NDV (Net Disposal Value)</b>	<b>31,262.0</b>	<b>155</b>

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

#### Sensitivity analysis, result

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

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

#### SENSITIVITY ANALYSIS, RESULT

	Change+/-		Impact on profit, excluding changes in value before tax, SEK million
Rent level	SEK 100 per sq m	+/-	39
Vacancy rate <sup>1)</sup>	1 percentage point	-/+	23
Maintenance, operating costs and depreciation	10 per cent	-/+	19
Property tax <sup>2)</sup>	1 percentage point	-/+	26
Interest level	1 percentage point	-/+	30

<sup>1)</sup> Estimated vacant floor space at SEK 6,000 per sq m.

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

#### Sustainability

Hufvudstaden is committed to working actively and long-term towards economic, environmental and social sustainability. Corporate social responsibility is a key element in the company's operations. The company ensures that it complies with current laws and agreements by setting demand for and monitoring its own operations and partners. Hufvudstaden's values characterise the actions of its employees and are a valuable tool in their day-to-day work.

The company's statutory CSR Report comprises the Sustainability Report, and is included in the Annual Report on pages 6–7, 28–34, 45–46, and 98–107.

#### EU Taxonomy Regulation

To achieve the climate targets and environmental objectives of the EU green deal, the EU decided on a taxonomy aimed at defining which economic activities are sustainable. Hufvudstaden reports in accordance with the Taxonomy Regulation. For the complete taxonomy report, see pages 105–107.

#### Stock market information

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

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

The Corporate Governance Report is part of the Administration Report and is presented on pages 80–85.

### The future

Hufvudstaden's property holdings are unique and well-managed, situated in the most central areas of Stockholm and Gothenburg.

The company adopts a long-term approach and has a strategic work within sustainability. We know that the conditions for conducting business activities change over time. The adoption of our customer offerings will continue to meet the changes taking place in our business environment. The strategy of customer focus and high quality of in-house property management and project development stands firm. The goal is to create the best possible conditions for the customers' operations and increase their competitiveness.

We offer three concepts in our office operations: Own office, REDO and Cecil Coworking. Own office with longer lease terms are still the most in demand in the market, although flexibility and service requirements are increasing.

Our marketplaces will continue to be developed to offer unique environments and shopping experiences. The acquisition of NK Retail has brought advantages for NK in the form of brand repositioning, activating spaces, developing NK e-commerce and marketing. The objective going forward is to increase profitability for NK Retail and to further strengthen the NK department stores. Bibliotekstan is a very strong marketplace in the premium and luxury segment. We will continue our work here to establish new Swedish and international brands.

Current and planned development projects amount to approximately SEK 3 billion. The largest project is Johanna in the Inom Vallgraven 12 block in Gothenburg. The project will be ongoing until late 2025 or early 2026 and once completed the Fredstan area will have a new, attractive meeting place. The reconstruction of the fire-damaged property Vildmannen 7 will be completed in 2023. The new building behind the preserved street façade is unique. The projects will strengthen both the Bibliotekstan area and the company's cash flow. Energy-saving projects have priority and the aim is for property management to be climate-neutral by 2025. We will also leverage the opportunities of digital development to enhance the efficiency of the operations and use new technology in the properties.

The company's solid position will be maintained, the business strategy stands firm and the profitability of the day-to-day property management will continue to be optimised. We are convinced that this business model will continue to be successful in the future and that it creates opportunities for maintaining a good earnings capacity at low risk over time.

### Dividend and allocation of unappropriated earnings

The income statements and balance sheets for the Parent Company and the Group will be adopted at Hufvudstaden's Annual General Meeting on March 23, 2023. The Board of Directors proposes an increase of the dividend to SEK 2.70 per share (2.60), corresponding to a total dividend of SEK 546.2 million. The proposed dividend is equivalent to 62 per cent of net profit from current operations. The Board's proposed allocation of unappropriated earnings is presented in full in Note 23 and on page 75.

The Board's reasoned statement concerning the dividend proposal is available on the company's website and will be appended to

the Annual General Meeting documentation. The statement is also available from the company upon request.

### Guidelines for remuneration to senior executives

Guidelines for remuneration to senior executives were adopted by the 2020 Annual General Meeting to take effect at the close of the meeting. These guidelines were followed in 2022 and the completed guidelines are presented in Note 7.

The Board proposes that the 2023 Annual General Meeting resolve on the guidelines for remuneration to senior executives below. The main changes in the Board's proposal compared with the current guidelines is, in brief, that the retirement age for the President shall be 65 years, without the right to decide on retirement with a full pension from the age of 60. In addition, it is proposed that the option of a direct pension secured via endowment insurance for the President is removed.

### Guidelines for remuneration to senior executives from 2023

The guidelines shall apply to remuneration that is agreed, and also to changes in remuneration that have already been agreed, after the adoption of the guidelines at the 2023 Annual General Meeting. The guidelines do not cover remuneration decided at the Annual General Meeting.

*The guidelines contribute to the company's business strategy, long-term interests and sustainability*

It is Hufvudstaden's vision to always be perceived as, and prove to be, the most attractive property company in Sweden. One of the company's operating goals in its endeavour to realise this vision is to have the most professional employees in the industry, with firm commitment to the customer, good business acumen, and professional know-how. Successful implementation of the company's business concept, long-term interests and sustainability, presuppose that the company can recruit the right employees. These guidelines are intended to provide the conditions for recruiting and retaining qualified employees.

*Forms of remuneration*

Remuneration of senior executives is to comprise fixed salary, variable remuneration, other benefits and pension. Total remuneration should be market-based and competitive.

The criteria for variable remuneration in the form of bonuses should be designed to promote the company's business concept and long-term interests, including sustainability. Bonuses of this nature shall be linked to pre-set, quantifiable criteria, the fulfilment of which will be measured annually, and only be paid if the company can report positive results, excluding unrealised changes in the value of the property holdings and items affecting comparability. A bonus to the President is subject to a maximum of three months' fixed salary per year, and for other senior executives a maximum of the higher of three months' fixed salary or SEK 250,000 per person per year. Bonuses shall be pensionable. In total, 70 per cent of the criteria shall refer to financial goals related to operating results (meaning operating profit excluding changes in the value of property holdings and items affecting comparability as well as with certain other adjustments due to such factors as the executive's areas

of responsibility and position), 15 per cent to operating targets related to customer satisfaction, and 15 per cent to individual goals.

Other benefits may include benefits accrued under a collective agreement, health insurance, and company car benefit. Such benefits can amount to a maximum of 10 per cent of the fixed annual salary.

Pension rights for the President and other senior executives are to apply from the age of 65, with benefits corresponding to the ITP plan. In cases where the ITP plan means that a senior executive's pension is a defined contribution pension, the pension premiums shall amount to a maximum of 30 per cent of the fixed annual cash salary.

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

*Period of notice and severance pay*

On cessation of employment, the period of notice can be a maximum of 12 months. A fixed annual salary during the period of notice and severance pay shall not exceed an amount equivalent to two years' fixed annual salary in the case of the President and one year in the case of the Vice Presidents and other senior executives. In the case of notice of termination given by the executive, the period of notice shall be a maximum of six months with no entitlement to severance pay. In all cases, there shall be a set-off against any payment received from a new employer.

*Decision-making process for establishing, reviewing and implementing the guidelines*

When formulating the Board of Directors' proposal for these remuneration guidelines, the salary and employment conditions for the company's other employees have been evaluated by obtaining information regarding the employees' total remuneration, the components that make up the remuneration, and the increase in remuneration

and rate of increase over time which have been used when evaluating and deciding on the reasonableness of the guidelines.

The Board of Directors has examined the matter of establishing a remuneration committee but has opted not to appoint such a committee and will instead handle remuneration matters as part of the regular work of the Board of Directors. The entire Board of Directors, apart from the President, shall carry out the duties that rest with a remuneration committee, including following up and evaluating programmes for variable remuneration for Senior Executives, the application of guidelines for remuneration to senior executives, as well as general remuneration structures and remuneration levels within the company.

When the Board of Directors discusses and decides on remuneration-related issues, the President shall not be present and nor shall other Senior Executives to the extent they are affected by the issues under discussion. The Board of Directors shall draw up proposals for new guidelines at least every fourth year and shall present their proposal for a decision at the Annual General Meeting. The guidelines shall apply up to the point at which new guidelines are adopted at the General Meeting.

When the measurement period for bonus fulfilment comes to an end, the extent to which the criteria have been fulfilled is assessed. The Board of Directors is responsible for the assessment with regard to variable remuneration of the President. As regards variable remuneration of other senior executives, responsibility for assessment rests with the President. As regards financial goals, the assessment shall be based on the most recent Annual Report published by the company.

*Deviations from the guidelines*

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

# Financing

Hufvudstaden is a long-term property owner with a solid financial position and limited financial risk. The company's financing primarily comprises equity and borrowings. The financing requirements are met through loans and facilities from several of the major Nordic banks and investors in the capital market. The company works actively to manage long-term relations with financiers. The aim is to have a loan portfolio comprising various financing forms with a spread of credit maturities.

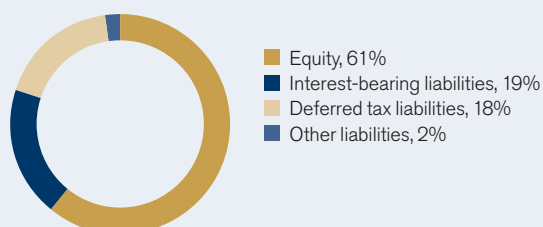
## Finance Policy

Hufvudstaden's financing is controlled on the basis of a Finance Policy approved by the Board of Directors. The purpose of the Policy is to secure the Group's financing requirements based on a risk-limited and cost-efficient financing. The Policy contains clear guidelines regarding powers and authorisations for financing and asset management activities.

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

## Capital structure

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



## Interest-bearing liabilities

The Group's total borrowing as of December 31, 2022 amounted to SEK 9,000 million (9,200). Of total borrowing, financing via the capital markets through bonds amounted to SEK 7,000 million (7,700) and commercial paper to SEK 500 million (500). Secured bank loans were SEK 1,500 million (1,000) and unutilised loan commitments amounted to SEK 6,000 million (3,500).

## Financing facilities, SEK m, December 31, 2022

Loan/facility type	Framework/ facility volume	Unutilised
MTN programme	12,000	5,000
Comm. paper programme	3,000	2,500
Bank loans and loan commitments	7,500	6,000

## Green financing

Hufvudstaden pursues a sustainability plan that helps ensure responsible conduct and the long-term development of the operations in terms of economic, environmental and social sustainability. The aim is for all properties to have green building certification by 2025 and to increase the share of green financing. In September 2021, Hufvudstaden launched a framework for green bonds aiming to finance green properties and projects promoting climate transition and sustainability. The framework is based on the Green Bond

Principles and has undergone an independent evaluation by Cicero, which issued a second opinion with the grade of Medium Green in terms of the level of greenness and a score of Excellent for governance. At year-end, SEK 1,500 million (1,000) in green bonds were outstanding. Financing also took place during the year through green bank loans that follow the issuing institutions' green financing frameworks. Green bank loans totalled SEK 1,500 million (-).

## Financial key ratios

The average fixed interest period was 1.7 years (2.2) and the average capital tie-up period was 2.6 years (2.6). The average annual equivalent interest rate (AER) was 1.9 per cent (1.3), including, and 1.7 per cent (1.2) excluding the cost of unutilised loan commitments. To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the long-term borrowing, SEK 5,000 million (6,500) carries a fixed rate of interest.

## Fixed interest structure, December 31, 2022

Maturity, year	Credit, SEK m	AER, % <sup>1)</sup>	Proportion, %
2023	4,000	2.6	44
2024	1,000	1.4	11
2025	1,000	1.0	11
2026	2,500	1.2	28
2027	500	2.2	6
<b>Total</b>	<b>9,000</b>	<b>1.9</b>	<b>100</b>

<sup>1)</sup> The costs for unutilised loan commitments are allocated in the tables to the period in which the loan falls due.

## Capital tie-up structure, SEK m, December 31, 2022

Maturity, year	Bank loans	Bonds/ Commercial paper	Total	Unutilised loan com- mitments
2023	–	2,500	<b>2,500</b>	1,000
2024	–	1,000	<b>1,000</b>	2,000
2025	500	1,000	<b>1,500</b>	1,000
2026	–	2,500	<b>2,500</b>	–
2027	1,000	500	<b>1,500</b>	2,000
<b>Total</b>	<b>1,500</b>	<b>7,500</b>	<b>9,000</b>	<b>6,000</b>

Interest-bearing net debt was SEK 8,547 million (8,018). In addition, lease liabilities according to IFRS 16 amounted to SEK 712 million (716), and total net debt amounted to SEK 9,259 million (8,734). The net loan-to-value ratio was 18.7 per cent (17.9), the equity ratio – which should be at least 40 per cent over time – amounted to 61 per cent (61), and the interest coverage ratio multiple was 7.7 (9.3).

## Financial risks

Hufvudstaden is mainly exposed to financing risk, interest risk and credit risk. For information about the financial risks, refer to Note 2 on pages 61–62.

# Risks and risk management

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

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

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

**Financial risks and regulatory compliance**

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

Hufvudstaden is also exposed to financing, interest and credit risks. For information about these, refer to Note 2 on pages 61–62.

**Sustainability risks**

Construction and management of properties	The risk of workplace accidents among our own employees and among external contractors working on our properties. Increased risk of damage to buildings during current projects.	A workplace without personal injuries.	Hufvudstaden works systematically and in line with our work environment plan and carries out ongoing audits of the work environment and natural environment. Our project managers procure and supervise implementation together with our partners. We have processes in place for segregation of duties and responsibility throughout the project.
Social responsibility	In the construction and property industry, there is a risk of corruption, unhealthy competition, tax crime (work-related criminality), and human rights violations (workforce exploitation) in the supply chain.	Being a responsible and attractive partner and societal stakeholder generates a positive effect for our brand. This also creates better conditions for an effective work environment and quality in the design of our construction sites.	Hufvudstaden works according to a Code of Conduct. We set high demands and expectations for our contractors. We perform background checks of contractors as part of procurement processes. We also carry out internal and external checks of construction sites, including unannounced site inspections. Inconsistencies and irregularities can be reported anonymously using our whistleblower service. Irregularities that affect Hufvudstaden are highlighted and investigated as early as possible.
Negative environmental impact	The construction and property industry is responsible for a large proportion of energy use and emissions in society and it generates large amounts of waste.	Properties without a negative climate footprint and high environmental performance.	Hufvudstaden has strategies and goals in place to reduce its environmental impact. Our Environmental Programme sets out our goals and demands, ensuring environmental impact is minimised. Contractors and suppliers that work for Hufvudstaden also work in accordance with the Environmental Programme. The aim is to certify all of our properties as green buildings.
Climate change	The risk of a change in precipitation and temperature patterns resulting in torrential rain and drought.	Long-term property ownership and knowledge of our buildings offer the opportunity to prevent costly consequences.	Hufvudstaden makes climate change risk assessments of its property holdings. Climate change events include extreme precipitation and changes in water level. Assessments are made to understand, assess, and facilitate the management of future risks. Read more on page 46.

# Climate-related risks and opportunities

Hufvudstaden identifies and analyses climate-related risks and opportunities. The aim of these activities is to understand, assess and enable the management of future risks and to minimise any negative financial impact, as well as future-proof our business. Hufvudstaden supports the recommendations of Task Force on Climate-related Financial Disclosures (TCFD).

## Climate risk assessment

Hufvudstaden performs regular assessments of the property holdings in relation to climate change. Last year we supplemented our torrential rain and flooding analyses with a scenario analysis based on the TCFD's recommendations. In addition, we carried out further climate change risk assessments of all properties in 2022 in accordance with the EU Taxonomy<sup>1)</sup>.

These climate risk assessments form the basis of Hufvudstaden's work on climate adaptation of its properties. For more information, refer to page 33.

## Scenario analyses

The completed analyses are based on two different climate scenarios – one in which emissions essentially follow the current levels (RCP 8.5) and one in which we manage to meet the Paris Agreement (RCP 2.6). Climate-related risks include both transition risks and physical risks. Transition risks include technology-related risks, regulatory and legal risks, market risks and reputational risks. Physical risks can be of an acute type, such as extreme weather and chronic physical risks that are connected with recurring changed weather patterns or elevated water and temperature levels. It is probable that several aspects of both scenarios will occur, as well as events that we cannot forecast today. We are closely monitoring developments and working continuously to assess whether needs or conditions have changed.

Description of scenario	Risks	Opportunities	Potential financial impact
<p><b>In line with the Paris Agreement</b> The average temperature in Sweden has risen by about 2 degrees by 2100. This is the result of functioning global cooperation between politicians, companies, industries and communities, who are developing strict regulations and rapid technological development. Demands and requirements for climate-adapted products and services from customers and investors are high. Carbon emissions will be halved by 2050 and carbon tax will be increased. Weather events are becoming stronger and more frequent. The energy intensity is low and large-scale renewable energy technology is being introduced. Regulations that include sustainability requirements affect construction and place more stringent demands on reporting.<sup>2)</sup></p>	<ul style="list-style-type: none"> <li>Higher taxes and fees, as well as increased regulations for carbon emissions and construction.</li> <li>Older and/or culturally protected properties are difficult to make energy-efficient, making them less attractive.</li> <li>Requirements to minimise emissions in the value chain place high demands on changes in business and the company.</li> <li>Higher prices for energy, materials and transport due to higher demands.</li> <li>Increased need for investment to enhance the energy efficiency of and climate adapt properties.</li> </ul>	<ul style="list-style-type: none"> <li>Increased urbanisation and densification in city centres and proximity to established services and infrastructure make Hufvudstaden's holdings attractive.</li> <li>Increased demand for innovation and new technology offered by Hufvudstaden.</li> <li>Increased demand for high utilisation of properties.</li> <li>Reduced need for energy due to more efficient use of resources results in lower energy costs.</li> <li>Customers and investors' increased sustainability requirements make Hufvudstaden a more attractive property owner and investment.</li> </ul>	<ul style="list-style-type: none"> <li>More investments in the transition.</li> <li>Increased costs for climate adaptations.</li> <li>Possibility of higher rents for highly climate-adapted properties.</li> <li>Higher valuation for climate-adapted properties.</li> </ul>
<p><b>Emissions continue at today's levels</b> Climate and transformation policies have failed and there are no climate demands from investors and customers. The average temperature in Sweden will increase by approximately 5 degrees by 2100. Rainfall levels will increase strongly by approximately 20–40 per cent and sea levels and sea temperatures will continue to rise. Extreme weather will occur more frequently, which will mean that the operations will be increasingly governed according to sudden events. The energy intensity is high and fossil fuels continue to be used frequently. Climate change will lead to more uninhabitable places around the world, with people forced to flee, leading to higher population density in Sweden.<sup>2)</sup></p>	<ul style="list-style-type: none"> <li>Damage to property from extreme weather, for example storms and heat-waves.</li> <li>Water damage to properties that have been flooded due to increased heavy rainfall and/or water level increases.</li> <li>Greater shortage of electricity and energy due to increased needs in society.</li> <li>Failed climate adaptation of properties means that buildings could need to be closed periodically and be unusable.</li> <li>Failed or low level of climate adaptation makes properties less attractive.</li> <li>Considerable need for increased maintenance and repairs due to a warmer and more humid climate having a negative impact on technology and construction material.</li> <li>Increased costs not covered by insurance policies.</li> </ul>	<ul style="list-style-type: none"> <li>Increased need for climate adaptation in major cities raises the willingness of the city and other players regarding joint efforts and collaboration, such as building flood defences.</li> <li>Increased willingness to pay for climate adaptation in cities where many stakeholders and people are affected.</li> <li>Climate-adapted properties make Hufvudstaden a more attractive property owner.</li> </ul>	<ul style="list-style-type: none"> <li>Increased investments in the management of climate change.</li> <li>Increased costs for climate adaptations.</li> <li>Increased energy costs.</li> <li>Increased operating and maintenance costs.</li> <li>Higher insurance premiums/costs.</li> <li>Reduced value of properties that are not climate-adapted.</li> <li>Increased value for properties that are climate-adapted.</li> <li>Reduced rent revenue, for example, for basement levels that cannot be leased.</li> </ul>

<sup>1)</sup> EU Taxonomy Annex 1: [ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

<sup>2)</sup> Source: [smhi.se/en/climate/future-climate/future-climate](https://smhi.se/en/climate/future-climate/future-climate)

<sup>3)</sup> The TCFD index is presented on [hufvudstaden.se/en/corporate-social-responsibility](https://hufvudstaden.se/en/corporate-social-responsibility)





Roof terraces in central locations with views of the city create meetings places and add value for our tenants.

# Statement of profit or loss – Group

SEK m	Note	2022	2021
<b>Net revenue</b>	3–4		
Property management, gross		2,054.7	1,936.5
Rent revenue, intra-Group		-199.8	-153.0
Property management, net		1,854.9	1,783.5
Other segments		890.9	704.4
		<b>2,745.8</b>	<b>2,487.9</b>
<b>Property management expenses</b>			
– Maintenance		-32.1	-26.3
– Operation and administration		-355.0	-326.1
– Property tax		-227.0	-204.2
– Depreciation	5	-5.9	-5.8
<b>Property management expenses</b>		<b>-620.0</b>	<b>-562.4</b>
Other segments, gross expenses		-972.0	-734.9
Rental expenses, intra-Group		199.8	153.0
Other segments, net expenses		-772.2	-581.9
<b>Operating expenses</b>	5–9	<b>-1,392.2</b>	<b>-1,144.3</b>
<b>Gross profit</b>		<b>1,353.6</b>	<b>1,343.6</b>
– of which Property management		1,234.9	1,221.1
– of which Other segments		118.7	122.5
Central administration	5–9	-55.7	-57.9
<b>Operating profit before changes in value</b>		<b>1,297.9</b>	<b>1,285.7</b>
Changes in value, investment properties	15	-209.1	2,579.3
<b>Operating profit</b>		<b>1,088.8</b>	<b>3,865.0</b>
<b>Financial income and expense</b>			
Interest and financial income	10	2.2	0.0
Interest and financial expense	11	-186.7	-138.9
		<b>-184.5</b>	<b>-138.9</b>
<b>Profit before tax</b>		<b>904.3</b>	<b>3,726.1</b>
Tax	13	-182.3	-770.8
<b>NET PROFIT FOR THE YEAR</b>		<b>722.0</b>	<b>2,955.3</b>
Other comprehensive income		–	–
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>722.0</b>	<b>2,955.3</b>
Net earnings per share for the year, before and after dilution, SEK	23	3.57	14.61
Dividend per share, SEK		2.70 <sup>1)</sup>	2.60

<sup>1)</sup> Board proposal.

# Comments

## Property management

Net revenue from property management excluding intra-Group rents of SEK 199.8 million (153.0) amounted to SEK 1,854.9 million (1,783.5) for the period, an increase of 4 per cent. The increase was primarily attributable to indexation, higher gross rents in conjunction with renegotiations and new leases, as well as a decline in rent reductions for stores and restaurants. Net revenue was charged with higher rent losses for vacant premises, attributable to the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project.

Hufvudstaden renegotiations during the year correspond to approximately SEK 310 million in annual rental value. On average, the renegotiations resulted in a rent increase of approximately 4 per cent.

The rental vacancy rate was 7.0 per cent (7.3). Excluding current development projects, the rental vacancy rate was 4.0 per cent (5.9).

The sales-based rent supplement was SEK 12.0 million (8.8), of which the NK department stores accounted for SEK 9.9 million (6.3). Sales in the NK department stores totalled SEK 2,581 million (2,267). Apart from the sales-based rent supplement, there are no other material seasonal variations in rents.

Maintenance expenses amounted to SEK -32.1 million (-26.3). Operating expenses were SEK -245.8 million (-219.8), the increase was primarily the result of higher energy expenses. Administration expenses amounted to SEK -109.2 million (-106.3). Property tax has increased due to new property tax assessments and amounted to SEK -227.0 million (-204.2). Property tax has mainly been invoiced onward to tenants. Depreciation, referring primarily to depreciation of right-of-use assets, amounted to SEK -5.9 million (-5.8). The total expenses for property management amounted to SEK -620.0 million (-562.4).

Gross profit for the year amounted to SEK 1,234.9 million (1,221.1) excluding intra-Group rents of SEK 199.8 million (153.0).

## Other segments

Other segments comprise NK Retail and other operations. Other operations consist of Cecil Coworking, NK e-commerce and the parking business in Parkaden AB.

NK Retail accessed the NK business on February 3, 2021. Net revenue amounted to SEK 760.2 million (604.0). Costs excluding intra-Group rents of SEK -133.6 million (-98.6) were SEK -691.5 million (-507.9).

Gross profit for NK Retail excluding intra-Group rental expenses was SEK 68.7 million (96.1). The first two years for NK Retail have been challenging with pandemic, war and high inflation, which led to weak sales.

Sales for NK Retail are impacted by seasonal variations with the first quarter of the year normally being the weakest and the fourth quarter the strongest.

Net revenue for other operations amounted to SEK 130.7 million (100.4). The increase was mainly attributable to higher revenue for Cecil Coworking. Costs excluding intra-Group rents of SEK -66.2 million (-54.4) were SEK -80.7 million (-74.0). Gross profit excluding intra-Group rental expenses was SEK 50.0 million (26.4).

## Other profit and loss items

Central administration amounted to SEK -55.7 million (-57.9).

## Changes in value

Unrealised changes in the value of investment properties were SEK -209.1 million (2,579.3). The unrealised decrease in value was primarily due to increasing yield requirements but was largely offset by the effect of higher rents. The average yield requirement has increased by 25 basis points and was, as of the valuation above, 3.7 per cent (3.5).

## Financial items

Financial income amounted to SEK 2.2 million (0.0). Financial expenses amounted to SEK -186.7 million (-138.9). Borrowing costs were SEK -163.8 million (-116.4), of which fees for withdrawal of new mortgage deeds were SEK -20.6 million (-). Interest expense for leasing was SEK -22.9 million (-22.5), which primarily referred to ground rent. The increase in financial expenses related to borrowing can be attributed to a higher average interest rate that which was 1.9 per cent (1.3) including expenses for unutilised loan commitments at year-end.

## Tax

The Group's tax for the year was SEK -182.3 million (-770.8), of which SEK -91.2 million (-110.2) comprised current tax and SEK -91.1 million (-660.6) was deferred tax. The decrease in current tax was mainly due to higher deductible expenses for investments in properties. For deferred tax, the reduction is attributable to lower unrealised changes in the value of investment properties.

## Net profit for the year

Net profit for the year was SEK 722.0 million (2,955.3). The decrease can be attributed primarily to lower unrealised changes in the value of the property holdings.

# Statement of financial position – Group

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	14	89.3	96.7
Investment properties	15	49,546.9	48,789.6
Equipment	16	51.0	25.9
Right-of-use assets	18	711.0	715.4
Non-current receivables	19	25.1	24.9
<b>Total non-current assets</b>		<b>50,423.3</b>	<b>49,652.5</b>
<b>Current assets</b>			
Inventories	20	220.8	154.7
<i>Current receivables</i>			
Accounts receivable	21	31.8	26.9
Tax receivables		–	0.3
Other receivables		4.5	6.0
Prepaid expenses and accrued income	22	102.0	76.4
Cash and cash equivalents		453.0	1,182.0
<b>Total current assets</b>		<b>812.1</b>	<b>1,446.3</b>
<b>TOTAL ASSETS</b>		<b>51,235.4</b>	<b>51,098.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	1,056.4	1,056.4
Other contributed capital		628.1	628.1
Retained earnings, including net profit for the year		29,577.5	29,381.5
<b>Total equity</b>		<b>31,262.0</b>	<b>31,066.0</b>
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	24	6,500.0	7,000.0
Deferred tax liabilities	25	9,253.2	9,162.1
Non-current lease liabilities	24	702.8	706.9
Other non-current liabilities		104.0	87.7
Other provisions	26	31.7	31.9
<b>Total non-current liabilities</b>		<b>16,591.7</b>	<b>16,988.6</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	24	2,500.0	2,200.0
Current lease liabilities	24	9.0	9.4
Accounts payable		243.5	236.7
Tax liabilities		27.3	–
Other liabilities	27	79.4	140.0
Accrued expenses and prepaid income	29	522.5	458.1
<b>Total current liabilities</b>		<b>3,381.7</b>	<b>3,044.2</b>
<b>Total liabilities</b>		<b>19,973.4</b>	<b>20,032.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,235.4</b>	<b>51,098.8</b>

# Comments

## Investment properties

The carrying amounts of investment properties in the Group amounted to SEK 49,546.9 million (48,789.6). The increase in the fair value of the properties was attributable to investments in the property holdings, which was partly offset by negative unrealised changes in value of SEK -209.1 million (2,579.3). The unrealised decrease in value was primarily due to the effect of increasing yield requirements. Investments in the property holdings during the year amounted to SEK 966.3 million (573.8). Investment properties in the Group are recognised at fair value according to IAS 40, which means there is no depreciation. The valuation method is described in Note 15. The properties' fiscal residual value was SEK 3.3 billion (3.4).

## Right-of-use assets

Right-of-use assets amounted to SEK 711.0 million (715.4) and comprise mainly of site leaseholds recognised at fair value with the corresponding lease liability. Site leaseholds are considered as perpetual leases and there is no depreciation.

## Inventories

The inventories comprises merchandise for sale in NK Retail and amounted to 0.4 per cent (0.3) of the Group's total assets and 8.0 per cent (6.2) of the Group's net revenue.

## Cash and cash equivalents

Cash and cash equivalents amounted to SEK 453.0 million (1,182.0). Rents are paid mainly at the turn of the quarter, whereupon temporary surpluses may arise. The surplus liquidity is normally used for amortisation of loans or is invested in short-term instruments with high liquidity and low risk. There are no restrictions regarding the right to use cash and cash equivalents.

## Lease liabilities

Lease liabilities totalled SEK 711.8 million (716.3) and consisted primarily of site leaseholds recognised at fair value.

## Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 1,500.0 million (1,000.0). At the year-end, Hufvudstaden's commercial paper amounted to SEK 500.0 million (500.0) and bonds was SEK 7,000.0 million (7,700.0). Total borrowing amounted to SEK 9,000.0 million (9,200.0). The average fixed interest period was 1.7 years (2.2), the capital tie-up period was 2.6 years (2.6) and the average annual equivalent interest rate was 1.9 per cent (1.3) including, and 1.7 per cent (1.2) excluding, the cost of unutilised loan commitments. Lease liabilities are recognised as interest-bearing liabilities but are reported separately in the statement of financial position. Interest-bearing net debt amounted to SEK 8,547.0 million (8,018.0) and net debt, which includes the lease liabilities, amounted to SEK 9,258.8 million (8,734.3).

## Deferred tax liabilities

Deferred tax liabilities amounted to SEK 9,253.2 million (9,162.1). The increase was due to higher tax deductible depreciations and investments.



Exercise and health concepts are being developed on Norrlandsgatan in Stockholm, complementing the existing range of shops and restaurants.

## Statement of changes in equity – Group

SEK m	Share capital	Other contributed capital	Retained earnings, including net profit for the year	Total
<b>Opening equity, January 1, 2021</b>	<b>1,056.4</b>	<b>628.1</b>	<b>26,932.0</b>	<b>28,616.5</b>
Net profit for the year			2,955.3	2,955.3
Other comprehensive income for the year			–	–
<b>Comprehensive income for the year</b>			<b>2,955.3</b>	<b>2,955.3</b>
Dividend			-505.8	-505.8
<b>Closing equity, December 31, 2021</b>	<b>1,056.4</b>	<b>628.1</b>	<b>29,381.5</b>	<b>31,066.0</b>
<b>Opening equity, January 1, 2022</b>	<b>1,056.4</b>	<b>628.1</b>	<b>29,381.5</b>	<b>31,066.0</b>
Net profit for the year			722.0	722.0
Other comprehensive income for the year			–	–
<b>Comprehensive income for the year</b>			<b>722.0</b>	<b>722.0</b>
Dividend			-526.0	-526.0
<b>Closing equity, December 31, 2022</b>	<b>1,056.4</b>	<b>628.1</b>	<b>29,577.5</b>	<b>31,262.0</b>

The Annual General Meeting held on March 24, 2022 granted renewed authorisation to the Board to acquire series A shares up to 10 per cent of all issued shares. The purpose is to enable the Board to adjust the capital structure in order to create increased value for the company's shareholders and/or to make it possible to use treasury shares as liquidity or to finance acquisitions of businesses or properties.

Hufvudstaden's total holdings of treasury shares amounted to 8,965,000 series A shares, corresponding to 4.2 per cent of all issued shares and 0.9 per cent of the total votes. No buyback took place during the year or after the end of the reporting period.

A dividend of SEK 2.60 per share was paid to the company's shareholders in 2022, totalling SEK 525,998,026.

The proposed dividend according to the proposed allocation of unappropriated earnings amounts to SEK 546.2 million.

# Statement of cash flows – Group

SEK m	Note	2022	2021
<b>Current operations</b>			
Profit before tax		904.3	3,726.1
Depreciation and impairment of assets		53.4	38.9
Unrealised change in value, investment properties		209.1	-2,579.3
Other changes		-0.4	5.3
Income tax paid		-91.2	-110.3
<b>Cash flow from current operations before changes in working capital</b>		<b>1,075.2</b>	<b>1,080.7</b>
Cash flow from changes in working capital:			
Decrease (+) / Increase (-) in inventories		-69.9	-93.5
Decrease (+) / Increase (-) in operating receivables		-35.2	-4.5
Increase (+) / Decrease (-) in operating liabilities		54.2	11.6
<b>Cash flow from current operations</b>		<b>1,024.3</b>	<b>994.3</b>
<b>Investment activities</b>			
Acquisition of business		-	-39.8
Investment in intangible fixed assets		-15.7	-8.9
Investment in investment properties		-966.3	-573.8
Investment in equipment		-35.9	-6.6
Disposal of equipment		0.1	0.8
<b>Cash flow from investment activities</b>		<b>-1,017.8</b>	<b>-628.3</b>
<b>Financing activities</b>			
Loans raised	24	2,800.0	4,250.0
Amortisation of loan debt	24	-3,000.0	-3,700.0
Amortisation of lease liabilities	24	-9.5	-11.8
Dividend paid	23	-526.0	-505.8
<b>Cash flow from financing activities</b>		<b>-735.5</b>	<b>32.4</b>
<b>Cash flow for the year</b>		<b>-729.0</b>	<b>398.4</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,182.0</b>	<b>783.6</b>
<b>Cash and cash equivalents at the year-end</b>		<b>453.0</b>	<b>1,182.0</b>
<b>SUPPLEMENTARY DISCLOSURES, STATEMENT OF CASH FLOW</b>			
Interest received		2.2	0.3
Interest paid		-141.6	-115.9



# Comments

**Cash flow from current operations**

Cash flow from current operations before changes in working capital decreased by SEK 5.5 million to SEK 1,075.2 million (1,080.7). Changes in working capital reduced cash flow by SEK -50.9 million (-86.4). Cash flow from current operations thus amounted to SEK 1,024.3 million (994.3).

**Cash flow from investment activities**

Cash flow from investment activities amounted to SEK -1,017.8 million (-628.3) and refers to investments in existing property holdings, equipment and intangible fixed assets. During 2021, NK Retail was acquired, which conducts retail operations in the NK department stores.

**Cash flow from financing activities**

Cash flow from financing amounted to SEK -735.5 million (32.4).

Net borrowing decreased by SEK 200.0 million compared with an increase of SEK 550.0 million preceding year.

**Cash flow for the year**

Cash flow for the year amounted to SEK -729.0 million (398.4).

**Cash and cash equivalents**

The Group's cash and cash equivalents amounted SEK 453.0 million (1,182.0) and comprised of cash and bank holdings. As at December 31, 2022, Hufvudstaden had loan commitments of SEK 6,000.0 million (4,500.0). At year-end, SEK 6,000.0 million was unutilised. The commercial paper programme totalled SEK 3,000.0 million, of which SEK 500.0 million was outstanding at year-end. The unutilised amount was SEK 2,500.0 million. Hufvudstaden MTN programme amounts to SEK 12,000.0 million, of which SEK 7,000.0 million had been issued. The unutilised amount of the framework was SEK 5,000.0 million.

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

# Parent Company's financial statements

## INCOME STATEMENT

SEK m	Note	2022	2021
Net revenue	4	1,444.4	1,366.3
Operating expenses	5-9	-835.3	-692.3
<b>Gross profit</b>		<b>609.1</b>	<b>674.0</b>
Central administration	5-9	-55.8	-57.8
<b>Operating profit</b>		<b>553.3</b>	<b>616.2</b>
<b>Result from financial items</b>			
Impairment of shares in Group companies		-	-51.3
Interest and financial income	10	168.4	128.7
Interest and financial expense	11	-163.7	-116.3
		<b>4.7</b>	<b>-38.9</b>
<b>Profit after financial items</b>		<b>558.0</b>	<b>577.3</b>
Appropriations	12	-115.1	-110.3
<b>Profit before tax</b>		<b>442.9</b>	<b>467.0</b>
Tax	13	-91.3	-105.8
<b>NET PROFIT FOR THE YEAR</b>		<b>351.6</b>	<b>361.2</b>

## STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2022	2021
Net profit for the year		351.6	361.2
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>351.6</b>	<b>361.2</b>

## BALANCE SHEET

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible fixed assets	14	1.6	3.2
<i>Tangible assets</i>			
Investment properties	15	8,589.5	8,262.2
Equipment	16	13.4	15.4
<b>Total tangible assets</b>		<b>8,602.9</b>	<b>8,277.6</b>
<i>Financial assets</i>			
Shares in Group companies	17	2,598.4	2,598.4
Receivables from Group companies		3,448.0	3,448.0
Non-current receivables	19	25.1	24.7
<b>Total financial assets</b>		<b>6,071.5</b>	<b>6,071.1</b>
<b>Total non-current assets</b>		<b>14,676.0</b>	<b>14,351.9</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable	21	7.8	5.5
Receivables from Group companies		278.3	206.7
Tax receivables		-	6.5
Other receivables		1.8	2.1
Prepaid expenses and accrued income	22	42.2	28.5
<b>Total current receivables</b>		<b>330.1</b>	<b>249.3</b>
Cash and bank holdings		441.5	1,137.0
<b>Total current assets</b>		<b>771.6</b>	<b>1,386.3</b>
<b>TOTAL ASSETS</b>		<b>15,447.6</b>	<b>15,738.2</b>

## EQUITY AND LIABILITIES

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Equity</b>	23		
<i>Restricted equity</i>			
Share capital		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
<b>Total restricted equity</b>		<b>1,978.7</b>	<b>1,978.7</b>
<i>Non-restricted equity</i>			
Retained earnings		2,084.4	2,249.2
Net profit for the year		351.6	361.2
<b>Total non-restricted equity</b>		<b>2,436.0</b>	<b>2,610.4</b>
<b>Total equity</b>		<b>4,414.7</b>	<b>4,589.1</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<b>Untaxed reserves</b>	28	<b>51.0</b>	<b>52.8</b>
<i>Provisions</i>			
Pension provisions	26	31.7	31.7
Deferred tax liabilities	25	879.8	876.1
<b>Total provisions</b>		<b>911.5</b>	<b>907.8</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	24	6,500.0	7,000.0
Liabilities to Group companies		5.0	5.0
Other liabilities		92.8	77.0
<b>Total non-current liabilities</b>		<b>6,597.8</b>	<b>7,082.0</b>

SEK m	Note	Dec 31, 2022	Dec 31, 2021
<i>Current liabilities</i>			
Current interest-bearing liabilities	24	2,500.0	2,200.0
Accounts payable		107.7	107.2
Liabilities to Group companies		433.5	427.4
Tax liabilities		12.4	-
Other liabilities	27	30.5	33.6
Accrued expenses and prepaid income	29	388.5	338.3
<b>Total current liabilities</b>		<b>3,472.6</b>	<b>3,106.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,447.6</b>	<b>15,738.2</b>

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Revaluation reserve	Statutory reserve	Retained earnings, including net profit for the year	Total
<b>Opening equity, January 1, 2021</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,755.0</b>	<b>4,733.7</b>
Net profit for the year				361.2	361.2
Other comprehensive income for the year				–	–
<b>Comprehensive income for the year</b>				<b>361.2</b>	<b>361.2</b>
Dividend				-505.8	-505.8
<b>Closing equity, December 31, 2021</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,610.4</b>	<b>4,589.1</b>
<b>Opening equity, January 1, 2022</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,610.4</b>	<b>4,589.1</b>
Net profit for the year				351.6	351.6
Other comprehensive income for the year				–	–
<b>Comprehensive income for the year</b>				<b>351.6</b>	<b>351.6</b>
Dividend				-526.0	-526.0
<b>Closing equity, December 31, 2022</b>	<b>1,056.4</b>	<b>124.2</b>	<b>798.1</b>	<b>2,436.0</b>	<b>4,414.7</b>

CASH FLOW STATEMENT

SEK m	Note	2022	2021
<b>Current operations</b>			
Profit after financial items		558.0	577.3
Depreciation and impairment of assets		196.5	241.3
Group contributions		-157.7	-128.4
Other changes		-0.1	5.7
Income tax paid		-87.6	-104.0
<b>Cash flow from current operations before changes in working capital</b>		<b>509.1</b>	<b>591.9</b>
Cash flow from changes in working capital:			
Decrease (+) / Increase (-) in operating receivables		74.5	-284.8
Increase (+) / Decrease (-) in operating liabilities		-35.0	219.7
<b>Cash flow from current operations</b>		<b>548.6</b>	<b>526.8</b>
<b>Investment activities</b>			
Investment in investment properties		-515.0	-185.1
Investment in equipment		-3.2	–
Disposal of equipment		0.1	1.5
<b>Cash flow from investment activities</b>		<b>-518.1</b>	<b>-183.6</b>
<b>Financing activities</b>			
Loans raised	24	2,800.0	4,250.0
Amortisation of loan debt	24	-3,000.0	-3,700.0
Dividend paid	23	-526.0	-505.8
<b>Cash flow from financing activities</b>		<b>-726.0</b>	<b>44.2</b>
<b>Cash flow for the year</b>		<b>-695.5</b>	<b>387.4</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,137.0</b>	<b>749.6</b>
<b>Cash and cash equivalents at the year-end</b>		<b>441.5</b>	<b>1,137.0</b>

SUPPLEMENTARY DISCLOSURES, CASH FLOW STATEMENT

SEK m	2022	2021
Interest received	10.7	0.5
Interest paid	-118.7	-93.4

Comments

Net revenue amounted to SEK 1,444.4 million (1,366.3). The increase was attributable primarily to indexation, higher gross rents in conjunction with renegotiations and new leases, as well as decline in rent reductions for stores and restaurants. Net revenue was charged with higher rent losses for vacant premises, attributable to the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project. Rent revenue totalled SEK 1,397.2 million (1,322.6) and service revenue amounted to SEK 47.2 million (43.7).

Maintenance expenses were SEK -257.4 million (-162.1), the increase was mainly due to larger development projects. Operating expenses totalled SEK -835.3 million (-692.3). Property tax has increased due to new property tax assessments and the costs was mainly invoiced onward to the tenants. Gross profit amounted to 609.1 million (674.0).

Profit from financial items was SEK 4.7 million (-38.9). Financial items include Group contributions of SEK 157.7 million (128.4) received from subsidiaries.

Investments in existing property holdings and equipment totalled SEK 518.2 million (185.1).

Cash and cash equivalents at the end of the period amounted to SEK 441.5 million (1,137.0).

# Financial notes

## NOTE 1 ACCOUNTING POLICIES

### General information

Hufvudstaden AB (publ), company registration number 556012-8240, is a limited liability company with its registered office in Stockholm. Hufvudstaden is listed on Nasdaq Stockholm Large Cap. The Group's principal area of business is the ownership, development and management of commercial properties in the central of Stockholm and Gothenburg. The company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. Visiting address: Regeringsgatan 38. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence in Hufvudstaden, which is why the company is consolidated into the Lundberg Group. The Annual Report and consolidated financial statements for Hufvudstaden AB (publ) for 2022 have been approved for publication according to a decision reached by the Board on February 16, 2023. It is proposed that the Annual Report and consolidated financial statements be adopted at the Annual General Meeting on March 23, 2023.

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

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

### Prerequisites in conjunction with preparation of the financial statements

The Parent Company's functional currency is Swedish kronor, which is also the reporting currency for the Group. Assets and liabilities are recognised at the historical acquisition value, apart from certain financial assets and liabilities as well as investment properties measured at fair value. Measurement at fair value of investment properties and financial derivatives is the accounting policy that has greatest impact on the consolidated financial statements.

The accounting policies stated below for the Group have been applied to all periods that are presented in the consolidated financial statements unless stated otherwise below. The Group's accounting policies have been applied to reporting and consolidation of the Parent Company and subsidiaries.

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

### Judgements and estimates

Preparing the financial reports in compliance with IFRS requires Senior Executives to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenue and costs recognised in the accounts. Estimates and assumptions are regularly reviewed. Judgements made by Senior Executives in applying IFRS that have material effect on the financial statements as well as estimates that could result in material adjustments to the financial statements in subsequent years are described in greater detail below.

### Investment properties

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

If the Group's valuation is outside the uncertainty range, an explanation for the deviation is given. External changes could mean that an assumption made by Senior Executives needs to be reviewed. This could result in a considerable variation in the value of the property holdings, which can be seen in the sensitivity analysis in Note 15.

### New accounting policies

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

### New standards that will come into effect in 2023 onwards

New and amended IFRS that will be applied in the future are not expected to have any material impact on the consolidated financial statements.

### Consolidated financial statements

The consolidated financial statements cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are measured at fair value according to the acquisition analysis. If the acquisition does not refer to business operations that are normal in conjunction with the acquisition of properties, the acquisition costs are divided among the individually identifiable assets and liabilities according to their fair value at the time of acquisition without any reporting of goodwill and a deferred tax receivable/liability in conjunction with the acquisition.

### Reporting of revenue and costs

#### Rent revenue and service revenue

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

**Revenue, NK Retail**

Revenue is primarily generated through the sale of clothing, accessories, beauty products and jewellery to consumers. The Group's performance commitment is thus to provide goods to customers, either to consumers in the Group's own stores or to e-commerce customers when goods are delivered to independent shippers. All revenue is recognised under the IFRS 15 category "at a point in time", meaning upon delivery. Revenue from the sale of goods at a fixed price is recognised when the company has transferred control of the good to the customer, which normally occurs at the time of sale when the customer takes the good with them out of the store, or upon delivery to an e-commerce customer under the terms and conditions of sale.

The main store sales are on approval for 30 days (full right of return), which means that revenue from sales in stores is recognised less estimated returns. The estimated repayment for returned goods is recognised as a repayment liability (the amount the company is expected to owe the customer). The right to receive the goods being returned is recognised as inventory. Revenue also decreases with variable remuneration in the form of discounts and customer loyalty programmes. Sales revenue is recognised less VAT, returns and discounts as net revenue in the income statement under "Other segments".

**Government grants**

Government grants are accounted for in the statement of financial position as accrued income when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. Grants under the government's rent discount scheme are recognised as rent revenue in profit or loss and are allocated in the same way and across the same periods as the related costs for which the grants are intended to compensate.

**Administration costs**

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

**Financial income and expense**

Financial income and expense comprises interest income and interest expense, and unrealised and realised gains on financial investments. Interest income and interest expense are calculated according to the effective interest rate method.

**Leases****Lease agreements where the Group is the lessor**

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

**Lease agreements where the Group is the lessee**

The Group recognises a right-of-use asset and a lease liability on the date the lease agreement came into effect. Right-of-use assets are initially measured at acquisition value. Right-of-use assets are depreciated on a straight-line basis from the date of commencement to the end of the right-of-use period of the asset or the end of the lease term. The lease liability is initially measured at the present value of the remaining lease costs for the estimated term. The lease term comprises the non-terminable period plus additional extension periods in the lease agreement if it is deemed reasonably certain on the commencement date that these options will be utilised. The lease costs are discounted at the Group's average incremental borrowing rate. In those cases where the interest rate implicit in the lease agreement can be readily determined, this interest rate is used instead. The Group's average incremental borrowing rate as of December 31, 2022 was 1.50 per cent. The lease liability for the Group's commercial premises with index-linked rent are calculated on the rent payable at the end of each reporting period.

The Group's agreements for commercial premises and land, not site leasehold agreements, comprise mainly non-terminable terms of several years, which are extended by a further number of years if the Group or the lessor does not terminate the agreement by giving 9–24 months' notice. For the majority of these agreements, the Group's assessment is that it is not reasonably certain that the agreements will be extended beyond the first term. In its capacity as lessee, the Group has identified site leasehold agreements to be the most material. The lease liability as of December 31, 2022 was SEK 712 million, of which site leasehold agreements totalled SEK 676 million. According to IFRS 16, site leasehold rights are considered to be perpetual leases measured at fair value and will thus not be depreciated. The value of the right-of-use asset remains until the next renegotiation of the ground rent. The lease liability is not amortised, and the value remains unchanged until the ground rent is renegotiated. Ground rent costs are recognised in their entirety as a financial expense. For lease agreements where the lease term is 12 months or less, or which have an underlying low-value asset, i.e. below SEK 50,000, no right-of-use asset or lease liability are recognised. Lease costs for these leases are recognised as a cost on a straight-line basis over the term of the lease agreement.

**Remuneration to employees**

Remuneration to employees, such as salaries, paid holidays and social insurance costs, are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported at year-end, refer to the guidelines on variable remuneration in Note 7. As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO contractual pension plan. During the 2022 financial year, the company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in profit or loss when they arise.

**Tax**

Tax is recognised in profit or loss apart from when the underlying transaction is recognised in other comprehensive income or equity, whereupon the associated tax effect is recognised in other comprehensive income or equity. Current tax is the tax to be paid or received for the year in question. This also includes an adjustment of current tax attributable to previous periods.

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

**Financial instruments**

The Group classifies the financial assets and liabilities measured at amortised cost or fair value through profit or loss. Financial instruments is initially measured at fair value with additions for any transaction costs except for assets and liabilities measured at fair value through profit or loss which initially is valued without addition for transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the balance sheet when the company becomes a party to an agreement. An account receivable is recorded in the balance sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists, even if an invoice has not yet been received.

**Financial assets and liabilities measured at amortised cost**

Financial assets that are included in this category are rent receivables and accounts receivable, cash and cash equivalents, loan receivables, and other receivables. Financial liabilities that are included in this category are loans and other financial liabilities, such as accounts payable. The initial carrying amount of loans is adjusted by any discounts or premiums paid when the loan was raised, and such adjustments are allocated over the term of the loan in accordance with the effective interest method. Any profit or loss that arises when the loan is repaid in advance is recognised through profit or loss.

**Impairment of financial assets**

The Group reports as principle expected credit losses for all financial assets that are measured at amortised cost. For rent and accounts receivable, the expected credit losses are valued based on the entire remaining contractual term of the receivables. The Group applies a matrix to calculate these expected credit losses with different expected loss rates based on how long the receivables are late in their payments. The loss rate have been calculated based on historical experiences which are supplemented with adjustments for the specific conditions prevailing as of the period-end and expected changes in customers' payment capacity. The Group is considering a 90-day delay in contractual payments as a significant increase in the credit risk and with that criteria the receivable is considered to be credit impaired and the loss reserve is calculated as the present value of the expected cash flows discounted with the receivables original effective interest rate.

**Intangible fixed assets**

Intangible fixed assets acquired by the Group consist of e-commerce platform and other IT-systems and are recognised at acquisition value less accumulated amortisation and any impairment losses. Development costs for new or improved processes in the Group's e-commerce platform are recognised as an asset in the statement of financial position if the process is technically and commercially feasible and the Group has sufficient resources with which to complete the process.

**Principles for amortisation**

Amortisation is recognised in profit or loss on a straight-line basis across the estimated useful lives of intangible fixed assets. The estimated useful life of intangible fixed assets is 5 years.

**Tangible assets**

Tangible assets primarily comprise equipment and are recognised at acquisition value less accumulated depreciation and any impairment losses.

**Depreciation, property management**

Depreciation of tangible assets used in administration is included in property management administration.

**Depreciation, other segments**

Depreciation of tangible assets is included in the cost of other segments.

**Principles for depreciation**

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

**Investment properties**

Investment properties are properties that are held for the purposes of securing rent revenue and/or an increase in value. Initially, investment properties are recognised at the acquisition cost, which includes expenses directly attributable to the acquisition. After the initial recognition, investment properties are reported in the balance sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations take place each quarter. To assure the quality of the valuation, independent external valuations are obtained from valuation companies at least once a year. The external valuations normally cover 30–40 per cent of the

internally assessed fair value of the property holdings and the selection of properties represents different property categories, towns, locations, technical standards and construction standards. There is a continuous update during the year of the internal valuation of the properties to take account of purchases, sales and investments. The Group also investigates on an ongoing basis if there are other indications of changes in the fair value of the properties. These indications could take the form, for example, of major leases, terminations, and material changes in the yield requirements.

Both unrealised and realised changes in value are recognised through profit or loss. Changes in value are reported net.

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

**Impairment**

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

**Inventories**

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

**Earnings per share**

Calculation of earning per share is based on the consolidated net profit for the year and on the weighted average number of shares outstanding during the year. Total profit is attributable to the Parent Company's shareholders and there are no dilution effects.

**Cash flow statements**

The cash flow statements have been prepared according to the indirect method.

**Segment reporting**

From an accounting point of view, a segment is an identifiable part of the Group that provides services that are exposed to risks and opportunities that are different from other segments.

**PARENT COMPANY ACCOUNTING POLICIES**

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

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

### Changed accounting policies

Parent Company accounting policies have not changed compared to the 2021 annual report.

### Subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the cost method. This means that transaction costs are included in the reported value of holdings in subsidiaries.

### Investment properties

The Parent Company investment properties are reported according to the Group principles for tangible assets although without the opportunity to apply the fair value method. Instead, the cost method is applied with depreciation over the assessed useful life of the buildings. The acquisition value comprises the acquisition price, cost of title deeds, and value-enhancing improvements. Only charges that generate a permanent increase in the value of the properties are capitalised. Development costs of a maintenance nature are charged to profit or loss. Borrowing costs are not capitalised in the Parent Company. In accordance with the special provisions for investment properties in RFR 2, buildings are reported as a single depreciation unit without a division into components.

### Valuation of investment properties and tangible assets

The carrying amount of investment properties and tangible assets is tested for impairment when events or a change in conditions indicate a possibility that the carrying amount might not be recovered. If there are such indications, and if the carrying amount exceeds the expected recoverable amount, the assets are impaired to the recoverable amount. The recoverable amount is equivalent to the maximum of the net realisable value and the value in use. The net realisable value is set through comparison with the sale of similar objects. The value in use comprises the present value of the expected future cash flows according to a discounting factor before tax, which reflects the market's current estimate of the time value and the risks associated with the asset. For assets that do not generate independent cash flows to a predominant extent, the recoverable amount is set for the cash-generating unit to which the asset belongs. Any impairment is recognised through profit or loss. Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount.

### Depreciation – investment properties

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

### Leased assets

The Parent Company does not apply IFRS 16 in accordance with the exception in RFR 2. As a lessee, lease costs are recognised as a cost on a straight-line basis over the term of the lease and consequently rights of use and lease liabilities are not reported in the balance sheet.

## NOTE 2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Hufvudstaden is mainly exposed to financing risk, interest risk and credit risk. The Group endeavours to have a loan portfolio with a diverse credit maturity structure that facilitates possible amortisations. No loans are raised in foreign currency, and consequently the Group is limited exposed to currency risk. Borrowing takes place both with short and long fixed interest periods.

Hufvudstaden's Finance function is a Group function with the central responsibility for financing and liquidity planning. The work is governed by the Finance Policy decided by the Board, which aims to secure the Group's

financing requirements based on a risk-limited and cost-efficient financing. Within the Finance function, there are instructions, systems and segregations of duties to achieve good internal control and follow-up of the operations. Major financing solutions and derivative transactions are to be approved by the Chairman of the Board, and the Board is informed at each Board meeting of the financial development and planning.

Hufvudstaden's aim is to use surplus liquidity to amortise existing loans. Surplus liquidity not used for amortisations may only be invested in instruments with high liquidity and low risk. Information regarding borrowing, loan frameworks and terms and conditions can be found in Note 24.

### Financing risk

Financing risk consists of difficulties to obtain financing for the business at a given point in time. Hufvudstaden strives to work together with three to five lenders and a loan portfolio with a spread of due dates and long terms. To minimise the cost of Group borrowing and to ensure that financing can be secured, the company have loan commitments that cover the refinancing of loans and investments. In addition, the company has a commercial paper programme and an MTN programme. Rolling forecasts for the Group's liquidity are prepared on the basis of expected cash flows. At year-end, Hufvudstaden's borrowing amounted to SEK 9,000 million (9,200). The average fixed interest period was 1.7 years (2.2), the capital tie-up period was 2.6 years (2.6) and the average annual equivalent interest rate was 1.9 per cent (1.3) including, and 1.7 per cent (1.2) excluding, the cost of unutilised loan commitments. Interest-bearing net debt was SEK 8,547 million (8,018). In addition, there is lease liabilities in accordance with IFRS 16 totalling SEK 7 12 million (7 16). Total net debt was SEK 9,259 million compared to SEK 8,734 million at the end of 2022. As of December 31, 2022, the Group had long-term loan commitments of SEK 5 billion, of which SEK 5 billion was unutilised. There is also a commercial paper programme of SEK 3 billion, of which SEK 2.5 billion was unutilised, and an MTN programme of SEK 12 billion, of which SEK 5 billion was unutilised. The company has satisfactory margins to the lenders' covenants in the loan agreements.

### MATURITY DATE STRUCTURE, INTEREST AND CAPITAL, DECEMBER 31, 2022

Maturity, year	Interest payments, SEK m	Nominal amount, SEK m	Proportion, %
2023, Q1	52.6	1,000	11
2023, Q2	38.0	1,000	11
2023, Q3	37.8	500	5
2023, Q4	11.9	–	–
2024	114.0	1,000	11
2025	90.2	1,500	17
2026	70.5	2,500	28
2027	33.0	1,500	17
<b>Total</b>	<b>448.0</b>	<b>9,000</b>	<b>100</b>

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

### Interest risk

Interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income and expense. Hufvudstaden's financing primarily comprises of equity and borrowings.

The borrowings are interest-bearing loans, meaning the Group is exposed to an interest risk. Hufvudstaden's Finance Policy states the framework for how interest risks are to be managed. An overall aim is that the maturity structure of the leases should be taken into account when determining the fixed interest period, and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest period for net debt should

normally be 1–4 years. To limit the risk, fixed interest periods are structured based on the development of the financial market. The differentiation in the fixed interest period, with short – normally 3–6 months – and long – normally 5–7 years – maturities, is based on a financial environment analysis and the criteria stipulated in the Finance Policy. As of December 31, 2022, the Group's fixed interest period was 1.7 years. Of long-term borrowing, SEK 5,000 million accrues interest at a fixed rate. A change in the market interest rate of + 1 percentage point, assuming an unchanged loan volume and fixed interest period, would increase Hufvudstaden's interest expense by SEK 30 million (17), while a change in the market interest rate of -1 percentage point would reduce Hufvudstaden's interest expense by SEK 30 million (10).

#### Credit risk

Credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. The aim is to minimise the credit risk through advance rent payments and to only proceed into credit transactions with large financing institutions. A credit risk can be attributed mainly to outstanding accounts receivable/rent receivables, as well as cash and cash equivalents, which as at the year-end had a carrying amount of approximately SEK 32 million and about SEK 453 million, which means that the Group has limited exposure to credit risk.

Losses on accounts receivables/rent receivables occur when customers files for bankruptcy or, for other reasons, are unable to fulfil their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks further, the credit rating of the Group's customers is reviewed through obtained information from different credit information companies. In accordance with Hufvudstaden's Credit Policy, a security in the form of a deposit, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rents are invoiced in advance.

#### CONCENTRATION OF CREDIT RISK, DECEMBER 31, 2022<sup>1) 2)</sup>

Annual rent, SEK k	Number of customers	Total annual rent, SEK k	Proportion, %
0–99	61	1,963	0.1
100–499	50	14,853	0.8
500–999	60	47,089	2.6
1,000 – 2,499	150	252,407	13.6
2,500 – 4,999	101	365,024	19.7
5,000 – 9,999	61	424,882	22.9
10,000 –	35	747,417	40.3
<b>Total</b>	<b>518</b>	<b>1,853,635</b>	<b>100.0</b>

<sup>1)</sup> Excluding vacant floor space and floor space used internally within the Group.

<sup>2)</sup> Annual rent as of December 31, 2022.

The Group's ten largest tenants represent 20 per cent of the total contracted rent, and the single largest customer accounts for 5 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited.

#### Fair value

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

For financial instruments such as accounts receivable, accounts payable and similar, which are recognised at amortised cost with a deduction for possible impairment, the fair value was considered to be in line with the carrying amount as these instruments have a very short term. The assessment is that the fair value is essentially in line with the carrying amount.

#### DISCLOSURE OF FAIR VALUES, FINANCIAL INSTRUMENTS

SEK m	Recognised at amortised cost		Disclosures of fair value	
	2022	2021	2022	2021
<b>GROUP</b>				
Non-current receivables	25.1	24.9	25.1	24.9
Current receivables	55.4	41.9	55.4	41.9
Cash and cash equivalents	453.0	1,182.0	453.0	1,182.0
Non-current liabilities	6,531.7	7,031.9	6,910.7	7,048.1
Current liabilities	2,810.0	2,493.6	2,828.3	2,490.4
<b>PARENT COMPANY</b>				
Non-current receivables	25.1	24.7	25.1	24.7
Current receivables	28.7	16.6	28.7	16.6
Cash and cash equivalents	441.5	1,137.0	441.5	1,137.0
Non-current liabilities	6,531.7	7,031.7	6,910.7	7,047.9
Current liabilities	2,674.2	2,364.1	2,692.5	2,360.9

For bonds with a fixed rate of interest, the overvalue is SEK 397.3 million (13.0). These values has been calculated on the basis according to level 2 in IFRS 13, i.e. the value has been calculated based on official market listings.



**NOTE 3 SEGMENT INFORMATION**

The Group's operations are divided into three segments: Property Management, NK Retail and Other operations. Other operations comprises Cecil Coworking (Stockholm Business Area), NK e-commerce and the parking business in Parkaden AB (NK Business Area). The segments are divided into the business areas, which are in line with the Company's operational control system.

In the Parent Company, there is only one operating segment – Property Management. The following presentation shows revenue and expenses as well as assets and investments for the various business areas in 2022 and the comparison year 2021.

SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Intra-Group elimination		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>GROUP</b>										
<b>Property management</b>										
<b>Revenue and expenses<sup>1)</sup></b>										
Rent revenue	1,245.7	1,141.8	429.3	402.2	283.7	304.1	-199.8	-153.0	1,758.9	1,695.1
(of which sales-based rent supplement)	(1.9)	(1.4)	(9.9)	(6.3)	(0.2)	(1.1)			(12.0)	(8.8)
Service revenue	28.1	25.7	48.0	43.9	19.9	18.8			96.0	88.4
Maintenance	-12.7	-14.7	-13.3	-6.4	-6.1	-5.2			-32.1	-26.3
Operation and administration	-130.1	-116.7	-160.6	-150.4	-64.3	-59.0			-355.0	-326.1
Property tax	-151.5	-120.3	-38.8	-47.1	-36.7	-36.8			-227.0	-204.2
Depreciation	-0.7	-0.8	-4.8	-4.6	-0.4	-0.4			-5.9	-5.8
<b>Gross profit or loss, Property Management</b>	<b>978.8</b>	<b>915.0</b>	<b>259.8</b>	<b>237.6</b>	<b>196.1</b>	<b>221.5</b>	<b>-199.8</b>	<b>-153.0</b>	<b>1,234.9</b>	<b>1,221.1</b>
<b>NK Retail</b>										
Net revenue			760.2	604.0					760.2	604.0
Expenses			-825.1	-606.5			133.6	98.6	-691.5	-507.9
<b>Gross profit or loss, NK Retail</b>			<b>-64.9</b>	<b>-2.5</b>			<b>133.6</b>	<b>98.6</b>	<b>68.7</b>	<b>96.1</b>
<b>Other Operations</b>										
Net revenue	41.0	18.2	89.7	82.2					130.7	100.4
Expenses	-36.4	-25.7	-110.5	-102.7			66.2	54.4	-80.7	-74.0
<b>Gross profit or loss, Other Operations</b>	<b>4.6</b>	<b>-7.5</b>	<b>-20.8</b>	<b>-20.5</b>			<b>66.2</b>	<b>54.4</b>	<b>50.0</b>	<b>26.4</b>
Central administration									-55.7	-57.9
Changes in value, investment properties									-209.1	2,579.3
<b>Operating profit</b>									<b>1,088.8</b>	<b>3,865.0</b>
Financial income and expense									-184.5	-138.9
<b>Profit before tax</b>									<b>904.3</b>	<b>3,726.1</b>
<b>Assets</b>										
Investment properties	33,748.4	32,904.2	9,077.7	9,215.9	6,720.8	6,669.5			49,546.9	48,789.6
<b>Investments</b>										
Investment properties and equipment	432.6	220.3	125.1	163.6	444.5	196.4			1,002.2	580.3

<sup>1)</sup> For comparable holdings, see Business Areas in figures, page 92.

**NOTE 4 LEASE AGREEMENTS – GROUP AS LESSOR**

**Operating leases**

The Group rents out premises in its investment property holdings. The Group classifies these lease agreements as operating leases as the lease agree-

ments do not transfer the material risks and benefits associated with the ownership of the underlying asset. See table below for a maturity analysis of lease payments where the remaining term is between 1 and 14 years.

**MATURITY STRUCTURE<sup>1) 2) 3)</sup>**

	2023	2024	2025	2026	2027	2028–	Total
<b>Number of agreements</b>							
Office	63	62	53	40	20	37	275
Retail	76	66	66	39	14	16	277
Other	465	199	149	65	45	43	966
<b>Total, Group</b>	<b>604</b>	<b>327</b>	<b>268</b>	<b>144</b>	<b>79</b>	<b>96</b>	<b>1,518</b>
Proportion, %	39.8	21.5	17.7	9.5	5.2	6.3	100.0
<b>Total, Parent Company</b>	<b>504</b>	<b>244</b>	<b>186</b>	<b>113</b>	<b>70</b>	<b>84</b>	<b>1,201</b>
<b>Annual rent, SEK m</b>							
Office	160.6	291.8	146.0	158.2	94.0	318.9	1,169.5
Retail	143.0	132.6	151.4	110.2	39.8	82.7	659.7
Other	21.5	28.8	26.5	17.9	8.8	26.2	129.7
<b>Total, Group</b>	<b>325.1</b>	<b>453.2</b>	<b>323.9</b>	<b>286.3</b>	<b>142.6</b>	<b>427.8</b>	<b>1,958.9</b>
Proportion, %	16.6	23.1	16.5	14.6	7.3	21.9	100.0
<b>Total, Parent Company</b>	<b>258.0</b>	<b>278.9</b>	<b>254.7</b>	<b>218.7</b>	<b>131.0</b>	<b>361.6</b>	<b>1,502.9</b>

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

<sup>2)</sup> Excluding vacant floor space and floor space used internally within the Group.

<sup>3)</sup> Excluding residential leases.

**NOTE 5 DEPRECIATION**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>Depreciation per type of asset</b>				
Capitalised expenditures for programmes	22.3	22.2	0.8	0.9
Investment properties			187.7	186.7
Equipment	10.7	6.4	5.2	4.6
Right-of-use assets	7.2	7.2	–	–
<b>Total</b>	<b>40.2</b>	<b>35.7</b>	<b>193.7</b>	<b>192.2</b>
<b>Depreciation per function</b>				
<i>Property management</i>				
Operation and administration	6.3	5.9	5.5	4.9
Depreciation	5.9	5.8	188.2	187.3
<i>Other segments</i>				
Other segments, costs	27.8	23.4	–	–
Central administration	0.2	0.6	–	–
<b>Total</b>	<b>40.2</b>	<b>35.7</b>	<b>193.7</b>	<b>192.2</b>

**NOTE 6 AVERAGE NUMBER OF EMPLOYEES**

Average number of employees	2022 <sup>1)</sup>		2021 <sup>1)</sup>	
	of which, men, %	of which, men, %	of which, men, %	of which, men, %
<b>Parent Company</b>	<b>141</b>	<b>49</b>	<b>141</b>	<b>50</b>
– of which senior executives	8	62	8	75
<b>Wholly owned subsidiaries</b>				
NK Retail AB	292	15	269	15
Parkaden AB	3	67	3	67
Cecil Coworking AB	5	20	3	33
<b>Total, Group</b>	<b>441</b>	<b>26</b>	<b>416</b>	<b>28</b>
– of which senior executives	8	62	8	75

Of the Group's 57 managers (56) 32 are women (32) or 56 per cent (57). The Board of the Parent Company comprised 6 men (6) and 3 women (3). The Group only has employees in Sweden.

<sup>1)</sup> The calculation is based on Full Time Equivalent (FTE).

**NOTE 7 SALARIES AND REMUNERATION**

SEK k	Group				Parent Company			
	2022	Of which bonus	2021	Of which bonus	2022	Of which bonus	2021	Of which bonus
<b>Salaries and other remuneration</b>								
Fee to the Chairman of the Board	515		500		515		500	
Fee to other Board members	1,803		1,780		1,803		1,750	
Remuneration and benefits to:								
– President <sup>1)</sup>	5,270	573	6,458	1,194	5,270	573	6,458	1,194
– Vice President, Head of NK BA	3,266	390	3,537	668	3,266	390	3,537	668
– Vice President, CFO <sup>2)</sup>	2,960	309	–	–	2,960	309	–	–
– Vice President, Head of Stockholm BA <sup>3)</sup>	–	–	3,163	584	–	–	3,163	584
– Other senior executives	9,077	811	10,482	1,940	9,077	788	10,482	1,940
– Other employees <sup>4)</sup>	217,783	7,416	192,251	7,960	89,889	7,243	89,631	7,779
<b>Total</b>	<b>240,674</b>	<b>9,499</b>	<b>218,171</b>	<b>12,346</b>	<b>112,780<sup>5)</sup></b>	<b>9,303</b>	<b>115,521<sup>5)</sup></b>	<b>12,165</b>
<b>National insurance expenses, including special employer's contribution</b>								
Chairman of the Board	53		51		53		51	
Other Board members	444		500		444		497	
President <sup>1)</sup>	2,075		2,958		2,075		2,958	
Vice President, Head of NK BA	1,226		1,342		1,226		1,342	
Vice President, CFO <sup>2)</sup>	1,142		–		1,142		–	
Vice President, Head of Stockholm BA <sup>3)</sup>	–		1,241		–		1,241	
Other senior executives	3,401		4,002		3,401		4,002	
Other employees <sup>4)</sup>	73,219		64,332		33,057		31,419	
<b>Total</b>	<b>81,560</b>		<b>74,426</b>		<b>41,398</b>		<b>41,510</b>	
<b>Pension expenses</b>								
President <sup>1)</sup>	1,783		4,132		1,783		4,132	
Vice President, Head of NK BA	828		950		828		950	
Vice President, CFO <sup>2)</sup>	885		–		885		–	
Vice President, Head of Stockholm BA <sup>3)</sup>	–		746		–		746	
Other senior executives	2,336		3,934		2,336		3,934	
Other employees <sup>4)</sup>	24,456		19,600		16,158		12,495	
<b>Total</b>	<b>30,288</b>		<b>29,362</b>		<b>21,990</b>		<b>22,257</b>	

<sup>1)</sup> Anders Nygren was appointed President from January 1, 2022. Ivo Stopner served as President until December 31, 2021.

<sup>2)</sup> Appointed Vice President from January 1, 2022, previously included in Other senior executives.

<sup>3)</sup> Vice President and Head of Stockholm BA until December 31, 2021, thereafter President from January 1, 2022. Head of Stockholm BA is included in Other senior executives from January 1, 2022.

<sup>4)</sup> Including NK Retail from February 3, 2021.

<sup>5)</sup> Salary and other remuneration also include non-monetary benefits.

Guidelines on salary, bonus and other remuneration to senior executives are decided by the Annual General Meeting. The company has followed the guidelines adopted by the 2020 Annual General Meeting, see separate section below.

All permanent employees in the Group, excluding NK Retail AB, were included in a bonus scheme during the year. Bonuses are recognised according to the criteria of operating results, customer satisfaction and personal assessment of managers. Bonuses for Senior Executives follows the guidelines presented below. The bonus for other managers is capped at two months' salary. For other employees, bonuses are capped at one month's salary. Under the bonus scheme, decisions are made for one year at a time and the bonus is capped. Bonuses are recognised only if the company shows a positive operating result before any unrealised changes in value and other items affecting comparability. In the closing accounts for 2022, bonuses were reserved for attaining operating results targets, customer satisfaction and personal targets.

Pensions for Group employees are covered by the respective collective agreements. These are the ITP plan for white-collar workers and the SAF-LO pension agreement for blue-collar workers. The ITP plan includes

both a defined benefit pension and a defined contribution pension. 93 employees are covered by a defined benefit pension. Alecta's surplus in the form of the collective consolidation level as of December had not been confirmed at the time of the signing of this Annual Report. Alecta's collective funding level as of December 31, 2022 was 172 per cent (172). The collective funding level comprises the fair value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

**Directors' fees**

An expensed directors' fee of SEK 515,000 was recognised to the Chairman of the Board Fredrik Lundberg for 2022, and Board members Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Persson and Sten Peterson were each recognised SEK 257,500. Board member Anna-Greta Sjöberg received SEK 62,500 and the expensed directors' fee for the newly elected Board member Katarina Ljungqvist was SEK 195,000. The President, Anders Nygren, does not receive any remuneration for his work on the Board.

### Guidelines for remuneration to senior executives

The 2020 Annual General Meeting resolved that the following guidelines for remuneration to senior executives shall come into effect from the 2020 Annual General Meeting. It is Hufvudstaden's vision to always be perceived as, and prove to be, the most attractive real estate company in Sweden. One of the company's operating goals in its endeavour to realise this vision is to have the most professional employees in the industry, with firm commitment to the customer, good business acumen, and professional know-how. For further information about the company's business concept and strategies, reference can be made to the company's website.

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

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

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

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

The retirement age for the President shall be 65 years, although with the right for the President or the company to decide on retirement with a full pension from the age of 60. The pensionable age for Senior Executives shall be in accordance with statutory stipulations or a collective agreement. Pensions payable to Senior Executives, including the pension paid to the President, shall be covered by the ITP plan. In cases where the ITP plan means that a senior executive's pension is a defined contribution pension,

the pension premiums shall amount to a maximum of 30 per cent of the fixed annual salary. Variable remuneration (bonus) shall be pensionable. In addition, a defined contribution pension is paid to the President and Vice Presidents for the part of their salary not covered by the ITP plan. Any such pension premiums shall amount to a maximum of 20 per cent of the fixed annual salary.

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

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

On cessation of employment, the period of notice can be a maximum of 12 months. A fixed annual salary during the period of notice and severance pay shall not exceed an amount equivalent to two years fixed annual salary in the case of the President and one year in the case of the Vice Presidents and other senior executives. In the case of notice of termination given by the President or other senior executives, the period of notice shall be a maximum of six months with no entitlement to severance pay. In all cases, there shall be a set-off against any payment received from a new employer.

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

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

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

**NOTE 8 REMUNERATION TO AUDITORS**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>PWC</b>				
Audit fees	1.7	1.7	1.2	1.2
Audit activities other than the audit assignment	0.4	0.4	0.4	0.4
Other services	0.4	0.9	0.4	0.9
<b>Total</b>	<b>2.5</b>	<b>3.0</b>	<b>2.0</b>	<b>2.5</b>

**NOTE 9 OPERATING COSTS PER COST CATEGORY**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Raw materials and consumables	450.1	313.0	–	–
Maintenance	31.7	25.8	257.3	162.1
Operation and administration	354.3	306.4	77.8	53.2
Ground rent	–	–	13.0	13.0
Property tax	227.0	204.2	173.0	143.9
Depreciation and impairment	40.1	35.7	193.4	191.9
Personnel costs	344.7	317.1	176.6	186.0
<b>Total</b>	<b>1,447.9</b>	<b>1,202.2</b>	<b>891.1</b>	<b>750.1</b>

**NOTE 10 INTEREST AND FINANCIAL INCOME**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Interest income on current investments	2.2	0.0	2.1	0.0
Interest income, Group companies			8.6	0.3
Group contributions received, subsidiaries			157.7	128.4
<b>Total</b>	<b>2.2</b>	<b>0.0</b>	<b>168.4</b>	<b>128.7</b>

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

**NOTE 11 INTEREST AND FINANCIAL EXPENSE**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Interest expense				
– borrowing	125.1	101.7	125.1	101.7
– lease liabilities	22.9	22.5	–	–
Fees for new mortgages	20.6	–	20.6	–
Other financial expenses	18.1	14.7	18.0	14.6
<b>Total</b>	<b>186.7</b>	<b>138.9</b>	<b>163.7</b>	<b>116.3</b>

Of the financial expenses, SEK 163.8 million (116.5) refers to financial instruments not measured at fair value.

**NOTE 12 APPROPRIATIONS**

SEK m	Parent Company	
	2022	2021
Accelerated depreciation	1.8	-14.1
Group contributions granted	-116.9	-96.2
<b>Total</b>	<b>-115.1</b>	<b>-110.3</b>

**NOTE 13 TAX**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>Current tax expense</b>				
Tax expense for the year	-90.7	-110.1	-87.6	-104.0
Tax attributable to previous years	-0.5	-0.1	0.0	0.0
<b>Deferred tax expense/tax income</b>				
Difference between fiscal and accounting depreciation of properties	-2.8	-3.1	-3.1	-3.5
Unrealised change in value, investment properties	-91.8	-655.1	-	-
Effect, allocation to untaxed reserves	4.7	-4.1	-	-
Effect, pension provisions	-0.1	1.2	-0.1	1.2
Right-of-use assets	0.9	0.2	-	-
Lease liabilities	-0.9	-0.7	-	-
Other	-1.1	1.0	-0.5	0.5
<b>Total tax</b>	<b>-182.3</b>	<b>-770.8</b>	<b>-91.3</b>	<b>-105.8</b>
<b>Profit or loss before tax</b>	<b>904.3</b>	<b>3,726.1</b>	<b>442.9</b>	<b>467.0</b>
Tax according to the current tax rate, 20.6%	-186.3	-767.6	-91.2	-96.2
Tax attributable to previous years	-0.5	-0.1	0.0	0.0
Non-taxable revenue	4.9	0.1	0.1	0.1
Non-deductible expenses	-0.4	-5.5	-0.2	-11.4
Other	0.0	2.3	0.0	1.7
<b>Total tax</b>	<b>-182.3</b>	<b>-770.8</b>	<b>-91.3</b>	<b>-105.8</b>

As at the year-end, there were no loss carryforwards in the Group.

**NOTE 14 INTANGIBLE FIXED ASSETS**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Opening acquisition value	122.6	113.7	4.2	4.2
Investments for the year	15.7	8.9	-	-
Sales/disposals	-1.3	-	-1.3	-
<b>Closing acquisition value</b>	<b>137.0</b>	<b>122.6</b>	<b>2.9</b>	<b>4.2</b>
Opening depreciation	-25.9	-3.7	-1.0	-0.1
Depreciation for the year	-22.3	-22.2	-0.8	-0.9
Sales/disposals	0.5	-	0.5	-
<b>Closing accumulated depreciation</b>	<b>-47.7</b>	<b>-25.9</b>	<b>-1.3</b>	<b>-1.0</b>
<b>Closing residual value according to plan</b>	<b>89.3</b>	<b>96.7</b>	<b>1.6</b>	<b>3.2</b>

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

**NOTE 15 INVESTMENT PROPERTIES****GROUP**

Investment properties are recognised at fair value.

SEK m	Group	
	2022	2021
Investment properties	49,546.9	48,789.6

Information about changes in the carrying amounts of investment properties.

SEK m	2022	2021
Opening fair value	48,789.6	45,636.5
Investment in property holdings	966.3	573.8
Unrealised change in value	-209.1	2,579.3
<b>Closing fair value</b>	<b>49,546.9</b>	<b>48,789.6</b>

For revenue and expenses attributable to investment properties, refer to Note 3.

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

**Valuation method**

Valuation of the property holdings is carried out by assessing the fair value of each individual property. The assessment took place in the form of a valuation according to a variation of the location price method, known as the net capitalisation method. The method involves setting the market yield requirements in relation to the net operating income of the properties.

In the case of other project properties and undeveloped land, the value is determined based on both the location price method and a development calculation where the net capitalisation method is used for a completed property with a deduction for construction costs, a profit for the developer that is line with the market, as well as financial expenses and rental vacancy costs during the construction period.

The assessment of the yield requirements is based on information compiled about the market's yield requirements for purchases and sales of comparable properties in similar locations. If few or no deals have been concluded in the property's sub-area, transactions in the adjoining areas are analysed. Transactions not yet concluded also provide guidance on the market yield requirements. Account is also taken of the property type, technical standard, building construction and major investment requirements. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is assured with independent valuation and advisory companies. Hufvudstaden's average yield requirement since December 31, 2017 has varied between 3.5 per cent to 3.8 per cent, and as of December 31, 2022 the figure was 3.7 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold.

**THE FOLLOWING INFORMATION HAS BEEN USED IN THE VALUATION**

Office and retail	Range (weighted average)			
	Dec 31, 2022		Dec 31, 2021	
Net operating income (SEK/sq m)	1,490–8,270	(4,970)	1,430–7,570	(4,600)
Vacancy rate (%)	2–5	(4)	2–5	(4)
Yield requirement, Stockholm (%)	3.3–3.8	(3.5)	3.1–3.5	(3.3)
Yield requirement, Gothenburg (%)	4.3–5.0	(4.5)	4.0–4.8	(4.3)
Yield requirement, total (%)	3.7		3.5	

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

Revenue has been reduced by assessing a long-term rental vacancy rate. The vacancy rate is based on the true outcome of the property holdings over a business cycle, and the expected rental situation for the individual property. In the valuation, an average vacancy rate of 4 per cent has been estimated. The actual average vacancy rate excluding projects between 2013–2022 varied between 1 and 7 per cent, and as of December 31, 2022, the figure was 4 per cent.

A deduction is made for standard costs for operation and maintenance, excluding costs that can be passed on, and part of the property administration. These are based on the actual outcome and are adjusted for non-permanent deviations. The average cost per square metre over the most recent five-year period has been in the range of SEK 500–600, and the estimated cost in the valuation as at December 31, 2022 was on the same level.

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

**External valuation**

To assure the quality of the valuation, external valuations were obtained from three independent valuation companies: Cushman and Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuations on December 31, 2022 comprised nine properties and were equivalent to 43 per cent of the internally assessed fair value. The corresponding share at mid-year was 37 per cent. The basis for the selection was that the properties should represent variations in property category, town, location, technical standard and construction standard. The properties valued externally were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Kungliga Trädgården 5, Kåkenhusen 40, Orgelpipan 7, Pumpstocken 10 (part of) and Skären 9 in Stockholm and Inom Vallgraven 3:2 and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value of SEK 21.9 billion. Hufvudstaden's internal valuation of the same properties was SEK 21.3 billion. The internal valuations thus concur well with the external valuations.

**Sensitivity analysis**

Fair value is an estimate of the probable sales price on the market at the time of 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 value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property, and investment requirements. Hufvudstaden's property holdings are recognised at SEK 49.5 billion with a degree of uncertainty of +/-5 per cent, would mean that the assessed fair value varies by SEK +/-2.5 billion. The material factors influencing the valuation and the consequent impact on profit or loss before tax are presented on page 70.

## FINANCIAL NOTES

### SENSITIVITY ANALYSIS, PROPERTY VALUATION<sup>1)</sup>

	Change, +/-	Impact on profit or loss before tax, +/-
Rent revenue	SEK 100 per sq m	SEK 1,050 m
Property costs	SEK 50 per sq m	SEK 525 m
Rental vacancy rate	1.0 percentage point	SEK 660 m
Yield requirement	0.25 percentage point	SEK 3,320 m

<sup>1)</sup> Valuation date December 31, 2022.

### TAX VALUES, INVESTMENT PROPERTIES, GROUP

SEK m	2022	2021
Tax values, buildings	13,437.3	9,596.0
Tax values, land	10,101.4	11,275.6
	<b>23,538.7</b>	<b>20,871.6</b>

### PARENT COMPANY

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

SEK m	2022	2021
Investment properties, Parent Company	8,589.5	8,262.2

### INVESTMENT PROPERTIES, EXCLUDING LAND

SEK m	2022	2021
Opening acquisition value	5,075.6	4,890.5
Investments for the year	515.0	185.1
<b>Closing acquisition value</b>	<b>5,590.6</b>	<b>5,075.6</b>
Opening depreciation	-2,033.5	-1,860.5
Depreciation for the year	-174.0	-173.0
<b>Closing depreciation</b>	<b>-2,207.5</b>	<b>-2,033.5</b>
Opening revaluation according to the adopted balance sheet for the previous year	971.3	985.0
Depreciation for the year	-13.7	-13.7
<b>Closing revaluation</b>	<b>957.6</b>	<b>971.3</b>
<b>Closing residual value according to plan</b>	<b>4,340.7</b>	<b>4,013.4</b>

### LAND

SEK m	2022	2021
Closing acquisition value	1,207.4	1,207.4
Closing value, revaluation	3,041.4	3,041.4
<b>Closing residual value according to plan</b>	<b>4,248.8</b>	<b>4,248.8</b>

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

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

### INFORMATION ABOUT THE FAIR VALUE OF INVESTMENT PROPERTIES

SEK m	2022	2021
Investment properties, Parent Company	36,682.7	35,888.5

### TAX VALUES, INVESTMENT PROPERTIES, PARENT COMPANY

SEK m	2022	2021
Tax values, buildings	9,851.6	6,589.0
Tax values, land	7,564.7	7,958.5
	<b>17,416.3</b>	<b>14,547.5</b>

### NOTE 16 EQUIPMENT

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Opening acquisition value	60.8	57.1	29.8	33.3
Investments for the year	35.9	6.6	3.2	–
Sales/disposals	-5.9	-2.9	-1.9	-3.5
<b>Closing acquisition value</b>	<b>90.8</b>	<b>60.8</b>	<b>31.1</b>	<b>29.8</b>
Opening depreciation	-34.9	-31.2	-14.4	-11.9
Depreciation for the year	-10.7	-6.4	-5.2	-4.6
Sales/disposals	5.8	2.7	1.9	2.1
<b>Closing accumulated depreciation</b>	<b>-39.8</b>	<b>-34.9</b>	<b>-17.7</b>	<b>-14.4</b>
<b>Closing residual value according to plan</b>	<b>51.0</b>	<b>25.9</b>	<b>13.4</b>	<b>15.4</b>



## NOTE 17 SHARES IN GROUP COMPANIES

	Company reg. no.	Reg. office	Capital (votes) %	Number	Nominal value, SEK k	Carrying amount 2022, SEK m
<b>PARENT COMPANY</b>						
<b>Shares in subsidiaries</b>						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.3
Gbg Inom Vallgraven 3-2 AB	556724-2531	Stockholm	100	1,000	100	0.0
Cecil Coworking AB	559242-1506	Stockholm	100	1,000	100	5.1
						2,598.1
<b>Shares in dormant companies</b>						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	-
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	-
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	-
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
<b>Parent Company total</b>						<b>2,598.4</b>
<b>OTHER GROUP COMPANIES</b>						
<b>Owned by AB Citypalatset</b>						
Aktiebolaget Hamngatgaraget	556068-6601	Stockholm	100	3,000	300	231.5
<b>Owned by Förvaltnings AB Norrmalmstorg Nr 1</b>						
Fastighetsaktiebolaget Stockholm City	556019-4358	Stockholm	100	7,776	7,776	2,800.0
<b>Owned by Fastighetsaktiebolaget Stockholms City</b>						
Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4
<b>Owned by AB Nordiska Kompaniet</b>						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
NK Retail AB	559268-4103	Stockholm	100	10,000,000	10,000	10.0
NK Service AB	559401-3491	Stockholm	100	100,000	1	0.1
						10.6
<b>Other Group companies, total</b>						<b>3,045.5</b>

There are no foreign subsidiaries in the Group. Intra-Group sales refer mainly to rents and amounted to SEK 250.6 million (205.7) during the year.

## CHANGE IN THE PARENT COMPANY'S HOLDINGS IN GROUP COMPANIES

SEK m	Parent Company	
	2022	2021
Opening carrying amount	2,598.4	2,649.7
Impairment of subsidiaries	-	-51.3
<b>Closing carrying amount</b>	<b>2,598.4</b>	<b>2,598.4</b>

## NOTE 18 RIGHT-OF-USE ASSETS

SEK m	GROUP			
	Site lease-hold rights	Commercial premises	Other	Total
<b>Opening balance January 1, 2022</b>	<b>675.8</b>	<b>37.1</b>	<b>2.5</b>	<b>715.4</b>
Additional right-of-use assets	-	0.6	-	0.6
Depreciation	-	-7.0	-2.4	-9.4
Revaluation	-	3.5	0.9	4.4
<b>Closing balance December 31, 2022</b>	<b>675.8</b>	<b>34.2</b>	<b>1.0</b>	<b>711.0</b>
<b>Opening balance January 1, 2021</b>	<b>675.8</b>	<b>35.5</b>	<b>5.3</b>	<b>716.6</b>
Additional right-of-use assets	-	5.4	-	5.4
Depreciation	-	-6.6	-2.9	-9.5
Revaluation	-	2.8	0.1	2.9
<b>Closing balance December 31, 2021</b>	<b>675.8</b>	<b>37.1</b>	<b>2.5</b>	<b>715.4</b>

Additional right-of-use assets during 2022 totalled SEK 0.6 million (5.4).

For a maturity analysis of the lease liabilities and the effects of IFRS 16 on the outgoing cash flow, see Note 24.

**EFFECT OF IFRS 16, GROUP**

SEK m	2022			2021		
	Income statement	Balance sheet	Total	Income statement	Balance sheet	Total
Depreciation and impairment of right-of-use assets	-7.2	-2.2	-9.4	-7.2	-2.3	-9.5
Interest on lease liabilities	-22.9	-0.1	-23.0	-22.5	-0.1	-22.6
Variable charges not included in the valuation of the lease liability	-1.2	-	-1.2	-1.1	-	-1.1
Revenue from right-of-use assets	6.3	-	6.3	5.5	-	5.5
Costs for short-term leases/low-value leases	-2.7	-	-2.7	-2.9	-	-2.9
<b>Net effect</b>	<b>-27.7</b>	<b>-2.3</b>	<b>-30.0</b>	<b>-28.2</b>	<b>-2.4</b>	<b>-30.6</b>

**NOTE 19 NON-CURRENT RECEIVABLES**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Opening balance	24.9	21.0	24.7	20.9
Change for the year	0.2	3.9	0.4	3.8
<b>Closing balance</b>	<b>25.1</b>	<b>24.9</b>	<b>25.1</b>	<b>24.7</b>

**NOTE 20 INVENTORIES**

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

The inventory comprised 0.4 per cent (0.3) of the Group's total assets and 8.0 per cent (6.2) of the Group's net revenue.

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

**Obsolescence**

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

**NOTE 21 ACCOUNTS RECEIVABLE**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Accounts receivable	27.0	21.9	4.9	1.3
Rent receivables	4.8	5.0	2.9	4.2
<b>Total</b>	<b>31.8</b>	<b>26.9</b>	<b>7.8</b>	<b>5.5</b>

Accounts receivable and rent receivables are recognised at amortised cost, which normally means the nominal value.

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 6.3 million (0.2). Impairment is based on an assessment of expected credit losses. Accounts receivable and rent receivables that have fallen due, but have not been impaired, amounted to SEK 15.1 million (12.0).

**NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME**

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Accrued rent revenue	22.8	19.6	20.8	18.7
Accrued revenue	14.3	15.0	2.0	0.6
Prepaid expenses	61.8	41.6	16.3	9.0
Prepaid interest expense	3.1	0.2	3.1	0.2
<b>Total</b>	<b>102.0</b>	<b>76.4</b>	<b>42.2</b>	<b>28.5</b>

**NOTE 23 EQUITY**
**GROUP SHARE CAPITAL**

SEK m	Dec 31, 2022
<b>Breakdown of share series</b>	
A 203,000,110 shares, quotient value SEK 5	1,015.0
C 8,271,823 shares, quotient value SEK 5	41.4
<b>Total</b>	<b>1,056.4</b>

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

Hufvudstaden AB (publ) has two share series, A and C. Series A shares carry one vote per share. Series C shares carry 100 votes per share. All shares carry equal rights to a share in the company's assets and liabilities. The series A shares were listed on what was historically the Stockholm Fondbörs (Stock Exchange) in 1938 and are now listed on the Large Cap segment of Nasdaq Stockholm. Series C shares were listed in 1998 and delisted in late January 2020 upon request by Nasdaq Stockholm. Shareholders have the right to request conversion of series C shares into series A shares. During the year, 30 series C shares were converted to series A shares.

Hufvudstaden owns 8,965,000 series A treasury shares. Share buy-backs were executed in 2003 and 2020. The average number of shares outstanding is 202,306,933 (202,306,933). There are no potentially dilutive instruments.

**Other contributed capital**

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

**Retained earnings, including net profit for the year**

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

### Dividend

A total dividend of SEK 525,998,026 corresponding to SEK 2.60 per share was distributed to shareholders in the company during 2022. The Board proposes a dividend of SEK 2.70 per share for 2022, corresponding to a total dividend of SEK 546,228,719.

### Capital management

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

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

### Earnings per share

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

	2022	2021
Net profit for the year, SEK m	722.0	2,955.3
Average number of shares outstanding	202,306,933	202,306,933
Earnings per share, SEK	3.57	14.61

### PARENT COMPANY

#### Restricted funds

Restricted funds may not be reduced through a dividend.

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

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

#### Non-restricted equity

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

## NOTE 24 INTEREST-BEARING LIABILITIES

SEK m	Group		Parent Company	
	2022	2021	2022	2021
<b>Non-current liabilities</b>				
Bank loans	1,500	500	1,500	500
Bonds	5,000	6,500	5,000	6,500
Lease liabilities	703	707	–	–
<b>Total</b>	<b>7,203</b>	<b>7,707</b>	<b>6,500</b>	<b>7,000</b>
<b>Current liabilities</b>				
Bank loans	–	500	–	500
Bonds	2,000	1,200	2,000	1,200
Commercial paper	500	500	500	500
Lease liabilities	9	9	–	–
<b>Total</b>	<b>2,509</b>	<b>2,209</b>	<b>2,500</b>	<b>2,200</b>
Loan commitments	6,000	4,500	6,000	4,500

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

### CAPITAL TIE-UP STRUCTURE, LOAN TERMS AND ANNUAL EQUIVALENT RATE OF INTEREST DECEMBER 31, 2022

#### Group and Parent Company

Maturity, year	AER, % <sup>1)2)</sup>	Nominal amount, SEK m		
		Bank loans <sup>3)</sup>	Bonds <sup>4)</sup>	Commercial paper <sup>5)</sup>
2023	1.3	–	2,000	500
2024	1.4	–	1,000	–
2025	2.0	500	1,000	–
2026	1.2	–	2,500	–
2027	2.6	1,000	500	–
<b>Total</b>		<b>1,500</b>	<b>7,000</b>	<b>500</b>

<sup>1)</sup> All loans are denominated in SEK.

<sup>2)</sup> Excluding costs for unutilised loan commitments.

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

<sup>4)</sup> Fixed rate of interest with an annual coupon.

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

### RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING

#### Group and Parent Company

SEK m	Opening balance 2022	Loans raised	Amortisation	Closing balance 2022
Bank loans	1,000	1,500	-1,000	1,500
Bonds	7,700	500	-1,200	7,000
Commercial paper	500	800	-800	500
<b>Total</b>	<b>9,200</b>	<b>2,800</b>	<b>-3,000</b>	<b>9,000</b>

#### Lessee

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

#### Lease liabilities

SEK m	Group	
	Dec 31, 2022	Dec 31, 2021
Current	9.0	9.4
Non-current	702.8	706.9
<b>Lease liabilities included in the statement of financial position</b>	<b>711.8</b>	<b>716.3</b>

#### Amounts recognised in the statement of cash flows

SEK m	Group	
	Dec 31, 2022	Dec 31, 2021
Total cash outflows attributable to lease agreements	34.6	37.3

The above cash flow includes amounts for lease agreements recognised as a lease liability, and amounts of variable lease costs, short-term leases and low-value leases.

#### Maturity analysis of lease charges

SEK m	Group	
	Dec 31, 2022	Dec 31, 2021
< 1 year	9.0	9.4
1 year – 2 years	5.9	7.2
2 years – 3 years	1.7	5.0
3 years – 4 years	1.0	1.4
4 years – 5 years	1.0	0.9
> 5 years <sup>1)</sup>	693.2	692.4
<b>Total discounted lease charges</b>	<b>711.8</b>	<b>716.3</b>

<sup>1)</sup> Discounted ground rent of SEK 675.8 million is included in discounted lease costs that fall due later than five years from the reporting date. The Group has four site leaseholds whose annual undiscounted ground rent totals SEK 21.9 million. From the Group's perspective, these lease agreements are considered to be perpetual leases as the Group does not have any right to terminate the leases. All site leasehold leases will be renegotiated within 0–3 years, which will have an effect on the total of the site leasehold agreement.

## FINANCIAL NOTES

SEK m	Parent Company	
	Dec 31, 2022	Dec 31, 2021
< 1 year	14.7	15.8
1 year – 5 years	11.5	24.6
5 years >	–	–
<b>Total undiscounted lease charges</b>	<b>26.2</b>	<b>40.4</b>

### NOTE 25 DEFERRED TAX LIABILITIES

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Investment properties	9,229.4	9,134.8	886.3	883.2
Untaxed reserves	30.4	35.1	–	–
Pension provision	-6.5	-6.6	-6.5	-6.6
Right-of-use assets	146.5	147.4	–	–
Lease liabilities	-146.6	-147.5	–	–
Equipment	–	-1.1	–	-0.5
<b>Total</b>	<b>9,253.2</b>	<b>9,162.1</b>	<b>879.8</b>	<b>876.1</b>

There were no loss carryforwards in the Group at year-end.

### CHANGES IN DEFERRED TAXES

SEK m	Balance on January 1	Recognised in profit or loss	Balance on December 31
<b>GROUP</b>			
<b>2022</b>			
Investment properties	9,134.8	94.6	9,229.4
Untaxed reserves	35.1	-4.7	30.4
Pension provision	-6.6	0.1	-6.5
Right-of-use assets	147.4	-0.9	146.5
Lease liabilities	-147.5	0.9	-146.6
Equipment	-1.1	1.1	–
	<b>9,162.1</b>	<b>91.1</b>	<b>9,253.2</b>
<b>2021</b>			
Investment properties	8,476.6	658.2	9,134.8
Untaxed reserves	31.0	4.1	35.1
Pension provision	-5.4	-1.2	-6.6
Right-of-use assets	147.6	-0.2	147.4
Lease liabilities	-148.3	0.8	-147.5
Equipment	–	-1.1	-1.1
	<b>8,501.5</b>	<b>660.6</b>	<b>9,162.1</b>

SEK m	Balance on January 1	Recognised in profit or loss	Balance on December 31
<b>PARENT COMPANY</b>			
<b>2022</b>			
Investment properties	883.2	3.1	886.3
Pension provision	-6.6	0.1	-6.5
Equipment	-0.5	0.5	–
	<b>876.1</b>	<b>3.7</b>	<b>879.8</b>
<b>2021</b>			
Investment properties	879.6	3.6	883.2
Pension provision	-5.4	-1.2	-6.6
Equipment	–	-0.5	-0.5
	<b>874.2</b>	<b>1.9</b>	<b>876.1</b>

### NOTE 26 OTHER PROVISIONS

Provisions have been made in the balance sheet for pension liabilities in respect of endowment insurance for the President, Vice President and the former President.

### NOTE 27 OTHER LIABILITIES

SEK m	Group		Parent Company	
	2022	2021	2022	2021
VAT	3.5	21.2	15.0	20.4
Other	75.9	118.8	15.5	13.2
<b>Total</b>	<b>79.4</b>	<b>140.0</b>	<b>30.5</b>	<b>33.6</b>

### NOTE 28 UNTAXED RESERVES

SEK m	Parent Company	
	2022	2021
<b>Accumulated accelerated depreciation</b>		
Opening balance	52.8	38.7
Depreciation for the year	-1.8	14.1
<b>Closing balance</b>	<b>51.0</b>	<b>52.8</b>

### NOTE 29 ACCRUED EXPENSES AND PREPAID INCOME

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Prepaid rent revenue	325.6	285.4	246.9	206.7
Accrued interest expense	66.5	56.9	66.5	56.9
Other accrued expenses	130.4	115.8	75.1	74.7
<b>Total</b>	<b>522.5</b>	<b>458.1</b>	<b>388.5</b>	<b>338.3</b>

### NOTE 30 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	2022	2021	2022	2021
Property mortgages for liabilities to credit institutions	3,500.6	2,252.1	3,500.6	2,252.1
(of which mortgages on subsidiaries' properties)			(863.5)	(863.5)
Other non-current receivables	25.1	24.9	25.1	24.7
<b>Total</b>	<b>3,525.7</b>	<b>2,277.0</b>	<b>3,525.7</b>	<b>2,276.8</b>

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

### NOTE 31 RELATED PARTIES

Hufvudstaden AB is under the controlling influence of L E Lundbergföretagen AB and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen AB. Fredrik Lundberg's directors' fee for 2022 was SEK 5 15,000. Details of payments to Board members and senior executives can be found in Note 7.

In addition to the related-party transactions stated for the Group, the Parent Company also has related-party transactions, which means that it has a controlling influence over its subsidiaries, see Note 17.

### NOTE 32 EVENTS AFTER THE YEAR-END

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

# Proposed allocation of unappropriated earnings

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

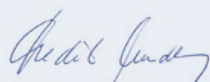
A statement explaining the proposed distribution of earnings is available on the company's website, [hufvudstaden.se](http://hufvudstaden.se), or can be obtained free of charge from the company upon request.

Retained earnings	SEK 2,084,360,881
Net profit for the year	SEK 351,628,021
	<b>SEK 2,435,988,902</b>
Dividend to the shareholders	
SEK 2.70 per share	SEK 546,228,719
To be carried forward	SEK 1,889,760,183
	<b>SEK 2,435,988,902</b>


The Board of Directors and the President hereby certify that to the best of their knowledge the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden, and that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and of the Council (EC) of 19 July 2002 on the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair picture of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and the Group provides a true and fair overview of the development, financial position and results of the Parent Company and the Group, and describes material risks and uncertainties facing the Parent Company and the companies that form part of the Group.

Stockholm, February 16, 2023



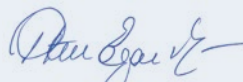
Fredrik Lundberg  
*Chairman*



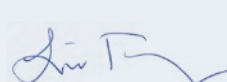
Anders Nygren  
*President  
Board Member*



Claes Boustedt  
*Board Member*



Peter Egardt  
*Board Member*



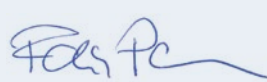
Liv Forhaug  
*Board Member*



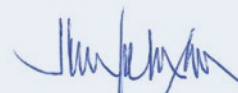
Louise Lindh  
*Board Member*



Katarina Ljungqvist  
*Board Member*



Fredrik Persson  
*Board Member*



Sten Peterson  
*Board Member*

Our auditor's report was submitted on February 20, 2023



PricewaterhouseCoopers AB  
Magnus Svensson Henryson  
Authorised Public Accountant



Besides the shopping experience, our central locations offer a wide range of restaurants and cafes for both people visiting the city and office tenants in the area.

# Auditor's report

*Unofficial translation*

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

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Hufvudstaden AB (publ) for the year 2022 except for the corporate governance statement and statement on the statutory sustainability report on pages 80–85 respective 6–7, 28–34, 45–46 and 98–107. The annual accounts and consolidated accounts of the company are included on pages 6–7, 28–34, 39–75, 80–85, 88–91 and 98–107 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the Group as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and statement on the statutory sustainability report on pages 80–85 respective 6–7, 28–34, 45–46 and 98–107. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Our audit approach

#### Audit scope

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

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

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

### Key audit matters

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

### Key audit matter

#### Revenue recognition

Net sales amount to SEK 2,746 million and are a significant item in the income statement.

The Group has various types of income which consist of rental income, related income from the property management and income from the retail operations within NK Retail.

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

### Response in the audit of the key audit matter

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

We have:

- Evaluated the Group's revenue recognition processes.
- Randomly tested a selection of controls in the process of rental income.
- Performed data analyzes to ensure that all leases have been invoiced.
- Tested a selection of rental invoicing is in line with rental agreements.
- Tested a selection of cash transactions against proof of purchase and general ledger.
- Evaluated routines and processes for cash management in the retail operations within NK Retail.
- Examined the information presented in the annual report and assessed that it provides sufficient information in accordance with the requirements of the regulations.

**Key audit matter****Valuation of investment properties**

Investment properties are reported in the consolidated accounts at fair value and amount to SEK 49,547 million as of December 31, 2022. The value of the properties is determined on the basis of internal valuations.

Important assumptions in the valuations include the market yield requirement, long-term vacancy rate and rental levels. In order to assure the quality of the internal valuation, the senior executives has also obtained external valuations from independent property appraisers for a part of the property holdings.

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

**Response in the audit of the key audit matter**

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

We have:

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

**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 8–27, 35–38, 76–79, 86–87, 92–97 and 109–115. The remuneration report that we obtained before the date of this audit report also constitutes other information. The Board of Directors and the President are responsible for this other information.

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

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

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

**Responsibilities of the Board of Director's and the President**

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern

and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibility**

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Swedish Inspectorate of Auditors (Revisorsinspektionen) website: revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

**Report on other legal and regulatory requirements****Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the President of Hufvudstaden AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

**Basis for Opinions**

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

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

**Responsibilities of the Board of Director's and the President**

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

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

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to



assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

A further description of our responsibility for the audit of the administration is available on Swedish Inspectorate of Auditors (Revisorsinspektionen) website: [revisorsinspektionen.se/revisornsansvar](https://revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### The auditor's examination of the ESEF report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the President have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Hufvudstaden AB (publ) for the financial year 2022.

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

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

#### Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Hufvudstaden AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Responsibilities of the Board of Director's and the President

The Board of Directors and the President are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the President determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and

generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the President, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the President.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of profit or loss, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 80–85 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

*PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Hufvudstaden AB (publ) by the general meeting of the shareholders on the March 24, 2022 and has been the company's auditor since the March 24, 2021.*

Stockholm February 20, 2023

PricewaterhouseCoopers AB

Magnus Svensson Henryson  
Authorized Public Accountant

# Corporate Governance Report

## Regulations and Articles of Association

Hufvudstaden is a Swedish public listed limited company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, Nordic Main Market Rulebook for Issuers of Shares from Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), the Swedish Stock Market Self-Regulation Committee's Rules on Remuneration of the Board and Senior Executives and on Incentive Programmes and other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership, and is intended to be part of the self-governance process in Swedish industry. It is based on the principle of comply or explain, which means that companies can deviate from one or more rules in the Code if there is justification and an explanation, and if the solution chosen can be presented.

Hufvudstaden complies with the Code with one deviation in regard to election committee stipulations. The deviation from the Code is explained in more detail below.

## Shares and shareholders

Hufvudstaden's series A shares are listed on Nasdaq Stockholm. The company's series C shares were delisted upon request by Nasdaq Stockholm in January 2020. Share capital in the company at year-end amounted to SEK 1,056,359,665, divided among 211,271,933 shares, giving a quotient value of SEK 5 per share. Of the shares, 203,000,110 are series A shares, carrying one vote per share, and 8,271,823 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the company's assets and profit. The largest shareholder is L E Lundbergföretagen AB, with a total of 47.2 per cent of shares outstanding and 88.6 per cent of the votes. Apart from L E Lundbergföretagen AB, there is no shareholder in the company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request conversion of their series C shares into series A shares. During the year, 30 series C shares were converted to series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules.

## Share buyback

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the company. The authorisation was renewed at the 2022 Annual General Meeting. The aim is to give the Board the opportunity to adjust the capital structure in order to create increased value for the shareholders and/or to allow the company's own shares to be used as liquidity in conjunction with or to finance the acquisition of a company or property. As at December 31, 2022, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent of the total number of issued shares. No shares were bought back in 2022 or after the end of the reporting period (up to and including February 16, 2023).

## Annual General Meeting

Shareholders' right to decide in Hufvudstaden's matters are exercised at the Annual General Meeting. Shareholders, who are registered in the share register as of the record date and have notified participation in time, have the right to participate and vote at the Annual General Meeting, in person or through agents.

Shareholders whose shares are nominee-registered must, in order to exercise voting rights at the Annual General Meeting, temporarily re-register their shares in their own name, according to what follows from the notice convening the Annual General Meeting. In addition, the company's Articles of Association state that prior to a general meeting, the Board of Directors may decide that the shareholders have the possibility of casting their votes in advance (postal voting) in accordance with the process set out in the Swedish Companies Act. Decisions at the meeting are normally made through simple majority. In some matters however, the Companies Act prescribes that a proposal must be approved by a higher proportion of the votes represented and cast on the meeting.

Individual shareholders, who wish to receive a matter discussed at the meeting, can request so from Hufvudstaden's Board at a special address, which is published on the company's website well in advance of the notice period for the meeting.

The Annual General Meeting will be held in Stockholm within six months of the end of the financial year. At the Annual General Meeting, matters are decided concerning, inter alia, the adoption of income statements and balance sheets, dividends, discharge of liability for the Board members and President, election of Board members, Chairman of the Board and auditors and remuneration to the Board and auditors, principles for remuneration to senior executives, approval of the remuneration report and other important issues. Notice of the Annual General Meeting takes place through advertising in Post- och Inrikes Tidningar and on the company website. The notice shall be advertised in Dagens Nyheter.

The 2022 Annual General Meeting was held on March 24, 2022 and was conducted without the physical presence of shareholders, proxies or third parties due to the covid-19 pandemic. Shareholders had the possibility to exercise their voting rights in advance only through postal voting in accordance with section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2022:121). A total of 241 shareholders, representing 119,460,611 series A shares and 8,263,132 series C shares, were represented, and they represented 945,773,811 votes, equivalent to 93 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual General Meeting to adopt the income statement and balance sheet presented, as well as the consolidated income statement and consolidated balance sheet, and to issue a dividend of SEK 2.60 per share to the shareholders. At the Meeting, the members of the Board of Directors and the President were discharged from liability, and a decision was reached on remuneration to the members of the Board of Directors and the auditors. Fredrik Lundberg, Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Persson and Sten Peterson were re-elected Board members. Katarina Ljungqvist and Anders Nygren were elected new members of the Board. The auditors were also re-elected, and all members of the Board and the auditors were elected for the period up to the end of the next Annual General Meeting. Finally, the Meeting resolved to approve the remuneration report for 2021 and grant authorisation to the Board to decide on the acquisition and transfer of the company's own series A shares.

The 2023 Annual General Meeting will be held in Stockholm on March 23, 2023.

## Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise a minimum of five and a maximum of ten members. Members are elected at the Annual General Meeting of the shareholders for the period up to the end of the first Annual General Meeting to be held

after the year in which the members of the Board of Directors were elected. In the light of the concentrated ownership structure, Hufvudstaden does not have a formally appointed election committee. The duty of an election committee, to prepare decisions to be reached at the Annual General Meeting in matters relating to elections and fees, rests with Hufvudstaden's main shareholder, L E Lundbergföretagen AB. Hufvudstaden's procedure regarding the election committee is a deviation from the Code. The main shareholder presents a proposal regarding the person who will chair the Annual General Meeting, the Board of Directors, the Chairman of the Board, and directors' fees. A proposal regarding the auditor and the audit fee is presented by the Board of Directors. Other shareholders have the opportunity to submit nomination proposals at the address stated on the company's website. The proposals are published no later than the time of the issuing of the notice of the Annual General Meeting.

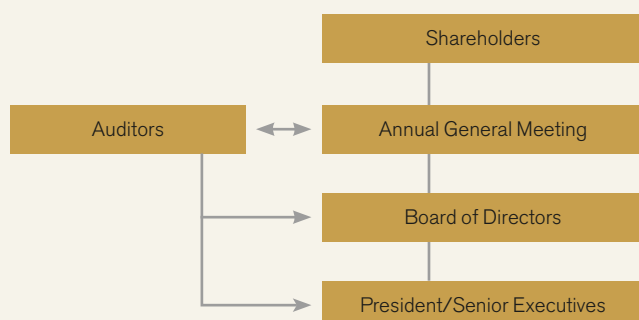
The main shareholder has applied point 4.1 in the Code as a diversity policy, which means that the composition of the Board of Directors must be well adapted in light of the company's operations, the current phase in its development, and circumstances in general. The composition of the Board must reflect diversity and breadth in terms of the expertise, experience and background of the members elected at the Annual General Meeting, and an even gender distribution must be sought. A decision was reached at the 2022 Annual General Meeting in accordance with the proposal set forth by the main shareholder, which resulted in the election of nine members, of whom three were women and six were men.

As a basis for its proposal prior to the 2023 Annual General Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate using, for example, applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

### Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual General Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the company's operations. All Board members have been assessed based on skills, experience and background. The only member of Senior Executives on the Board is the President, and he is the only one who can be regarded as not being in dependent in relation to the company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are not independent in relation to the largest shareholder L E Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 84–85. An external lawyer is engaged to act as secretary to the Board of Directors.

### HUFVUDSTADEN'S CONTROL STRUCTURE



### Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organisation and management, and for ensuring that control of the accounting records, management of funds and financial circumstances in general are satisfactory. The Board of Directors reaches decisions in matters regarding the Group's overall aims, strategic orientation and policies, as well as more important issues regarding financing, acquisitions, divestments and investments. Other duties that are incumbent on the Board include the following:

- Continuous follow-up and assessment of the company's financial position and business development.
- Continuous evaluation of the company's operative management and the work of the President.
- Ensuring satisfactory control of the company's compliance with laws and other regulations, and the continuous evaluation of the company's internal control and risk management systems.
- Adoption of guidelines governing the way the company should act in the community from a sustainability point of view.

The work of the Board of Directors follows the rules of procedure adopted by the Board of Directors, which provide the framework for decisions regarding investments, financing, financial statements, and other matters of a strategic nature. The rules of procedure also govern the duties of the Board of Directors and the President, and the allocation of duties between the Board of Directors and the President. The relevance and validity of the rules of procedure are reviewed annually.

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to monitor the Group's operations and development on an ongoing basis. The Chairman of the Board consults with the President on strategic matters, represents the company in ownership matters, and passes on the views of the shareholders to the Board.

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The evaluation takes place by each Board member completing a questionnaire. The responses are collated by the Chairman, who then presents the results to the Board of Directors, after which a discussion takes place within the Board.

Name	Function	Attendance <sup>1)</sup>	Independent in relation to the company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Peter Egardt		7	Yes	Yes
Liv Forhaug		7	Yes	Yes
Louise Lindh		7	Yes	No
Katarina Ljungqvist <sup>2)</sup>		6	Yes	Yes
Anders Nygren <sup>2)</sup>	President	7	No (employee)	Yes
Fredrik Persson		7	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg <sup>3)</sup>		1	Yes	Yes
Ivo Stopner <sup>3)</sup>		1	Yes	Yes

<sup>1)</sup> Seven Board meetings were held during the year, of which six were held after the Annual General Meeting.

<sup>2)</sup> Elected to the Board on March 24, 2022

<sup>3)</sup> Was a Board member until March 24, 2022

The Board of Directors also evaluates the work of the President, although without the person in question being present, and approves more material assignments carried out by the President outside the company.

### Work of the Board of Directors

The Board of Directors held seven meetings during 2022, of which one was a statutory meeting. Economic-, financial- and operational reports from the business areas are presented at every Board meeting. In addition, key matters of a principal nature or of major economic significance are addressed at every ordinary meeting. The work of the Board of Directors during the year was aimed specifically at strategy discussions, issues relating to the economic climate and financing, property valuation, acquisitions, and investments. Other matters dealt with during the year were major current projects, including the redevelopment of Vildmannen 7, the large development project Johanna and energy issues. Company officials attend the Board meetings as presenters.

The company's auditor attended the Board meeting in February when the 2021 Annual Report was approved, and attended the Board meeting in August in conjunction with the analysis by the Board of the company's six-month report.

### Board committees

The Board of Directors has considered the question of establishing an audit committee and a remuneration committee but has chosen not to do so. Matters that rest with such committees will instead be handled as part of the regular work of the Board of Directors. The full expertise of the Board can thus be utilised, and the meetings can be made more efficient. This means that the Board of Directors collectively performs the duties that rest with an audit committee, and that the entire Board, the President excluded, discharge the duties that rest with a remuneration committee. This includes following up and evaluating current variable remuneration programmes for Senior Executives as well as programmes that were terminated during the year. The Board of Directors also follows and evaluates the application of guidelines governing remuneration to senior executives, as decided at the Annual General Meeting, and governing company remuneration structures and remuneration levels for senior executives.

### Senior Executives

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to make well-informed judgements. Senior Executives comprises the President and three Heads of business areas, as well as the CFO, Head of Business Development, Head of Property Development, and Head of Human Resources. On January 1, 2022, Anders Nygren took up his position as new President of the company, with Bo Wikare and Åsa Roslund as Vice Presidents. Refer to pages 86–87 for information about Senior Executive individuals.

Senior Executives meets approximately once a month to discuss current issues. They also hold a strategy conference twice a year.

### Audit

According to the Articles of Association, the company must have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the

2022 Annual General Meeting, PricewaterhouseCoopers AB was re-elected as auditing company for a term of one year. Magnus Svensson Henryson is the lead auditor. Magnus Svensson Henryson's major engagements include Alleima AB, Bure Equity AB, Holmen AB and L E Lundbergföretagen AB.

The Board meets the company's auditor twice a year, of which at least one meeting is in the absence of the President. On these occasions, the auditor presents a report, and there is a discussion about the audit scope and observations. Internal routines and control systems are examined continuously during the year. The half-year report is examined on a general basis. The final audit of the annual accounts, the annual report and the consolidated financial statements, and the administration of the Board and the President take place in January–February and the auditors submit an auditor's report. The auditors provide a limited assurance report on the Sustainability Report. Fees to the auditors, including the fee for advisory services, are reported in Note 8.

### Remuneration

#### Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2022, it was decided that remuneration for the period up to the next Annual General Meeting totalling SEK 2,340,000 would be divided among the members with the exception of the President, Anders Nygren, who does not receive any remuneration for his Board-related duties. Remuneration is divided between the Chairman, who receives SEK 520,000, and the other seven non-executive members, who each receive SEK 260,000.

#### Senior Executives

Guidelines on salaries, bonuses and other remuneration to the company's senior executives are decided at the Annual General Meeting. The Board of Directors present a proposal for new guidelines regarding remuneration when the need arises to materially change the guidelines, however at a minimum every four years. It was confirmed at the 2020 Annual General Meeting that remuneration from the company shall comprise salaries that are in line with the market, as well as a limited, profit-related bonus scheme as described below. The company has no incentive schemes related to the share price. These guidelines have been followed in 2022. The Board will propose that the 2023 Annual General Meeting adopt new guidelines. This proposal is presented in the Administration Report.

The Board has prepared a remuneration report for the 2022 financial year for approval by the 2023 Annual General Meeting. The auditor's statement on whether guidelines adopted at the Annual General Meeting in 2020 governing remuneration to senior executives have been followed, will be available on the company's website no later than three weeks prior to the Annual General Meeting, and will be attached to the documents distributed at the Annual General Meeting.

Remuneration to the President is proposed by the Chairman of the Board and is confirmed by the Board of Directors. The President does not take part in this decision. The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

For further information regarding salaries and remuneration, as well as guidelines for remuneration to senior executives, as adopted at the 2020 Annual General Meeting, see Note 7.

### Bonus

All permanent employees in the Group, including Senior Executives, were included in a bonus scheme during the year, apart from employees of Hufvudstaden's subsidiary, NK Retail, who were not included in the

bonus scheme. According to the guidelines, the bonus criteria for Senior Executives should be weighted as follows: 70 per cent based on financial targets linked to operating results, 15 per cent based on operating targets related to customer satisfaction, and 15 per cent based on individual targets.

Under the bonus scheme for both Senior Executives and other employees, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the company shows a positive operating result before any unrealised changes in value. The cost of bonuses for all employees in 2022 amounted to SEK 9.5 million (12.3) or an average of SEK 260,000 per person for Senior Executives including the President and an average of SEK 55,000 for other employees.

### Internal control and risk management

The Board of Directors has overall responsibility for ensuring that Hufvudstaden has a satisfactory internal control system. The President is responsible for ensuring that such a system is in place and that it covers any material risk of error in the financial reporting. Hufvudstaden's internal control systems cover the control environment, risk assessment, control measures, information, communication, and monitoring.

### Control environment

The control environment is the basis for internal control of financial reporting. Hufvudstaden's internal control structure is based, among other things, on a clear allocation of responsibility and duties between the Board of Directors and the President, and within the company's operations. Senior Executives and the Board of Directors continuously document and evaluate policies and guidelines, such as the company's valuation principles, information policy, and accounting manual. To ensure continuous operational follow-up, there are routines in place for financial reporting and analysis. The routines include monthly and quarterly reports, budget follow-ups, and forecasts. These tasks are handled by the accounting and controller function within the business area and Group level.

### Risk assessment

Based on continuous discussions and meetings in the organisation, Hufvudstaden's Senior Executives identifies, analyses and decides on the company's material risk areas, whereupon the Board of Directors confirms these areas. Senior Executives is responsible for handling the risk of error in the financial statements. The Board of Directors analyses the outcome of the company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects, and handling of tax matters.

### Control measures

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventative nature, i.e. measures aimed at avoiding losses or errors in the reporting, and of an

identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the company's result, and which have carefully formulated control measures, are property valuation, maintenance, redevelopment, interest payments and leasing. Controls are carried out, among other things, using deviation analyses and quarterly meetings between the business area, Senior Executives and controller function.

### Information and communication

In-house information and external communication are governed on a general level by, for example, the information policy. Internal communication to and from the Board and the senior executives takes place in different ways, including regular information meetings held by management, both for the whole company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through the intranet, all employees have access to up-to-date information.

Internal policies, guidelines, instructions and equivalent documents that control and support operations are published on the intranet. Feedback on internal control work takes place at quarterly meetings, management team meetings, and Board meetings.

### Monitoring

Hufvudstaden's Senior Executives regularly evaluates internal control of financial reporting, and whether reporting to the Board is functioning efficiently. This takes place primarily through its own analysis, questioning, and familiarisation with the work of the controller function. To monitor identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including Senior Executives comments on operations, the Board receives management's comments on how internal control is working and whether identified risks ought to be changed. The company's auditor attends Board meetings on two occasions each year, and reports its observations regarding the company's internal routines and control systems. Subsequently, the Board of Directors have the opportunity to ask questions. Each year, an examination is made of material risk areas, whereupon the Board adopts a position on risks in the financial reporting system and evaluates the internal control system.

### Internal audit statement

Hufvudstaden's management has systematically examined and structured the internal documentation of the internal control system. Nothing has emerged to indicate that the control system is not functioning in the manner intended. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.

# Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder L E Lundbergföretagen AB. The President is also a member of the Board. Other senior executives in the company take part in Board meetings to present specific points. The Board of Directors held seven meetings during 2022, of which one was a statutory meeting. The work of the Board of Directors complies with the rules of procedure adopted by the Board governing the undertakings of the Board and the President and the allocation of duties between the Board and the President.



## Fredrik Lundberg

Born 1951. MSc, MBA, Honorary PhD in Economics, Honorary PhD in Engineering. Chairman, Board member since 1998. President and CEO of L E Lundbergföretagen AB. Chairman of Holmen AB and AB Industrivärden. Deputy Chairman of Svenska Handelsbanken AB. Board member of L E Lundbergföretagen AB and Skanska AB. Holding in Hufvudstaden: 2,350,412 shares (directly and through related parties).<sup>1)</sup>



## Claes Boustedt

Born 1962. MBA. Board member since 1998. Vice President of L E Lundbergföretagen AB. President of L E Lundberg Kapitalförvaltning AB. Board member of Alleima AB, Förvaltnings AB Lunden and Sandvik AB. Holding in Hufvudstaden: 1,000 shares.



## Katarina Ljungqvist

Born 1965. Corporate and administrative lawyer. Board member since 2022. Incoming President and CEO of Kommuninvest from April 1, 2023. Board member of Svensk Exportkredit AB. Previous experience includes many years as regional head of Handelsbanken Western Sweden and head of Handelsbanken Digital. Holding in Hufvudstaden: 1,000 shares.



## Anders Nygren

Born 1970. MSc. President and Board member since 2022. No other material assignments outside the Group. Holding in Hufvudstaden: 4,000 shares

<sup>1)</sup> L E Lundbergföretagen AB also holds 95,489,015 shares in Hufvudstaden. Fredrik Lundberg and related parties control approximately 71 per cent of the votes in L E Lundbergföretagen AB, and Louise Lindh and related parties control approximately 11 per cent of the votes.



**Peter Egardt**

Born 1949. BA.  
Board member since 2003.  
Member of the Riksdag Remuneration Board.  
Previous positions include Governor of the County of Uppsala, and President of the Stockholm Chamber of Commerce and the Association of Swedish Chambers of Commerce.  
Holding in Hufvudstaden: 22,000 shares.



**Liv Forhaug**

Born 1970. MBA.  
Board member since 2016.  
CEO of Martin & Servera AB.  
Chairman of the Board for subsidiaries of Martin & Servera.  
Board member of Loomis AB, the Swedish Trade Federation and the Confederation of Swedish Enterprise.  
Previous positions include Chief Strategy Officer for ICA Gruppen AB and partner at McKinsey & Company.  
Holding in Hufvudstaden: 1,800 shares.



**Louise Lindh**

Born 1979. MBA.  
Board member since 2007.  
President of Fastighets AB L E Lundberg.  
Chairman of the Board of J2L Holding AB.  
Board member of Fastighets AB L E Lundberg, Holmen AB and L E Lundbergföretagen AB.  
Holding in Hufvudstaden: 509,166 shares (directly and through related parties)<sup>1)</sup>



**Fredrik Persson**

Born 1968. MBA.  
Board member since 2016.  
President of BusinessEurope.  
Chairman of Ellevio AB and JM AB.  
Board member of AB Electrolux, Ahlström Capital Oy, Holmen AB, ICA Gruppen AB and Interogo Holding AG.  
Previous positions include President and CEO of Axel Johnson AB.  
Holding in Hufvudstaden: 5,000 shares.



**Sten Peterson**

Born 1956. MSc.  
Board member since 2006.  
Board member of Fastighets AB L E Lundberg, Förvaltnings AB Lunden, J2L Holding AB, and L E Lundbergföretagen AB.  
Previous positions include President of Förvaltnings AB Lunden.  
Holding in Hufvudstaden: 2,000 shares.

AUDITORS

**PricewaterhouseCoopers AB with Magnus Svensson Henryson**

born 1969, Authorised Public Accountant, as lead auditor.

SECRETARY

**Mattias Karlsson**

Born 1965. Lawyer at Mannheimer Swartling Advokatbyrå AB. Secretary to the Board since 2008.

# Senior Executives

## Anders Nygren

Born 1970. MSc. President, employed 2006.  
Holding in Hufvudstaden: 4,000 shares.

## Ulrika Frisk

Born 1970. MA. Head of Human Resources, employed 2022.  
Holding in Hufvudstaden: –.

## John Lethenström

Born 1972. MSc. Head of Property Development, employed 2017.  
Holding in Hufvudstaden: –.

## Fredrik Ottosson

Born 1972. MSc. Head of the Gothenburg Business Area, employed 2016.  
Holding in Hufvudstaden: 1,000 shares.

## Karl Palm

Born 1984. BSc. Engineering. Head of Business Development, employed 2014.  
Holding in Hufvudstaden: 2,000 shares.

## Åsa Roslund

Born 1966. MBA. Vice President and CFO, employed 2005.  
Holding in Hufvudstaden: 3,000 shares.

## Frida Wijkström

Born 1976. MSc. Head of the Stockholm Business Area, employed 2018, formerly employed 2008–2015.  
Holding in Hufvudstaden: –.

## Bo Wikare

Born 1963. MSc. Vice President, Head of the NK Business Area, employed 1994.  
Holding in Hufvudstaden: 3,062 shares.



From the left: Frida Wijkström, Anders Nygren, Karl Palm, Fredrik Ottosson, Bo Wikare, Åsa Roslund, John Lethenström and Ulrika Frisk.





# Multi-year review – Group

	2022	2021	2020	2019	2018
<b>Income statements, SEK m</b>					
<i>Net revenue</i>					
Property management, gross	2,055	1,936	1,768	1,896	1,797
Rent revenue, intra-Group	-200	-153	-44	-43	-42
Property management, net	1,855	1,783	1,724	1,853	1,755
Other segments	891	705	72	85	86
	<b>2,746</b>	<b>2,488</b>	<b>1,796</b>	<b>1,938</b>	<b>1,841</b>
<i>Property management expenses</i>					
Maintenance, operation and administration	-387	-352	-325	-316	-307
Ground rent	-	-	-	-	-22
Property tax	-227	-204	-201	-201	-166
Depreciation	-6	-6	-5	-6	-
<b>Property management expenses</b>	<b>-620</b>	<b>-562</b>	<b>-531</b>	<b>-523</b>	<b>-495</b>
Other segments, gross expenses	-972	-735	-69	-53	-51
Rental costs, intra-Group	200	153	44	43	42
Other segments, net expenses	-772	-582	-25	-10	-9
<b>Operating expenses</b>	<b>-1,392</b>	<b>-1,144</b>	<b>-556</b>	<b>-533</b>	<b>-504</b>
Gross profit	1,354	1,344	1,240	1,405	1,337
– of which Property management	1,235	1,221	1,193	1,330	1,260
– of which Other segments	119	123	47	75	77
Central administration	-56	-58	-47	-49	-44
<b>Operating profit before items affecting comparability and changes in value</b>	<b>1,298</b>	<b>1,286</b>	<b>1,193</b>	<b>1,356</b>	<b>1,293</b>
Items affecting comparability	-	-	36	-	-
Changes in value, investment properties	-209	2,579	-2,930	2,727	3,621
Changes in value, interest derivatives	-	-	-	4	26
<b>Operating profit or loss</b>	<b>1,089</b>	<b>3,865</b>	<b>-1,702</b>	<b>4,087</b>	<b>4,940</b>
Financial income and expense	-185	-139	-132	-119	-120
<b>Profit or loss before tax</b>	<b>904</b>	<b>3,726</b>	<b>-1,833</b>	<b>3,968</b>	<b>4,820</b>
Tax	-182	-771	371	-822	-500
<b>Net profit/loss for the year</b>	<b>722</b>	<b>2,955</b>	<b>-1,462</b>	<b>3,146</b>	<b>4,320</b>
<b>Balance sheets, SEK m</b>					
<i>Assets</i>					
Investment properties	49,547	48,790	45,636	47,681	44,089
Other non-current assets	876	863	874	861	37
Current assets	812	1,446	887	1,800	1,249
<b>Total assets</b>	<b>51,235</b>	<b>51,099</b>	<b>47,397</b>	<b>50,342</b>	<b>45,375</b>
<i>Equity and liabilities</i>					
Equity	31,262	31,066	28,617	31,383	29,000
Interest-bearing liabilities	9,712	9,916	9,370	9,110	7,350
Other liabilities and provisions	10,261	10,117	9,410	9,849	9,025
<b>Total equity and liabilities</b>	<b>51,235</b>	<b>51,099</b>	<b>47,397</b>	<b>50,342</b>	<b>45,375</b>
<b>Property holdings</b>					
Fair value, SEK bn	49.5	48.8	45.6	47.7	44.1
Tax value, SEK bn	23.5	20.9	20.5	20.5	16.7
Rentable floor space, 1,000 sq m	386.6	386.5	386.8	384.2	384.5
Rental vacancy rate, %	7.0	7.3	8.2	5.0	2.6
Floor space vacancy rate, %	11.2	10.2	9.8	6.7	4.3
Investments in properties, SEK m	966	574	886	865	738
Surplus ratio, %	70	71	70	72	72
Net operating income per sq m <sup>1)</sup>	3,712	3,556	3,199	3,574	3,386

<sup>1)</sup> The calculation was based on the number of square metres at year-end. Acquired properties are adjusted upwards to the value for the year. Including intra-Group rent revenue.

MULTI-YEAR REVIEW – GROUP

	2022	2021	2020	2019	2018
<b>Financial key ratios</b>					
Return on equity, %	2.3	9.9	-4.9	10.4	14.1
Return on capital employed, %	2.6	9.8	-4.3	10.7	14.7
Equity ratio, % <sup>1)</sup>	61	61	60	62	64
Interest coverage ratio, multiple <sup>1)</sup>	7.7	9.3	9.1	11.4	10.5
Debt/equity ratio, multiple	0.3	0.3	0.3	0.2	0.2
Net loan-to-value ratio, properties, % <sup>1)</sup>	18.7	17.9	18.8	15.5	14.2
Gross margin, %	49.3	54.0	69.0	72.5	72.6
Cash flow from current operations, SEK m	1,024	994	1,072	1,367	1,003
Cash flow for the year, SEK m	-729	398	-923	635	676
Average number of employees	441	416	140	135	127
<b>Data per share (no dilutive effects exist)</b>					
Net profit for the year, SEK	3.57	14.61	-7.13	15.25	20.94
Dividend, SEK	2,70 <sup>2)</sup>	2.60	2.50	3.90	3.70
Dividend proportion, %	62 <sup>2)</sup>	58	61	83	83
Equity, SEK	154.53	153.56	141.45	152.15	140.59
Fair value of properties, SEK	244.91	241.17	225.58	231.16	213.75
Cash flow from current operations, SEK	5.06	4.91	5.23	6.63	4.86
Cash flow for the year, SEK	-3.60	1.97	-4.50	3.08	3.28
Share price, series A, at year-end, SEK	148.30	135.20	136.20	185.10	136.90
P/E ratio, multiple	41.5	9.3	-19.1	12.1	6.5
Share price/equity, %	96.0	88.0	96.3	121.7	97.4
Yield, %	1.8 <sup>2)</sup>	1.9	1.8	2.1	2.7
Number of shares outstanding at year-end	202,306,933	202,306,933	202,306,933	206,265,933	206,265,933
Average number of shares outstanding during the year	202,306,933	202,306,933	205,130,742	206,265,933	206,265,933
Total number of shares at year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933
<b>EPRA Performance Measures<sup>1)</sup></b>					
Earnings from property management after nominal tax (EPRA Earnings), SEK m	1,025	1,032	984	1,132	1,064
EPRA EPS, SEK	5.07	5.10	4.80	5.49	5.16
EPRA NRV (Net Reinstatement Value), SEK m	40,635.1	40,340.0	37,232.3	40,453.3	37,216.0
EPRA NRV per share, SEK	201	199	184	196	181
EPRA NTA (Net Tangible Assets), SEK m	38,270.8	37,992.3	35,014.4	38,181.2	35,210.7
EPRA NTA per share, SEK	189	188	173	185	171
EPRA NDV (Net Disposal Value), SEK m	31,262.0	31,066.0	28,616.5	31,382.7	28,999.5
EPRA NDV per share, SEK	155	154	141	152	141
EPRA Vacancy rate, %	4.0	5.9	6.7	1.7	1.3

<sup>1)</sup> Hufvudstaden presents certain financial measures ("alternative performance measures") that are not defined under IFRS. The purpose of these measures is to describe the company's development and improve comparability between periods. The key figures categorised as alternative performance measures are defined on page 110 and the derivations are found on pages 90–91.

<sup>2)</sup> Proposal by the Board

# Alternative performance measures

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the performance measures presented in the Annual Report are alternative performance measures, i.e. a set of financial metrics not defined in IFRS or the Annual Accounts Act,

and which are used to present the company's development and improve comparability between periods. Definitions of performance measures are given under Definitions and Glossary, see page 110. Below is the derivation of alternative performance measures.

SEK m	2022	2021	2020	2019	2018
<b>Net profit from current operations</b>					
Profit or loss before tax	904	3,726	-1,833	3,968	4,820
Reversal of items affecting comparability and changes in value	209	-2,579	2,894	-2,731	-3,647
Standard corporate tax	-229	-236	-227	-264	-258
<b>Net profit from current operations</b>	<b>884</b>	<b>911</b>	<b>834</b>	<b>973</b>	<b>915</b>
<b>Net debt</b>					
Non-current interest-bearing liabilities	6,500	7,000	6,200	6,700	5,700
Non-current lease liabilities	703	707	710	719	-
Current interest-bearing liabilities	2,500	2,200	2,450	1,650	1,650
Current lease liabilities	9	9	10	41	-
Cash and bank holdings	-453	-1,182	-784	-1,706	-1,071
<b>Net debt</b>	<b>9,259</b>	<b>8,734</b>	<b>8,586</b>	<b>7,404</b>	<b>6,279</b>
<b>Equity ratio</b>					
Equity	31,262	31,066	28,617	31,383	29,000
Total assets	51,235	51,099	47,397	50,342	45,375
<b>Equity ratio, %</b>	<b>61</b>	<b>61</b>	<b>60</b>	<b>62</b>	<b>64</b>
<b>Net loan-to-value ratio, properties</b>					
Interest-bearing liabilities	9,000	9,200	8,650	8,350	7,350
Lease liabilities	712	716	720	760	-
Interest-bearing assets	-453	-1,182	-784	-1,706	-1,071
Total	9,259	8,734	8,586	7,404	6,279
Carrying amount, properties	49,547	48,790	45,637	47,681	44,089
<b>Net loan-to-value ratio, properties, %</b>	<b>18.7</b>	<b>17.9</b>	<b>18.8</b>	<b>15.5</b>	<b>14.2</b>
<b>Interest coverage ratio</b>					
Profit or loss before tax	904	3,726	-1,833	3,968	4,820
Reversal of items affecting comparability and changes in value	209	-2,579	2,894	-2,731	-3,647
Reversal of financial expenses <sup>1)</sup>	166	139	132	119	123
Total	1,279	1,286	1,193	1,356	1,296
Financial expenses <sup>1)</sup>	166	139	132	119	123
<b>Interest coverage ratio, multiple</b>	<b>7.7</b>	<b>9.3</b>	<b>9.1</b>	<b>11.4</b>	<b>10.5</b>

1) Excluding fees for new property mortgage deeds.

# EPRA Performance Measures

The European Public Real Estate Association (EPRA) is a not-for-profit association for the publicly traded European real estate sector. EPRA's mission is to improve standards and transparency in the real estate sector in order to enhance credibility and security for investors. In 2022, Hufvudstaden was awarded EPRA sBPR: Silver and EPRA BPR: Bronze, which is a recognition of the company's structured work on transparent reporting.

For information on EPRA sBPR-related performance measures, refer to the sustainability notes on pages 98–107 and also in the separate appendix on [hufvudstaden.se/en/corporate-social-responsibility](https://hufvudstaden.se/en/corporate-social-responsibility).



SEK m	2022	2021	2020	2019	2018
<b>EPRA Earnings</b> <b>(Earnings from property management after nominal tax)</b>					
Operating profit before items affecting comparability and changes in value	1,298	1,286	1,193	1,356	1,293
Financial income and expense	-185	-139	-132	-119	-120
Earnings from property management	1,113	1,147	1,061	1,237	1,173
Current tax, earnings from property management	-88	-115	-77	-105	-109
<b>EPRA Earnings</b>	<b>1,025</b>	<b>1,032</b>	<b>984</b>	<b>1,132</b>	<b>1,064</b>
Average number of shares outstanding, million	202.3	202.3	205.1	206.3	206.3
<b>EPRA EPS, SEK</b>	<b>5.07</b>	<b>5.10</b>	<b>4.80</b>	<b>5.49</b>	<b>5.16</b>
<b>EPRA NRV/NTA/NDV</b>					
Equity	31,262	31,066	28,617	31,383	29,000
<i>Reversal</i>					
Derivatives	–	–	–	–	4
Recognised deferred tax <sup>1)</sup>	9,373	9,274	8,616	9,071	8,213
<b>EPRA NRV (Net Reinstatement Value)</b>	<b>40,635</b>	<b>40,340</b>	<b>37,232</b>	<b>40,453</b>	<b>37,216</b>
Number of shares outstanding, million	202.3	202.3	202.3	206.3	206.3
<b>EPRA NRV per share, SEK</b>	<b>201</b>	<b>199</b>	<b>184</b>	<b>196</b>	<b>181</b>
<i>Deduction</i>					
Intangible fixed assets	-89	-97	-127	-71	-12
Estimated actual deferred tax 5%	-2,275	-2,251	-2,091	-2,202	-1,993
<b>EPRA NTA (Net Tangible Assets)</b>	<b>38,271</b>	<b>37,992</b>	<b>35,014</b>	<b>38,181</b>	<b>35,211</b>
Number of shares outstanding, million	202.3	202.3	202.3	206.3	206.3
<b>EPRA NTA per share, SEK</b>	<b>189</b>	<b>188</b>	<b>173</b>	<b>185</b>	<b>171</b>
<i>Reversal</i>					
Derivatives	–	–	–	–	-4
Intangible fixed assets	89	97	127	71	12
Recognised deferred tax <sup>1)</sup> less estimated actual deferred tax	-7,098	-7,023	-6,525	-6,869	-6,219
<b>EPRA NDV (Net Disposal Value)</b>	<b>31,262</b>	<b>31,066</b>	<b>28,617</b>	<b>31,383</b>	<b>29,000</b>
Number of shares outstanding, million	202.3	202.3	202.3	206.3	206.3
<b>EPRA NDV per share, SEK</b>	<b>155</b>	<b>154</b>	<b>141</b>	<b>152</b>	<b>141</b>
<b>EPRA vacancy rate</b>					
Rental value for vacant space, total	155	154	167	102	48
Rental value for vacant space, project	68	29	29	67	23
Rental value, total	2,214	2,095	2,020	2,024	1,846
Rental vacancy rate, %	7.0	7.3	8.2	5.0	2.6
Rental vacancy rate, projects, %	3.0	1.4	1.5	3.3	1.3
<b>EPRA vacancy rate, %</b>	<b>4.0</b>	<b>5.9</b>	<b>6.7</b>	<b>1.7</b>	<b>1.3</b>

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

# Business areas in figures

Property holdings (comparable holdings)	Stockholm Business Area				NK Business Area				Gothenburg Business Area				Property management, total			
	2022		2021		2022		2021		2022		2021		2022		2021	
	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m	SEK m	SEK/ sq m
Gross rents, including charge for consumables	1,334.0	6,472	1,229.8	5,963	518.1	5,666	497.9	5,436	397.9	4,471	379.7	4,285	2,250.0	5,821	2,107.4	5,453
<i>(of which property tax supplement)</i>	140.4	681	111.8	542	40.7	445	37.6	410	27.2	306	27.6	311	208.3	539	177.0	458
Rent losses on vacant space	-58.8	-285	-65.7	-319	-37.9	-414	-51.6	-563	-93.4	-1,050	-55.4	-625	-190.1	-492	-172.7	-447
Bad debt losses	-1.4	-7	3.4	16	-2.9	-32	-0.2	-2	-0.9	-10	-1.4	-16	-5.2	-13	1.8	5
<b>Net revenue</b>	<b>1,273.8</b>	<b>6,180</b>	<b>1,167.5</b>	<b>5,660</b>	<b>477.3</b>	<b>5,220</b>	<b>446.1</b>	<b>4,871</b>	<b>303.6</b>	<b>3,411</b>	<b>322.9</b>	<b>3,644</b>	<b>2,054.7</b>	<b>5,316</b>	<b>1,936.5</b>	<b>5,011</b>
Maintenance	-12.7	-62	-14.7	-71	-13.3	-145	-6.4	-70	-6.1	-69	-5.2	-59	-32.1	-83	-26.3	-68
Operations	-81.2	-394	-68.9	-334	-119.5	-1,307	-111.3	-1,215	-45.1	-507	-39.6	-447	-245.8	-636	-219.8	-569
Administration	-48.9	-237	-47.8	-232	-41.1	-449	-39.1	-427	-19.2	-216	-19.4	-219	-109.2	-282	-106.3	-275
Property tax	-151.5	-735	-120.3	-583	-38.8	-424	-47.1	-514	-36.7	-412	-36.8	-415	-227.0	-587	-204.2	-528
Depreciation	-0.7	-3	-0.8	-4	-4.8	-52	-4.6	-50	-0.4	-4	-0.4	-5	-5.9	-15	-5.8	-15
<b>Total property expenses</b>	<b>-295.0</b>	<b>-1,431</b>	<b>-252.5</b>	<b>-1,224</b>	<b>-217.5</b>	<b>-2,377</b>	<b>-208.5</b>	<b>-2,276</b>	<b>-107.5</b>	<b>-1,208</b>	<b>-101.4</b>	<b>-1,145</b>	<b>-620.0</b>	<b>-1,603</b>	<b>-562.4</b>	<b>-1,455</b>
<b>Gross profit</b>	<b>978.8</b>	<b>4,749</b>	<b>915.0</b>	<b>4,436</b>	<b>259.8</b>	<b>2,843</b>	<b>237.6</b>	<b>2,595</b>	<b>196.1</b>	<b>2,203</b>	<b>221.5</b>	<b>2,499</b>	<b>1,434.7</b>	<b>3,713</b>	<b>1,374.1</b>	<b>3,556</b>

Property data December 31	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
	2022	2021	2022	2021	2022	2021	2022	2021
Number of properties	22	22	3	3	4	4	29	29
Rentable floor space, sq m	206,128	206,251	91,447	91,597	88,987	88,619	386,562	386,467
– of which, offices	132,917	133,043	16,894	16,010	50,428	50,356	200,239	199,409
– of which retail and restaurants	42,201	42,107	36,622	37,714	31,604	31,094	110,427	110,915
Annual rent, SEK m	1,329	1,245	518	487	367	363	2,214	2,095
Rental vacancy rate, %	3.3	5.0	7.0	7.1	20.5	15.9	7.0	7.3
Floor space vacancy rate, %	4.9	6.8	7.2	6.7	30.0	21.9	11.2	10.2
Number of rentable parking spaces	619	619	665	665	51	51	1,335	1,335

Rentable floor space and annual rent December 31, 2022	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m	Area, sq m	Annual rent, SEK m
Office	132,917	947	16,894	106	50,428	175	200,239	1,228
Retail and restaurants	42,201	336	36,622	350	31,604	179	110,427	865
Storage and miscellaneous	12,047	21	16,417	33	4,901	10	33,365	64
Parking	18,468	24	21,514	29	1,275	2	41,257	55
Residential	495	1	0	0	779	1	1,274	2
<b>Total</b>	<b>206,128</b>	<b>1,329</b>	<b>91,447</b>	<b>518</b>	<b>88,987</b>	<b>367</b>	<b>386,562</b>	<b>2,214</b>

Floor space vacancy rate and rental vacancy rate December 31, 2022	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Property management, total	
	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m	Vacant floor space, sq m	Rental vacancy rate, SEK m
Office	6,164	37.9	1,963	6.2	17,202	48.5	25,329	92.6
Retail and restaurants	302	1.1	3,432	26.9	5,307	20.7	9,041	48.7
Storage and miscellaneous	2,633	3.2	1,156	3.3	2,157	3.4	5,946	9.9
Parking	1,011	1.3	0	0.0	1,275	1.9	2,286	3.2
Residential	0	0.0	0	0.0	779	0.9	779	0.9
<b>Total</b>	<b>10,110</b>	<b>43.5</b>	<b>6,551</b>	<b>36.3</b>	<b>26,720</b>	<b>75.4</b>	<b>43,381</b>	<b>155.2</b>

## BUSINESS AREAS IN FIGURES

**Maturity analysis** <sup>1) 2) 3)</sup>  
 December 31, 2022

Number of leases	2023	2024	2025	2026	2027	2028–	Total
<b>Stockholm Business Area</b>							
Office	56	56	44	35	15	25	231
Retail	24	22	24	23	4	10	107
Other	375	145	89	45	31	31	716
<b>Total</b>	<b>455</b>	<b>223</b>	<b>157</b>	<b>103</b>	<b>50</b>	<b>66</b>	<b>1,054</b>
Proportion, %	43.2	21.2	14.9	9.8	4.7	6.2	100.0
<b>NK Business Area</b>							
Office	3	2	3	2	0	4	14
Retail	32	30	28	10	3	2	105
Other	52	31	39	12	6	3	143
<b>Total</b>	<b>87</b>	<b>63</b>	<b>70</b>	<b>24</b>	<b>9</b>	<b>9</b>	<b>262</b>
Proportion, %	33.2	24.1	26.7	9.2	3.4	3.4	100.0
<b>Gothenburg Business Area</b>							
Office	4	4	6	3	5	8	30
Retail	20	14	14	6	7	4	65
Other	38	23	21	8	8	9	107
<b>Total</b>	<b>62</b>	<b>41</b>	<b>41</b>	<b>17</b>	<b>20</b>	<b>21</b>	<b>202</b>
Proportion, %	30.7	20.3	20.3	8.4	9.9	10.4	100.0
<b>Hufvudstaden, total</b>							
Office	63	62	53	40	20	37	275
Retail	76	66	66	39	14	16	277
Other	465	199	149	65	45	43	966
<b>Total</b>	<b>604</b>	<b>327</b>	<b>268</b>	<b>144</b>	<b>79</b>	<b>96</b>	<b>1,518</b>
Proportion, %	39.8	21.5	17.7	9.5	5.2	6.3	100.0

Annual rent, SEK m	2023	2024	2025	2026	2027	2028–	Total
<b>Stockholm Business Area</b>							
Office	148.0	255.3	130.6	131.9	68.3	209.7	943.8
Retail	53.4	51.9	68.4	76.7	10.6	39.2	300.2
Other	12.1	14.2	16.3	11.1	4.0	24.9	82.6
<b>Total</b>	<b>213.5</b>	<b>321.4</b>	<b>215.3</b>	<b>219.7</b>	<b>82.9</b>	<b>273.8</b>	<b>1,326.6</b>
Proportion, %	16.1	24.2	16.2	16.6	6.3	20.6	100.0
<b>NK Business Area</b>							
Office	0.8	27.4	8.3	14.2	0.0	41.1	91.8
Retail	59.8	51.1	47.1	16.4	8.0	21.5	203.9
Other	5.9	8.8	5.8	4.3	3.5	0.2	28.5
<b>Total</b>	<b>66.5</b>	<b>87.3</b>	<b>61.2</b>	<b>34.9</b>	<b>11.5</b>	<b>62.8</b>	<b>324.2</b>
Proportion, %	20.5	26.9	18.9	10.8	3.5	19.4	100.0
<b>Gothenburg Business Area</b>							
Office	11.8	9.1	7.1	12.1	25.7	68.1	133.9
Retail	29.8	29.6	35.9	17.1	21.2	22.0	155.6
Other	3.5	5.8	4.4	2.5	1.3	1.1	18.6
<b>Total</b>	<b>45.1</b>	<b>44.5</b>	<b>47.4</b>	<b>31.7</b>	<b>48.2</b>	<b>91.2</b>	<b>308.1</b>
Proportion, %	14.6	14.4	15.4	10.3	15.7	29.6	100.0
<b>Hufvudstaden, total</b>							
Office	160.6	291.8	146.0	158.2	94.0	318.9	1,169.5
Retail	143.0	132.6	151.4	110.2	39.8	82.7	659.7
Other	21.5	28.8	26.5	17.9	8.8	26.2	129.7
<b>Total</b>	<b>325.1</b>	<b>453.2</b>	<b>323.9</b>	<b>286.3</b>	<b>142.6</b>	<b>427.8</b>	<b>1,958.9</b>
Proportion, %	16.6	23.1	16.5	14.6	7.3	21.9	100.0

<sup>1)</sup> Including leases signed for future access/implementation, whereupon the corresponding current rent has been excluded.

<sup>2)</sup> Excluding vacant floor space and floor space used internally within the Group.

<sup>3)</sup> Excluding residential leases.



Sustainability and the environment were the guiding principles when new office guests moved in to the Femman property in Gothenburg.



PROPERTIES

# Properties

Property designation	Address	Site area, sq m	Year of purchase	Year of construction redevelopment	Tax value 2022, SEK m	Rentable floor space, sq m								Total
						Office	Retail	Restaurants	Cinemas	Storage	Parking	Residential	Other	
<b>STOCKHOLM BUSINESS AREA</b>														
<b>Kungsgatan Management Area</b>														
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	548.0	4,960	1,899			174			7,033	
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	637.0	6,403	1,809			996			9,208	
Kåkenhusen 40	Brunnsgatan 1–9, Norrlandsgatan 29–33, Kungsgatan 4–10	4,934	1921/2011	1926/28/30/32/84/85/89/91	1,593.0	17,205	2,897	1,668		776			22,546	
Oxhuvudet 18 <sup>1)</sup>	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 27–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,956.0	20,775	5,069			2,024	1,612	5	29,485	
<b>Total</b>		<b>11,830</b>			<b>4,734.0</b>	<b>49,343</b>	<b>11,674</b>	<b>1,668</b>	<b>–</b>	<b>3,970</b>	<b>1,612</b>	<b>–</b>	<b>5</b>	<b>68,272</b>
<b>Norrmalmstorg Management Area</b>														
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	336.0	2,876	372	453		281	726		4,708	
Kvasten 6 <sup>1)</sup>	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	553.0	2,809	1,324	2,839		99			7,071	
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	338.0	2,461	493	144		342			3,440	
Norrmalm 2:63 <sup>2)</sup>	Norrmalmstorg		1992	1993	20.4			194					194	
Packarhuset 4 <sup>1),3)</sup>	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	1,414.0	11,204	3,654			499			15,357	
Pumpstocken 10 <sup>1)</sup>	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78/91/2000	1865/97/1901/29/84/96/97/2006	1,287.8	7,811	3,889	499		75		192	12,467	
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	286.0	1,895	750			28			2,673	
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	277.0	1,628	809	474		2			2,913	
Rännilen 18 <sup>1)</sup>	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	713.0	4,868	1,441	375		272			6,956	
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39/2007	1902/42/64/90/2002	1,032.0	7,938	2,047			500	836		11,321	
Skären 9	Smålandsgatan 18–20, Norrlandsgatan 8–10	2,195	1917	1984/2001/2020	1,617.0	10,966	1,682			384	737		13,769	
Vildmannen 7 <sup>1),4)</sup>	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	173.0								–	
<b>Total</b>		<b>17,663</b>			<b>8,047.2</b>	<b>54,456</b>	<b>16,461</b>	<b>4,978</b>	<b>–</b>	<b>2,482</b>	<b>2,299</b>	<b>192</b>	<b>1</b>	<b>80,869</b>
<b>West Management Area</b>														
Achilles 1 <sup>5)</sup>	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	1600s/1974	205.0	3,774	460	240		484			4,958	
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkog. 12	1,662	1923	1911/91	373.0	7,614	379	263		877			9,133	
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	200.0	2,756				8			2,764	
Medusa 1 <sup>1),6)</sup>	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	103.2	1,286	242	271		104		303	2,206	
Orgelpipan 7 <sup>7)</sup>	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsg. 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	1,289.0	9,961	3,421	1,969		1,661	13,450	1	30,463	
Svärdfisken 2 <sup>1)</sup>	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	324.0	3,727	175		1,893	562	1,107		7,464	
<b>Total</b>		<b>12,075</b>			<b>2,494.2</b>	<b>29,118</b>	<b>4,677</b>	<b>2,743</b>	<b>1,893</b>	<b>3,696</b>	<b>14,557</b>	<b>303</b>	<b>1</b>	<b>56,988</b>
<b>Total, Stockholm Business Area</b>		<b>41,568</b>			<b>15,275.4</b>	<b>132,917</b>	<b>32,812</b>	<b>9,389</b>	<b>1,893</b>	<b>10,147</b>	<b>18,468</b>	<b>495</b>	<b>7</b>	<b>206,128</b>

## PROPERTIES

Property designation	Address	Site area, sq m	Year of purchase	Year of construction redevelopment	Tax value 2022, SEK m	Rentable floor space, sq m							Total	
						Office	Retail	Restaurants	Cinemas	Storage	Parking	Residential		Other
<b>NK BUSINESS AREA</b>														
<b>NK Management Area, Stockholm</b>														
Hästen 19 <sup>1),9)</sup> and 20 <sup>8),9)</sup> , Spektern 14 <sup>8),9)</sup>	Hamngatan 18–20, Regeringsgatan 36–40	8,875	1998	1915/91	3,309.0	11,119	21,975	2,327		3,868		16	39,305	
<b>NK Management Area, Gothenburg</b>														
Inom Vallgraven 10:9 <sup>9)</sup>	Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45	4,520	1998	1964/94	695.0	4,891	9,971	591		1,005		4	16,462	
<b>Parkaden Management Area</b>														
Hästskon 10 <sup>1),10)</sup>	Regeringsgatan 47–55, Mäster Samuelsg. 29–33	4,921	1977	1964/95	557.6	884	1,043	715		11,523	21,514	1	35,680	
<b>Total, NK Business Area</b>		<b>18,316</b>			<b>4,561.6</b>	<b>16,894</b>	<b>32,989</b>	<b>3,633</b>	<b>-</b>	<b>16,396</b>	<b>21,514</b>	<b>-</b>	<b>21</b>	<b>91,447</b>
<b>GOTHENBURG BUSINESS AREA</b>														
<b>Gothenburg Management Area</b>														
Inom Vallgraven 3:2 <sup>11),13)</sup>	Stora Nygatan 17, Lilla Drottninggatan 3	784	2016	1856/2022	43.5	1,230	262			72			1,564	
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	148.4	10,393	3,278	589		914	1,275		16,449	
Inom Vallgraven 12:11	Drottninggatan 50–52, Södra Hamngatan 45–47, Fredsgatan 2–4	2,138	1967/2010/11	1875/1929/30	146.0	1,823	1,709			393		779	4,704	
Nordstaden 8:24	Postgatan 26–32 and 39–43, Nordstadstorget 2–8, Spannmålgatan 19, Nils Ericsonsgatan 17, Götgatan 9–11, Köpmangatan 28–34, Östra Hamngatan 26–28	12,678	1979/2013	1972/2005/11	3,029.0	36,982	24,001	1,765		3,466		56	66,270	
Nordstaden GA:5 <sup>12)</sup>	Nordstadstorget, etc.				334.8								-	
<b>Total, Gothenburg Business Area</b>		<b>19,757</b>			<b>3,701.7</b>	<b>50,428</b>	<b>29,250</b>	<b>2,354</b>	<b>-</b>	<b>4,845</b>	<b>1,275</b>	<b>779</b>	<b>56</b>	<b>88,987</b>
<b>TOTAL</b>		<b>79,641</b>			<b>23,538.7</b>	<b>200,239</b>	<b>95,051</b>	<b>15,376</b>	<b>1,893</b>	<b>31,388</b>	<b>41,257</b>	<b>1,274</b>	<b>84</b>	<b>386,562</b>

- <sup>1)</sup> The property is classified as being of cultural and historical importance.
- <sup>2)</sup> The property is held on a lease.
- <sup>3)</sup> Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- <sup>4)</sup> The property was ravaged by a fire on November 7, 2017 and much of the building was destroyed. After completion in 2023, the rentable floor space will be about 4,800 square metres.
- <sup>5)</sup> The property is a listed building.
- <sup>6)</sup> Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- <sup>7)</sup> Orgelpipan 7 is a leasehold property. The annual ground rent is SEK 12.8 million, fixed until October 31, 2024. The tax value of the land is included to the amount of SEK 555.0 million.
- <sup>8)</sup> Hästen 20 and Spektern 14 are leasehold properties. The ground rent for Hästen 20 will be negotiated after April 30, 2022. The annual ground rent for Spektern 14 is SEK 1.4 million, fixed until September 30, 2025. The tax values of the land is included to the amount of SEK 70.0 million.
- <sup>9)</sup> Owned by the subsidiary AB Nordiska Kompaniet.
- <sup>10)</sup> Owned by the subsidiary AB Hamngatsgaraget. Hästen 10 is a leasehold property. The annual ground rent is SEK 4.4 million, fixed until August 31, 2024. The tax value of the land is included to the amount of SEK 221.3 million. Part of the rentable floor space is now included in the NK department store in Stockholm.
- <sup>11)</sup> Owned by the subsidiary Gbg Inom Vallgraven 3-2 AB.
- <sup>12)</sup> The property is jointly owned and includes parking operations, certain leasing of premises, as well as servicing and maintenance of pedestrian precincts, loading areas, cooling systems and emergency power supplies. The tax value refers to Hufvudstaden's share of 39.4 per cent, equivalent to approximately 31,000 square metres.
- <sup>13)</sup> The redevelopment to residential properties in the property was largely completed. From 2023, the property's rentable floor space of about 1,300 square metres is recognised as residential properties.

For maps and  
photographs,  
see pages 112–114.



The entrance to the new office and shopping centre welcomes office tenants and visitors to Nordstan from Nils Ericsonsgatan in Gothenburg.

# Sustainability notes

## S1 EMPLOYEES



### Employees, at year-end

	2022			2021		
	Group	Property operations	NK Retail	Group	Property operations	NK Retail
<b>Employees, head count<sup>1)</sup></b>						
<b>Total number of employees</b>	<b>583</b>	<b>153</b>	<b>430</b>	<b>560</b>	<b>151</b>	<b>409</b>
<i>Women</i>						
Number of permanent employees	387	77	310	382	76	306
– of whom, full-time	141	74	67	140	73	67
– of whom, part-time	246	3	243	242	3	239
Number of temporary employees	61	3	58	41	3	38
<i>Men</i>						
Number of permanent employees	128	72	56	126	71	55
– of whom, full-time	89	72	17	88	71	17
– of whom, part-time	39	0	39	38	0	38
Number of temporary employees	7	1	6	11	1	10

<sup>1)</sup> Total number of employees.

The share of new employees in the Group during the year was 15 per cent (21) for women and 4 per cent (5) for men. Personnel turnover totalled 14 per cent (13).

	2022			2021		
	Group	Property operations	NK Retail	Group	Property operations	NK Retail
<b>Employees, FTE<sup>2)</sup></b>						
<b>Total number of employees</b>	<b>441</b>	<b>149</b>	<b>292</b>	<b>432</b>	<b>150</b>	<b>282</b>
– of whom, women	326	77	249	317	78	239
– of whom, men	115	72	43	115	72	43

<sup>2)</sup> Restated as full-time equivalents on an annual basis.

### Diversity and equal opportunity

	2022		2022		2022		2021		2021		2021	
	Group	Property operations	Group	Property operations	Group	Property operations	Group	Property operations	Group	Property operations	Group	Property operations
<b>Diversity and equal opportunity, %</b>												
<b>Board of Directors</b>												
Aged <30	0	0	0	0	0	0	0	0	0	0	0	0
Aged 30–50	11	0	11	0	11	0	11	0	11	0	11	0
Aged >50	22	67	22	67	22	67	22	67	22	67	22	67
<b>Senior Executives</b>												
Aged <30	0	0	0	0	0	0	0	0	0	0	0	0
Aged 30–50	13	13	13	13	0	29	0	29	0	29	0	29
Aged >50	25	49	25	49	29	42	29	42	29	42	29	42
<b>Other employees</b>												
Aged <30	18	5	7	5	22	5	17	7	7	6	20	7
Aged 30–50	39	12	32	25	41	8	40	12	31	24	43	8
Aged >50	20	6	14	17	22	2	19	5	15	17	21	1

Hufvudstaden does not track diversity indicators such as religious affiliation or ethnicity among employees.

### Non-discrimination

No cases of discrimination were reported during the year.

### Occupational health and safety

Hufvudstaden has health and safety groups, a Health and Safety Policy and a health and safety representative in accordance with work environment legislation. Responsibility and duties are delegated according to established delegation rules. Should any hazardous working situations arise, employees are instructed to contact their line managers first. Health and safety representatives act as a safeguard to protect employees. Systematic health and safety management is also designed to continuously review risks, recommend actions and promote further development within the physical and psychosocial working environment. The health and safety groups review and continuously monitor systematic health and safety activities. The health and safety groups also ensure that work environment checks are conducted regularly, and that incidents and potential dangers are addressed and investigated. The health and safety groups, safety representatives and managers receive training in systematic health and safety management which includes employee training in CPR and first aid.

Hufvudstaden also offers individualised skills development, a health and fitness allowance, health checks, occupational health care, health insurance, ergonomics consultations and massage. NK Retail has a separate structure for employee health, under which all employees are offered individual skills development, fitness allowances and occupational healthcare services.

For further information about our approach to health and safety among employees and in business relationships, see pages 28–29, 34, 45 and 102–103 and the information below regarding work-related injuries.

Total absenteeism due to illness in 2022 amounted to 4.7 per cent, a marginal increase compared with the preceding year's 4.6 per cent. Total absenteeism due to illness by women and men during the year was 5.3 per cent and 2.9 per cent, respectively.

### Work-related injuries

Reported accidents	2022		2021	
	Employees	Suppliers	Employees	Suppliers
Number of fatalities	0	0	0	0
Number of workplace accidents with absence of >8 hours	0	6	0	2
– of which high-consequence <sup>1)</sup>	0	0	0	0
Number of work-related injuries <sup>2)</sup>	0	–	4	–

<sup>1)</sup> Refers to accidents with absence of more than six months.

<sup>2)</sup> This performance measure is not measured for suppliers.

Work-related injuries and illnesses and accidents, including serious ones, are managed according to established procedures and must always be reported to the Swedish Work Environment Authority. An external occupational health care provider may be contacted in connection with work-related injuries to provide support. Examples of accidents that were reported are falls, psychological trauma (shock), and slips and trips. The number of near-misses and incidents is not reported due to the lack of quality-assured data.

### Performance and career development review

Hufvudstaden's target is for all employees to have performance and career development reviews annually. As all Hufvudstaden's employees in the Group had performance and career development reviews during the year, the company does not compile or report statistics regarding gender distribution and type of employment contract. During performance and career development reviews, managers and employees engage in dialogue concerning training and develop an action plan for development. The number of training hours is not reported due to the lack of quality-assured data.

## S2 MATERIALITY ASSESSMENT

Hufvudstaden regularly assesses the relevancy of its sustainability activities by systematically analysing and mapping the company's positive and negative impact on its environment.

### Materiality assessment

The first complete materiality assessment of the operations was carried out in 2018 based on a holistic approach, and assessed our impact on a number of different sustainability areas. The aim was to identify the areas in which the company's sustainability impact was most significant. The assessment resulted in Hufvudstaden highlighting sustainability areas with high to very high significance for the company and Hufvudstaden's stakeholders, and the company's ability to influence sustainable development. The sustainability areas of low significance were discarded, and subsequent analyses were based on the high priority areas. When the 2020 sustainability plan was prepared, we reviewed and updated the assessment results by dividing the material sustainability areas between our three focus areas: minimise, future-proof and collaborate.

The materiality assessment was reviewed again in 2022 to meet the requirements of the 2021 Global Reporting Initiative (GRI) Standards. The revised assessment encompassed all of Hufvudstaden's operations, meaning all subsidiaries, business areas, products and services. The assessment was based on input from stakeholder dialogues, extensive business intelligence and discussions with internal and external experts. Hufvudstaden's responsibilities were also analysed based on legislation, economic, environmental and social challenges, including human rights, at local, regional and global levels. Furthermore, our business relationships and stakeholders were analysed. The analysis was carried out to understand the context of our sustainability activities and gain clarity in their scope. To review which sustainability areas are material in the sustainability context in which we operate, we first performed an assessment of the areas in which we have an actual and a potential impact based on environmental, economic and social aspects, including human rights. The impact can be negative or positive, short or long term. In consultation with the Hufvudstaden Sustainability Council, all identified sustainability areas were subsequently assessed and prioritised based on their relevancy for working or reporting on. The results of the 2022 materiality assessment, meaning the matrix presented on page 100, shows the sustainability areas that are a high priority for working and reporting on, were approved by Hufvudstaden's Senior Executives.

### Changes in material sustainability areas

NK Retail was included in the 2022 materiality assessment for the first time, which resulted in certain changes in the sustainability topics that are considered to be material. The inclusion of NK Retail means, for example, that the area of environmentally and climate-adapted products and services, and ensuring sustainable delivery chains including human rights, became even more material. In addition, it was indicated in dialogue with stakeholders and business intelligence that identifying and managing climate-related risks is more material than previously. Furthermore, our work on future-proofing properties is also more important than in previous years. Skills development is no longer deemed to be as material a sustainability topic in relation to other sustainability topics, and thus did not place in the materiality matrix. However, this is an area that we are continuously working on based on other operational considerations.

Materiality matrix

Significance to Hufvudstaden's stakeholders	Very high	<b>Comply</b> <ul style="list-style-type: none"> <li>Community involvement</li> <li>Ensure sustainable delivery chains including human rights</li> </ul>	<b>Focus</b> <ul style="list-style-type: none"> <li>Effective consumption of resources (energy, water, materials)</li> <li>Minimise climate emissions</li> <li>Customer relationships and collaborating with customers for sustainability</li> <li>Equal opportunity and equal treatment</li> <li>Partnership for sustainable urban development</li> <li>Employee and customer health and safety</li> <li>Environmentally and climate-adapted materials, products and services</li> <li>Future-proofed properties adapted against climate change</li> <li>Climate-related risks</li> </ul>
	High	<b>Manage</b> <ul style="list-style-type: none"> <li>Green financing</li> </ul>	<b>Surveillance</b> <ul style="list-style-type: none"> <li>Good business ethics and anti-corruption</li> <li>Waste management and greater circularity</li> <li>Good working conditions and work environment</li> </ul>
		High	Very high

**Significance to Hufvudstaden and our potential to influence sustainable development**

Material sustainability topics

The 2022 materiality and engagement analysis resulted in Hufvudstaden identifying 15 material sustainability topics that have been divided into three focus areas: *Minimise*, *Future-proof* and *Collaborate* – which also constitute Hufvudstaden's sustainability plan that is presented in its entirety on pages 30–34.

Material issues	Focus areas
Effective consumption of resources (energy, water, materials)	Minimise
Minimise climate emissions	
Waste management and greater circularity	
Environmentally and climate-adapted materials, products and services	Future-proofing
Future-proofed properties adapted against climate change	
Climate-related risks	
Equal opportunity and equal treatment	
Green financing	
Good working conditions and work environment	Collaborate
Employee and customer health and safety	
Partnership for sustainable urban development	
Customer relationships and collaborating with customers for sustainability	
Good business ethics and anti-corruption	
Ensure sustainable delivery chains including human rights	
Community involvement	

S3 MINIMISE



Energy consumption

Type of energy <sup>1)</sup>	EPRA code	Energy consumption		Proportion of non-fossil energy consumption, %	
		2022	2021	2022	2021
District heating, normal year-adjusted, MWh		14,334	17,398	97	96
District cooling, MWh		6,178	4,344	100	100
Total district heating and district cooling, normal year-adjusted, MWh	DH&C-Abs, DH&C-Lfl	20,512	21,742	98	97
Property electricity, MWh	Elec-Abs, Elec-Lfl	18,290	19,528	100	100
Total energy consumption, normal year-adjusted, MWh		38,802	41,270	99	98
Energy intensity, normal year-adjusted, kWh/sq m	Energy-int	91	91	99	98
Total energy consumption, non-normal year-adjusted, MWh		38,359	41,042	97	96

<sup>1)</sup> Energy consumption refers only to investment properties. Energy from the project properties the block Inom Vallgraven 12, Inom Vallgraven 3:2 and Vildmannen 7 is excluded. This is why the energy intensity is constant but the total energy consumption declined compared with last year.

Hufvudstaden has no direct energy consumption. We do not use any fuel oils or gas to heat our properties. All data for indirect energy consumption excludes tenant electricity.

Climate emissions

Climate emissions, tonnes CO <sub>2</sub> e		EPRA code	2022	2021
<b>Direct, tonnes CO<sub>2</sub>e</b>	<b>Scope 1</b>	<b>GHG-Dir-Abs</b>	<b>78</b>	<b>19</b>
Refrigerants			77	17
Cars in service			1	2
<b>Indirect emissions for production of purchased energy</b>	<b>Scope 2</b>	<b>GHG-Indir-Abs</b>	<b>820</b>	<b>770</b>
Electricity			0	0
District heating			765	770
District cooling			0	0
Energy in/for project properties			55	
<b>Other indirect emissions</b>	<b>Scope 3</b>	<b>GHG-Indir-Abs</b>	<b>3,663</b>	<b>3,092</b>
<b>Property operations</b>	<b>Scope 3 Property operations</b>		<b>3,593</b>	<b>3,022</b>
Adaptations	Scope 3 Property operations		900	1,600
Major development projects	Scope 3 Property operations		1,500	900
Waste from tenants	Scope 3 Property operations		40	40
Waste from construction projects	Scope 3 Property operations		200	300
Energy and fuel	Scope 3 Property operations		150	180
Tenant electricity	Scope 3 Property operations		800	
Business travel	Scope 3 Property operations		3	2
<b>NK Retail<sup>1)</sup></b>	<b>Scope 3 NK Retail</b>		<b>70</b>	<b>70</b>
<b>Total</b>	<b>Scope 1+2+3</b>		<b>4,561</b>	<b>3,881</b>
<b>Performance measures</b>			<b>2022</b>	<b>2021</b>
Carbon dioxide intensity, kg/sq m a-temp	Scope 1+2	GHG-Int	2.1	1.7
Carbon dioxide intensity, kg/sq m GFA	Scope 1+2	GHG-Int	1.8	
Climate-neutral property management, tonnes CO <sub>2</sub> e	Scope 1+2+business travel		901	791
<b>Scope 2 according to optional methods</b>			<b>2022</b>	<b>2021</b>
Market-based valuation <sup>2)</sup> (Market based)			820	770
Location-based valuation <sup>3)</sup> (Location based)			3,040	3,675

<sup>1)</sup> Specific emissions from NK Retail's operations that are not included in other data for Hufvudstaden.

<sup>2)</sup> Scope 2 emissions, for which the climate impact of purchased electricity is calculated on the basis of guarantees of origin.

<sup>3)</sup> Scope 2 emissions, for which the climate impact of purchased electricity is calculated on the basis of the average Nordic mix.

**Explanation of calculations:**

**Adaptations:** Pertains to indirect emissions from adaptations completed during the year. To calculate emissions from adaptations, we used a typical Hufvudstaden adaptation as a basis, with all inherent components, and then calculated the emissions from these. Most of the construction materials or products used have no reliable emissions data. In these cases, we have used generic data. The concluding projects for the year were organised into small, medium and large projects. The emissions only pertain to climate impact for inherent construction materials.

**Major development projects:** Pertain to indirect emissions from inherent construction materials for large projects, such as extensions or redevelopment. Emissions are reported from Vildmannen 7 and Inom Vallgraven 3:2 for the year.

**Waste from tenants:** Indirect emissions from tenants. Calculated using standard values based on reported amounts.

**Changes in calculations**

In the 2022 calculation, more emissions items were included, which significantly increase the total emissions for the year compared with last year. These are: emissions for purchased energy from project properties (Scope 2) and emissions from tenant electricity (Scope 3). Carbon dioxide intensity was also calculated based on gross floor area (GFA).

**Waste from construction projects:** Indirect emissions from construction and demolition waste. Calculated using standard values based on reported amounts.

**Biogenic emissions:** Biogenic emissions were not taken into account.

**Energy and fuel:** Pertains to indirect energy and fuel-related emissions.

**Tenant electricity:** Refers to indirect emissions from tenant electricity for which tenants have their own contracts. The amount of tenant electricity was calculated using standard templates.

**NK Retail:** Pertains to indirect emissions from leased warehouse and transport between warehouse and NK department stores.

**Business travel:** Pertains to indirect emissions from air and train travel. All travel is calculated based on the emission data reported by each operator.

Greenhouse gas (GHG) emissions are calculated based on the international guidelines set out in the GHG Protocol. For the 2022 calculations, Hufvudstaden applies the Swedish Property Federation's Scope 3 reporting guidance. Hufvudstaden's calculations of GHG emissions have been verified by a third party.

As GHG emissions come from several different sources, these are summarised in the term "climate emissions." To enable the comparison of greenhouse gases, they have been recalculated as carbon dioxide equivalents (CO<sub>2</sub>e). The calculations of Hufvudstaden's climate emissions (CO<sub>2</sub>e) are continuously developed to achieve more reliable performance measures and to include more emission items. The calculation pertains to the most significant emissions included in our overall targets. For Scope 3, part of the calculations is based on actual data and part on standard amounts. For the calculation of emissions from adaptations and major development projects,

in particular, there is little availability of reliable data and, accordingly, Hufvudstaden used generic values and standard amounts. Most Scope 3 amounts have been rounded to the nearest sum of ten or a hundred. Most of NK Retail's climate emissions are included in Hufvudstaden's emissions, since NK Retail leases retail space in the NK department stores and office space in one of Hufvudstaden's properties. Special climate emissions reported for NK Retail were indirect emissions (Scope 3) for energy use and waste from a leased warehouse and transport between warehouse and department store. A significant part of NK Retail's climate impact is deemed to derive from the production of the products sold by NK Retail. NK Retail has no production of its own, but purchases these products from suppliers globally. Due to its complexity, these emissions have not been calculated yet. Transport of the products from suppliers to NK Retail's warehouse is not currently included either.

**Scope Conversion factor**

- Scope 1 Cars in service: 147 g/km.
- Scope 1 Refrigerants: IPCC AR5.
- Scope 2 Origin-labelled renewable electricity: 0 tonnes CO<sub>2</sub>e/MWh.
- Scope 2 Documentation for district heating and cooling produced by Stockholm Exergi and Göteborg Energi.
- Scope 3 Adaptations: Large projects 80 kg CO<sub>2</sub>e/sq m. Medium projects 40 kg CO<sub>2</sub>e/sq m. Small projects 22 kg CO<sub>2</sub>e/sq m.
- Scope 3 Major development projects: Vildmannen 7 according to calculations performed by an external provider. Inom Vallgraven 3:2 according to standard templates for adaptations.
- Scope 3 Waste from tenants and construction projects: Based on statistics from suppliers. Emissions factors from DEFRA.
- Scope 3 Energy and fuel: Well-to-tank (WTT) emissions from cars according to the Swedish Transport Administration. Upstream emissions for district heating and district cooling: Stockholm Exergi and Göteborg Energi. Upstream emissions for electricity: EPD Vattenfall.
- Scope 3 Business travel: Rail according to SJ's emission calculations. Air according to BRA's emission calculations.
- Scope 3 Tenant electricity: 90.4 g CO<sub>2</sub>e/kWh.
- Scope 3 NK Retail: Documentation for district heating from Södertörns Fjärrvärme. Emissions factors for transport obtained from NTM. Waste based on statistics from suppliers and emission factors from DEFRA.

**Water**

Water consumption	EPRA code	2022	2021
Municipal water, m <sup>3</sup>	Water-Abs, Water-Lfl	185,657	187,795
Water intensity, m <sup>3</sup> /sq m	Water-Int	0.43	0.41

Hufvudstaden reports water data based on EPRA guidelines. We are party to most water supply agreements used by tenants. Reporting of water consumption thus includes water used in property operation and water used by tenants in their operations.

**Waste**

Type of waste, tonnes	EPRA code	2022	2021
<b>Non-hazardous waste</b>			
Combustible waste		1,165	1,196
Cardboard		333	337
Organic waste		33	26
Plastic		28	37
Glass		98	75
Recycling of other materials		43	61
<b>Hazardous waste</b>			
Electronics		11	9
Other hazardous waste		6	5
<b>Total waste</b>	<b>Waste-Abs, Waste-Lfl</b>	<b>1,717</b>	<b>1,746</b>
<b>Sorting rate, %</b>		<b>32%</b>	<b>31%</b>

Hufvudstaden reports waste data based on EPRA guidelines. We report data for tenant waste volumes managed by Hufvudstaden for which the company has waste disposal contracts. As sorted waste is managed mainly by tenants, we do not have complete statistics on waste management at the properties. Complete statistics regarding combustible waste are not available from our suppliers for several properties. Estimated figures are used for these properties.

For the projects we have reliable statistics over construction and demolition waste, the sorting rate is approximately 84 per cent (90).

**S4 FUTURE-PROOFING**



**Green building certified properties**

System	EPRA code	Number	sq m, a-temp	Certified area, %
BREEAM In-Use		11	243,408	53
Miljöbyggnad		3	69,021	15
GreenBuilding		1	17,998	4
<b>Total</b>	<b>Cert-Tot</b>	<b>15</b>	<b>330,427</b>	<b>72</b>

The certification process provides us an independent audit to determine whether the building meets energy, indoor environment and materials standards. The aim is to certify all properties by 2025 at the latest. Future major expansion and redevelopment projects will be certified according to one of the generally accepted certification systems.

**S5 COLLABORATE**



**Customer health and safety**

Hufvudstaden endeavours to safeguard the health and safety of its customers and to ensure that no one is harmed in its operations. Hufvudstaden evaluates all properties according to occupational health and safety regulations. This applies to areas including systematic fire protection, inspections of sprinkler, lifts and electric gates, mandatory ventilation inspections, electrical safety inspections and energy declarations. It is vital that the properties meet these requirements since it is a central component of the tenants' work environment.

In addition to regulatory requirements, NK Retail sets quality and safety demands on all product suppliers, which is one way to ensure safe products. Some product categories have particularly strict demands.

Reported deviations are followed up by following internal guidelines in each area. In 2022, no deviations were reported regarding legislation, rules or procedures relating to customers' health and safety.

**Supplier requirements**

Hufvudstaden's main suppliers are primarily in the construction and property maintenance sectors. The Code of Conduct defines our expectations and suppliers must comply with our criteria. We impose high sustainability requirements for procurement and purchases of goods and services. The requirements are based on our Code of Conduct, augmented by requirements in the areas of health and safety, working conditions and the environment, which includes the precautionary principle. Health and safety is a particular priority because building and maintenance work can be risky. Everyone who works on behalf of Hufvudstaden must, regardless of who is the employer, have terms and conditions of employment and a work environment that as a minimum comply with current legislation. For redevelopments, new production, adaptations and maintenance, we follow an Environmental Programme that described environmental targets and requirements for the projects. Environmental work is a partnership between the project management, planners and contractors and environmental topics are a standing item on the agenda at planning and construction meetings. The suppliers are responsible for meeting the criteria stipulated in the Environmental Programme. Hufvudstaden's project managers and property managers procure, govern and check suppliers to ensure that they comply with set requirements.

Existing suppliers are subject to regular quality, budget, contractual and sustainability audits. To examine and ensure that suppliers and contractors comply with the requirements, we carry out annual internal and third-party audits. We perform regular environmental, health and safety audits for major development projects. Monitoring is an important element to ensure a high standard of sustainability in projects and among suppliers. Current main



suppliers undergo systematic sustainability audits every year. These audits are based on self-assessments. The responses in these self-assessments form the basis of the risk assessments of the suppliers. Using such risk assessments, we can identify suppliers with a high risk of deviating from set sustainability requirements. Based on the risk assessment, we can subsequently proceed with an expanded audit if necessary. The target is that all 54 main suppliers will undergo an annual sustainability assessment. During the year, 69 per cent (77) of Hufvudstaden's main suppliers were assessed from a sustainability perspective. Hufvudstaden can terminate an agreement if a supplier violates the Code of Conduct or set environmental, health and safety requirements. Ensuring a high level of sustainability in the supply chain is a constant process. Over the past year, we worked on updating existing framework agreements in the areas of health and safety, working conditions, compliance and monitoring, and also worked on developing supplier monitoring and audits.

NK Retail's main suppliers are primarily in the areas of fashion, beauty and jewellery. NK Retail has no production of its own, but operates as a retailer. Accordingly, NK Retail has a low level of control over the production of the individual brands. To ensure and promote a more sustainable supply chain, NK Retail sets sustainability requirements on its suppliers. All suppliers must sign NK Retail's sustainability appendix, which is an appendix to the main agreement. The foundation of the sustainability appendix is NK's range standard and comprises, for example, requirements relating to human rights, work conditions in production, animal rights, chemicals and some product-specific requirements. Wherever NK Retail requires specific certification or other third-party assurance, these are checked in the purchasing process. At year-end 2022, 66 per cent of all of NK Retail's suppliers had signed the sustainability appendix. 88 per cent (81) of NK Retail's main suppliers signed the sustainability appendix.

**Anti-corruption**

Hufvudstaden is committed to ensuring honest and fair business transactions. Being an honest and reliable business partner promotes good relationships with stakeholders. The construction and property sectors share challenges in the form of achieving safe and secure workplaces free from, for example, corruption and inequality. Large purchasing and procurement processes in construction projects entail the risk of corruption. In addition to setting requirements and auditing suppliers, we use a control system to mitigate the risks of corruption, bribery and other violations. Allocation of responsibility and structured processes in the control system ensure that business is conducted properly. It is important that irregularities that concern the company and which could cause serious harm to the business or our employees are detected and investigated as soon as possible.

**S6 SUSTAINABILITY GOVERNANCE**

Sustainability is one of Hufvudstaden's overarching strategies for attaining financial and operational objectives. Sustainability is integrated in the processes for governance and monitoring of business activities.

**The Board's work on sustainability**

Hufvudstaden's Board monitors sustainability work and is continuously updated on its progress. The Board has delegated the responsibility for day-to-day sustainability activities to the President. Sustainability risks, including climate-related risks and opportunities, are reviewed annually and reported to the Board of Directors. The Sustainability Report is integrated into the financial reporting of the Annual and Sustainability Report that is reviewed, monitored and approved by the Board.

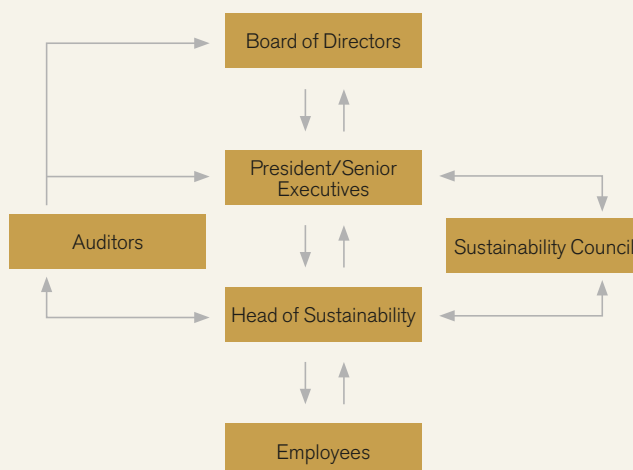
Sustainability was an item on the agenda at two Board meetings in 2022. The sustainability plan was presented at these meetings together with an account of the most important sustainability factors in our operations that impact our business model. Major deviations or measures related to Hufvudstaden's sustainability work and Code of Conduct are reported to the Board as necessary. No deviations were reported to the Board during the year.

**Governance of sustainability activities**

Hufvudstaden's Senior Executives decides on sustainability strategies, policies and goals. The President is ultimately responsible for the results of this sustainability work and for reporting to the Board. Hufvudstaden's Head of Sustainability prepares the sustainability targets and governs the work towards the targets set in cooperation with the Sustainability Council. The Sustainability Council was established in 2018 and meets at least once a quarter. The task of the Council is to develop, coordinate and monitor the sustainability work, which includes climate risks and opportunities. Its work is led by the Head of Sustainability and the Council is currently made up of five members, three of whom are Senior Executives. The Head of Sustainability reports continuously to the Head of Property Development, who is a member of Senior Executives. Furthermore, the Head of Sustainability informs the entire Senior Executives about the sustainability work several times a year.

Hufvudstaden's sustainability plan and the overall sustainability targets have been presented to employees to ensure that sustainability is incorporated throughout the organisation. Each department has then prepared its own individual sustainability targets together. These departmental sustainability targets are followed up in a forum comprises representatives from each Hufvudstaden unit. The forum meets once a quarter and monitors the progress of the company's sustainability activities. A review of Hufvudstaden's sustainability work is also part of the onboarding process for new employees. The current operations track targets and follow procedures and drive sustainability activities forward.

**Sustainability governance and reporting structure**



## S7 STRATEGY AND POLICIES

Hufvudstaden is to contribute to sustainable development and act responsibly. Our values and internal guidelines are the foundation of sustainability work. The Code of Conduct and policies guide our actions and our work in society. Hufvudstaden's values are described on page 6.

### Sustainability frameworks

Hufvudstaden's sustainability work is based on the ten principles of the UN Global Compact and the UN Sustainable Development Goals. The principles and the goals imbue our values and our guiding documents, such as the sustainability plan, Code of Conduct and policies. Hufvudstaden also supports the following initiatives: Global Reporting Initiative (GRI), European Public Real Estate Association (EPRA), Fossil-Free Sweden – Roadmap to Fossil-Free Heating 2045 and the Task Force on Climate-related Financial Disclosures (TCFD).

### Code of Conduct

Hufvudstaden's Code of Conduct clarifies our responsibility and our actions in our dealings with internal and external stakeholders. The Code of Conduct is based on our values, the ten principles of the UN Global Compact and human rights established in other internationally recognised norms. The Code applies to all employees and sets out how we, our suppliers and our business partners should act as representatives of Hufvudstaden. Through the Code of Conduct, we take a stance on issues related to human rights, working conditions, the environment, business ethics and communication. Employees, suppliers and business partners must comply with applicable laws and regulations as well as our Code of Conduct which is appended to all major agreements.

All employees undergo training related to our Code of Conduct. The introductory programme for new employees includes training on sustainability, the Code of Conduct and other policies, and how to report deviations. It is prioritised that dilemmas and problems are regularly discussed regarding the Code of Conduct on introduction days, at employee conferences and at departmental meetings. Deviations from the Code of Conduct are to be reported to the immediate manager or, if this is not appropriate, to another representative of the Group.

NK Retail has its own introductory programme for employees which includes selected policies.

The Code of Conduct and applicable policies have been approved by Senior Executives. The Code of Conduct, Environmental Policy and Whistleblower Policy are public and available at [hufvudstaden.se/en/about-us/policies-and-guidelines](http://hufvudstaden.se/en/about-us/policies-and-guidelines). Other policies are made available to and are known by the relevant personnel.

### Human rights

Hufvudstaden does not accept any violations of human rights. We ensure that controls are in place to prevent violations of human rights, for example, by evaluating suppliers in the form of risk assessments and analyses as well as our Code of Conduct. Hufvudstaden is a signatory of the UN Global Compact and has undertaken to follow its ten principles. We also comply with the human rights stipulated in such international standards as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the eight ILO Fundamental Conventions.

### Whistleblowing

Hufvudstaden has a whistle-blower service that can be accessed from the website and the intranet. NK Retail has its own whistle-blower service, which employees can access internally. Both services make it possible for people to anonymously report suspicions of corruption, bribery and other breaches via an external party. All reports are handled confidentially following established procedures. One case was reported to the whistle-blower service during the year. The case was classified as not eligible under the whistle-blower framework. The matter was investigated in accordance with internal guidelines.

### A selection of initiatives in which Hufvudstaden participates

- Swedish Property Federation
- Byggarubedömningen
- Sweden Green Building Council
- Swedish Energy Agency Construction Clients Forum for Commercial Premises (BELOK)
- The Real Estate Industry's Initiative for a Sustainable Supply Chain (FIHL)
- Real Estate Digitalization Initiative (REDI)

### Socioeconomic and environmental compliance

Hufvudstaden was not sentenced or ordered to pay any fines during the year due to any breach of social or economic laws. No significant fines or non-monetary sanctions were imposed on Hufvudstaden for breaches of environmental laws in 2022. However, a small fee of SEK 1,000 was paid due to the late submission of a refrigerants report.

## S8 STAKEHOLDERS

A prerequisite for Hufvudstaden's work on mapping and analysing material sustainability areas is the input we receive from dialogues with our stakeholders. From a sustainability standpoint, tenants, employees, owners and other investors, business partners and society are the most important groups to conduct dialogue with since they are affected by our operations or have an opinion on the sustainability topics that we should focus on to meet their expectations of us. We continuously receive input from them from various channels, such as meetings, surveys and other forums for dialogue, and thereby ensure that we have approaches to stakeholder engagement that suit all groups. Questions from stakeholders are regularly addressed, for example, at Board meetings, management meetings, in the Sustainability Council, shareholder meetings and in the daily contact between employees, customers, suppliers, partners and players in society. We also meet with a variety of experts in different sustainability areas every year. We mainly meet experts who are considered to have the greatest impact on or who are most affected by Hufvudstaden's operations, for instance, consultants or companies in energy and climate, construction and property, banking and finance, and those who impose requirements on suppliers. We provide information about Hufvudstaden's sustainability activities and results through stakeholder dialogue.

**Hufvudstaden's priority stakeholders**

The following stakeholders were prioritised in the materiality assessment since they were identified as the most central considering Hufvudstaden's operations.

Priority stakeholders	Key topics	Approach to stakeholder engagement
Tenants	<ul style="list-style-type: none"> <li>High level of service</li> <li>Energy consumption</li> <li>Climate emissions</li> <li>Waste management</li> <li>Social responsibility within the supply chain</li> <li>Urban development</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Tenant meetings</li> <li>Newsletters</li> <li>Green leases</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Diversity and equal treatment</li> <li>Social engagement</li> <li>Skills development</li> <li>Health and Safety</li> <li>Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Performance and career development review</li> <li>Employee satisfaction surveys</li> <li>Employee meetings</li> <li>Conferences</li> </ul>
Owners and other investors	<ul style="list-style-type: none"> <li>Long-term business strategy</li> <li>Transparent and material sustainability work and communication</li> <li>Social responsibility within the supply chain</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting and analyst meetings</li> <li>Annual report and interim reports</li> <li>Investor meetings</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>Sustainability requirements in established partnerships</li> <li>Communication related to sustainability topics</li> </ul>	<ul style="list-style-type: none"> <li>Procurement and agreements</li> <li>Code of Conduct</li> <li>Supplier assessments</li> </ul>
Society	<ul style="list-style-type: none"> <li>Accountability for impact of the operations</li> <li>Communication related to sustainability topics</li> <li>Social responsibility within the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Website</li> <li>Media</li> </ul>

**S9 REPORTING POLICIES**

**About the Sustainability Report**

The Sustainability Report is incorporated in Hufvudstaden's Annual Report. Hufvudstaden's 2022 Sustainability Report comprises pages 6–7, 28–34, 45–46 and 98–107 and also constitutes Hufvudstaden's statutory sustainability Report. The sustainability notes on pages 98–107 contain supplementary information and data on disclosures that are provided elsewhere in this Annual Report. The sustainability notes also present our materiality assessment on which the Sustainability Report is based. In addition, an index is published with references to our reporting in relation to the Task Force on Climate-related Financial Disclosures (TCFD), GRI Standards, and the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations, third version (sBPR) and a separate appendix on [hufvudstaden.se/en/corporate-social-responsibility/sustainability-report/sustainability-index](http://hufvudstaden.se/en/corporate-social-responsibility/sustainability-report/sustainability-index). The Sustainability Report has been prepared in accordance with the GRI standards 2021. Hufvudstaden has been reporting its sustainability information according to the GRI guidelines since 2011. The GRI index is available at [hufvudstaden.se/en/corporate-social-responsibility/sustainability-report/sustainability-index](http://hufvudstaden.se/en/corporate-social-responsibility/sustainability-report/sustainability-index). Hufvudstaden also reports sustainability performance measures in accordance with the EPRA sBPR, third version.

The Sustainability Report follows Hufvudstaden's financial year and is published annually in March. The 2022 Sustainability Report was reviewed by a third party. The disclosures included in the auditor's review are described in the section "Auditor's Limited Assurance Report" on page 108.

**Scope and limitation**

The Sustainability Report comprises all companies in the Group. Sustainability information is primarily presented from the operations that have a significant and direct impact from a sustainability perspective, meaning

Hufvudstaden's own operations, unless otherwise stated. Information about NK Retail is presented when it is significant for an overall view of Hufvudstaden's sustainability work, for example, when it relates to: emissions, suppliers audits or employees. Data collected from various subsidiaries is consolidated in a standardised manner following internal guidelines.

Operations that are outside Hufvudstaden's direct control, such as suppliers or customers, are not included in the Report. Information about the management and requirements placed on Hufvudstaden's suppliers is included in the Report where relevant.

**S10 EU TAXONOMY**

The Taxonomy Regulation (EU 2020/852) is a classification system that currently encompasses certain economic activities with a significant impact on the climate and actions for climate change adaptation. Under the Regulation, companies are to report the proportion of their turnover (sales), investments (CapEX) and operating expenditure (OpEX) that are taxonomy-eligible and taxonomy-aligned. These key performance indicators were calculated in accordance with the definitions stated in 1.1.1, 1.1.2 and 1.1.3 in Annex I to the Climate Delegated Act on disclosure obligations in accordance with Article 8 of the Taxonomy Regulation.

Taxonomy-eligible economic activities are considered to be aligned with the Regulation – qualify as environmentally sustainable – if they meet the requirements for making a substantial contribution to at least one of the environmental objectives, do no significant harm to any of remaining environmental objectives, and if the minimum safeguards are met. For 2022, alignment has been assessed only with regard to environmental objective 1: Climate change mitigation

**Minimum safeguards**

Fulfilment of social minimum safeguards were evaluated by following guidance from the International Platform on Sustainable Finance. Hufvudstaden complies with legislation on labour and human rights.

**Assessment of taxonomy-alignment**

Hufvudstaden has assessed the taxonomy-aligned activity for turnover and OpEx to be Acquisition and ownership of buildings (activity 7.7). A large volume of CapEx is attributable to activity 7.7, although investments are also made in properties that are not taxonomy-aligned. Where applicable, these are allocated to the activity that is not taxonomy-aligned, which means that activities 7.1–7.6 are also eligible, refer to definition in page 106. The assessment of taxonomy-alignment takes place at property level.

**Acquisition and ownership of buildings**

*Substantial contribution to climate change mitigation*

Properties with a Class A energy declaration meet the requirement for a substantial contribution. Built buildings<sup>1)</sup> meet the requirement if their energy performance is less than the thresholds set by the Swedish Property Federation, as regards the assessment of the buildings that belong to the top 15 per cent of the Swedish national portfolio in terms of energy efficiency.

*Do no significant harm (DNSH)*

Climate risk and vulnerability assessments were carried out on all investment properties (in accordance with the Taxonomy Regulation's Appendix A). Based on the results, an assessment was made of whether the individual property risks doing any significant harm to the environmental objectives. Mainly flooding resulting from heavy rainfall or rising water levels present the largest potential climate risks. Properties with no or a low risk profile are considered to meet the DNSH requirement for a climate-adapted property. Properties with a material risk profile meet the DNSH requirement if the property at risk has an action plan for climate change adaptation activities that is followed up every year.

<sup>1)</sup> "Constructed" means that date for when the building permission application was submitted was no later than December 31, 2020. As of December 31, 2022 there were no constructed properties after December 31, 2020, and instead other criteria for making a substantial contribution apply.



SUSTAINABILITY NOTES

CapEx, 2022

Economic activities (1)	Codes (2)	Absolute turnover (3)	Proportion of CapEx (4)	Criteria for substantial contribution							DNSH criteria							Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, 2022 (18)	Taxonomy-aligned proportion of CapEx, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and eco-systems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)							
Unit		SEK m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	M	O		
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																						
<b>A.1 Taxonomy-aligned activities</b>																						
Charging stations for electric vehicles in buildings	7.4	4	0	100	-	-	-	-	-	-	Yes	-	-	-	-	Yes	0	-	M	-		
Devices for energy performance of buildings	7.5	3	0	100	-	-	-	-	-	-	Yes	-	-	-	-	Yes	0	-	M	-		
Renewable energy technologies	7.6	9	1	100	-	-	-	-	-	-	Yes	-	-	-	-	Yes	1	-	M	-		
Acquisition and ownership of buildings	7.7	40	4	100	-	-	-	-	-	-	Yes	-	-	-	-	Yes	4	-	-	-		
<b>Total taxonomy-aligned activities</b>		56	6	100	-	-	-	-	-	-							6	-				
<b>A.2 Taxonomy-non-aligned activities</b>																						
Construction of new buildings	7.1	249	24																			
Renovation of existing buildings	7.2	330	32																			
Energy efficiency equipment	7.3	30	3																			
Acquisition and ownership of buildings	7.7	301	30																			
<b>Total taxonomy-non-aligned activities</b>		910	89																			
<b>Total (A1 + A2)</b>		966	95														6	-	-	-		
<b>B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																						
Taxonomy-non-eligible economic activities		52	5																			
<b>TOTAL (A + B)</b>		1,018	100																			

OpEx, 2022

Economic activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Criteria for substantial contribution							DNSH criteria							Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, 2022 (18)	Taxonomy-aligned proportion of OpEx, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and eco-systems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)							
Unit		SEK m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	M	O		
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																						
<b>A.1 Taxonomy-aligned activities</b>																						
Acquisition and ownership of buildings	7.7	9	11	100	-	-	-	-	-	-	Yes	-	-	-	-	Yes	11	-	-	-		
<b>Total taxonomy-aligned activities</b>		9	11	100	-	-	-	-	-	-							11	-				
<b>A.2 Taxonomy-non-aligned activities</b>																						
Acquisition and ownership of buildings	7.7	53	67																			
<b>Total taxonomy-non-aligned activities</b>		53	67																			
<b>Total (A.1 + A.2)</b>		62	78														11	-	-	-		
<b>B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																						
Taxonomy-non-eligible economic activities		18	22																			
<b>TOTAL (A + B)</b>		80	100																			

# Auditor's Limited Assurance Report on Sustainability Report and statement on the Statutory Sustainability Report

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

## Introduction

We have been engaged by the Board of Directors and Senior Executives of Hufvudstaden AB (publ) to undertake a limited assurance of the sustainability report for the year 2022. Hufvudstaden AB (publ) has defined the scope of its sustainability report on page 6–7, 28–34, 45–46 and 98–107. The statutory sustainability report is defined on page 6–7, 28–34, 45–46 and 98–107.

## Responsibilities of the Board and Senior Executives

The Board of Directors and Senior Executives are responsible for the preparation of the sustainability report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 104 of the sustainability report, and consists of the parts of the GRI sustainability reporting Standards which are applicable to the sustainability report, as well as the accounting and calculation principles that Hufvudstaden AB (publ) has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommenda-

tion RevR 12, the Auditor's Opinion on the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Hufvudstaden AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Senior Executives as described above. We consider these criteria as suitable for the preparation of the sustainability report.

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

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the sustainability report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Senior Executives.

A statutory sustainability report has been prepared.

Stockholm, February 20, 2023  
PricewaterhouseCoopers AB



Magnus Svensson Henryson  
Authorised Public Accountant



The traditional office has become even more important as a meeting place. It is a place for tenants and their employees to thrive.

# Definitions and glossary

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. Certain performance metrics below are defined as alternative performance measures, i.e. a financial metric that is not defined according to IFRS, and which is used to describe the company's development and to improve comparability between periods. As not all companies calculate financial performance metrics in the same way, these are not always comparable with metrics used by other companies. Derivations of alternative performance measures are presented on pages 90–91.

## Finance

*Average interest on interest-bearing liabilities.* Interest expense in relation to the average interest-bearing liabilities.

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

*Central administration.* The costs for Senior Executives and Group staff functions as well as the cost of maintaining the company's stock exchange listing and other company costs.

*Debt/equity ratio.* Net liabilities in relation to equity at year-end.

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

*Earnings from property management after nominal tax (EPRA Earnings).* Operating profit before items affecting comparability and changes in value with a deduction for financial income and expenses and computed current tax, excluding a loss carryforward of unutilised tax losses. The tax deducted has been calculated with account taken of, among other things, tax-deductible depreciation and investments.

*EPRA.* European Public Real Estate Association. Not-for-profit association for listed property companies in Europe.

*EPRA NDV.* Net disposal value. Shareholders' equity according to the balance sheet.

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

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

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

*Gross margin.* Gross profit in relation to net revenue.

*Interest coverage ratio.* Profit after financial items, excluding items affecting comparability and changes in value, plus financial expenses, in relation to financial expenses.

*MTN programme.* Medium Term Note. A bond programme with a term of 1–15 years.

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

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

*Net profit from current operations.* Profit before tax, excluding changes in value and items affecting comparability, charged with standard corporate tax for the year.

*Return on capital employed.* Profit before tax plus financial expenses in relation to the average capital employed.

*Return on equity.* Net profit for the year after tax in relation to the average equity.

*Surplus ratio.* Net operating income as percentage of net revenue from property management including intra-Group rents.

*Tax.* The Group's total tax comprises current tax and deferred tax.

## Shares

*Cash flow from operating activities per share.* Cash flow from operating activities in relation to the average number of shares outstanding during the year.

*Dividend proportion.* Dividend in relation to net profit from current operations.

*Earnings per share.* Net profit for the year after tax in relation to the average number of shares outstanding during the year.

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

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

*Free Float.* Shares available for trading, excluding shares held by a shareholder with a controlling interest.

*P/E ratio.* The share price at year-end in relation to earnings per share for the year.

*Shares outstanding.* The total number of shares reduced by the shares bought back by the company.

*Yield.* Dividend per share in relation to the share price at year-end.

## Properties

*Annual rent.* Gross rent, including supplements, at the end of the year, calculated on an annual basis. Vacant premises are reported at the market rent.

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

*CBD.* Central Business District. The most central part of a city for office and retail properties.

*Comparable holdings.* Properties disposed of during the year are excluded. Properties acquired during the year are included and the previous year is adjusted for the equivalent period.

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

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

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

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

*Fredstan.* The area around Fredsgatan, between Brunnsparken and Trädgårdsföreningen, with the vision of offering a unique range of stores, cultural attractions and restaurants.

*Gross rent.* Defined as the contracted rent, excluding supplements for utility charges, and including assessed market rent for vacant premises.

*Net operating income.* Net revenue from property management including intra-Group rents less expenses for property management.

*New leases.* Leases signed during the year with a new tenant other than the tenant that leased the property previously, or for premises that were previously vacant.

*Property tax supplement.* Reimbursement of property tax by tenants.

*Renegotiations.* New or extended leases with existing tenants whose earlier leases have come to an end.

*Rent losses.* Loss of revenue as a result of vacant premises.

*Rentable floor space.* Total floor space available for renting.

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

*Sales-based rent supplement.* Rent in addition to the guaranteed minimum rent, based on the turnover of a store or restaurant.

*Yield, properties.* Net operating income in relation to the fair value of properties.

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



# Annual General Meeting

The Annual General Meeting will be held on Thursday, March 23, 2023 at 3:30 p.m. at Grand Hôtel, Vinterträdgården, Stockholm, entrance on the corner of Stallgatan/Blasieholmsgatan. Notice of the Annual General Meeting will be published on the website of Post- och Inrikes Tidningar at [bolagsverket.se/poit](http://bolagsverket.se/poit) and on the company's website at [hufvudstaden.se](http://hufvudstaden.se). Notice that the Annual General Meeting has been convened is published in Dagens Nyheter.

## Notification

Shareholders who wish to participate in the Annual General Meeting must:

- be recorded as a shareholder in the share register kept by Euroclear Sweden AB regarding circumstances as of Wednesday, March 15, 2023, whereupon shareholders whose shares are registered in the name of a nominee must reregister the shares in their own name so that the shareholder is registered in the presentation of the shareholders' register as at Wednesday, March 15, 2023 to be eligible to participate in the Annual General Meeting. Such registration may be temporary ("voting rights registration") and is requested of the nominee in accordance with the nominee's routines in such time in advance as determined by the nominee. Voting rights registrations effected by the nominee by March 15, 2023 will be taken into account in the preparation of the share register.
- register with Hufvudstaden no later than Friday, March 17, 2023, preferably before 4:00 p.m. Participants are to register on the company's website [hufvudstaden.se](http://hufvudstaden.se),  
e-mail: [anm@hufvudstaden.se](mailto:anm@hufvudstaden.se)  
tel: +46 8 762 90 00, or  
in writing to: Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm, Sweden.

When registering, participants are to provide their name, personal identity number or company registration number, e-mail address, daytime telephone number and any assistants. Shareholders represented by a proxy are to issue the proxy with a power of attorney. If this power of attorney has been issued by a legal entity, a copy of the registration certificate (or if their document is unavailable, an equivalent authorisation document) for the legal entity is to be enclosed. To facilitate admission to the Meeting, the company must have received the power of attorney and authorisation documents at the above-mentioned address no later than March 15, 2023. Power of attorney forms are provided on request and available from the company's website.

## Dividend

The Board of Directors proposes a dividend of SEK 2.70 per share, corresponding to a total dividend of SEK 546.2 million, for 2022. The record date is set as March 27, 2023 and the estimated payment date will be March 30, 2023.

## Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed their name, address or account number, should notify Euroclear Sweden AB of the change as soon as possible through the institution at which their account is registered.

# Calendar

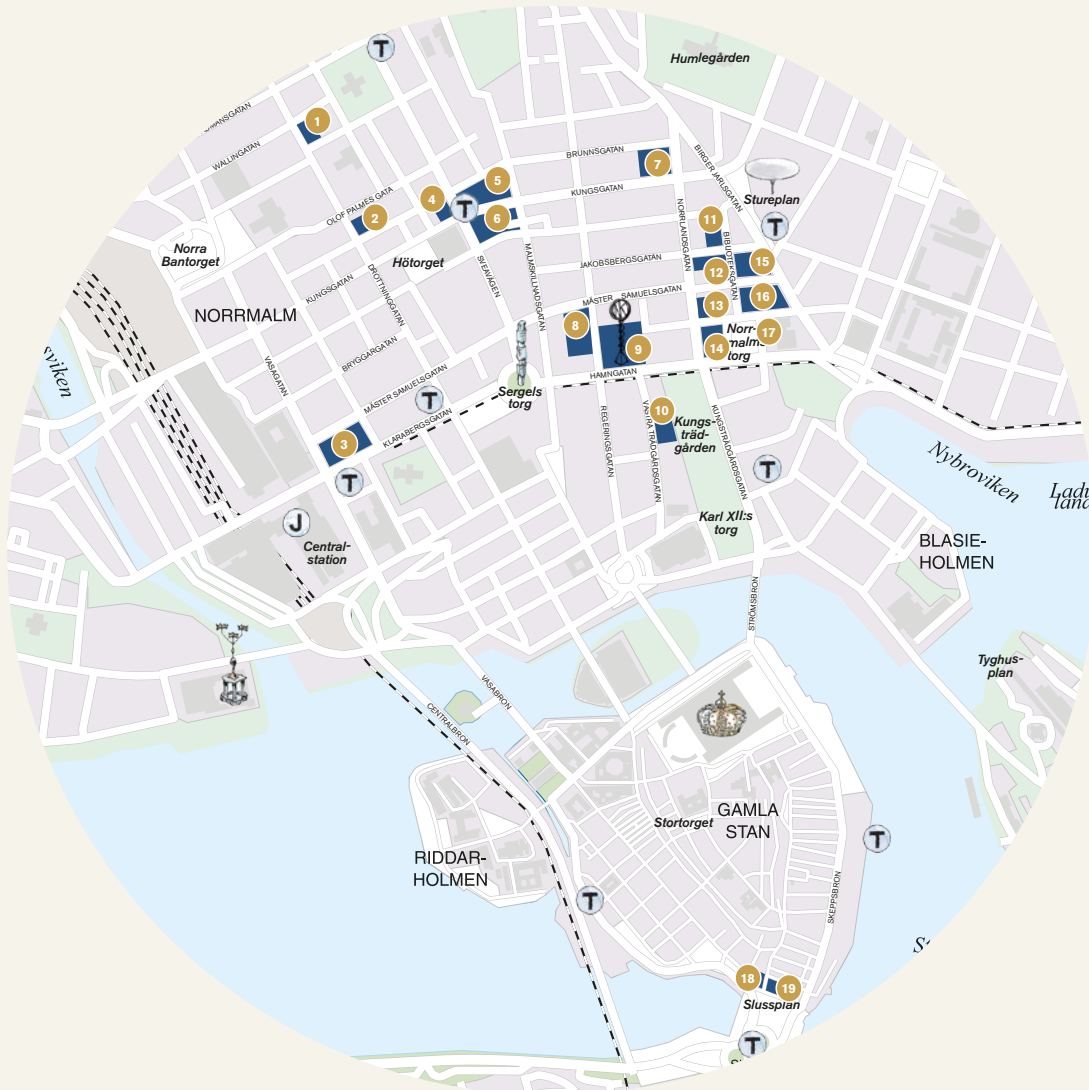
Interim Report, Jan–Mar 2023	May 11, 2023
Half-year Report, Jan–June 2023	August 24, 2023
Interim Report Jan–Sept 2023	November 9, 2023
Year-End Report 2023	February 15, 2024
Annual Report 2023	February 15, 2024

## Contact persons

Anders Nygren, President  
Telephone: +46 8 762 90 00, [anders.nygren@hufvudstaden.se](mailto:anders.nygren@hufvudstaden.se)  
Åsa Roslund, Vice President, CFO  
Telephone: +46 8 762 90 00, [asa.roslund@hufvudstaden.se](mailto:asa.roslund@hufvudstaden.se)

This information is also published on [hufvudstaden.se](http://hufvudstaden.se). The Annual and Sustainability Report will be distributed to shareholders on request.

# Hufvudstaden's property holdings in Stockholm



Property/Construction year/Rentable space



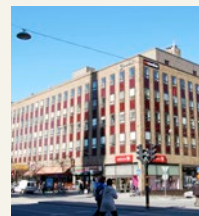
**1**  
Grönlandet Södra 11  
Construction year: 1911  
Rentable space:  
9,133 sq m

Property/Construction year/Rentable space



**2**  
Svärdfisken 2  
Construction year: 1851  
Rentable space:  
7,464 sq m

Property/Construction year/Rentable space



**3**  
Orgelpipan 7  
Construction year: 1964  
Rentable space:  
30,463 sq m



**4**  
Hästhuvudet 13  
Construction year: 1919  
Rentable space:  
7,033 sq m



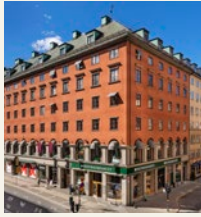
**5**  
Oxhuvudet 18  
Construction year: 1931  
Rentable space:  
29,485 sq m



**6**  
Järnplåten 28  
Construction year: 1958  
Rentable space:  
9,208 sq m

PROPERTY HOLDINGS

Property/Construction year/Rentable space



**7**  
Käkenhusen 40  
Construction year: 1926  
Rentable space:  
22,546 sq m



**10**  
Kungliga  
Trädgården 5  
Construction year: 1984  
Rentable space:  
2,764 sq m



**12**  
Kvasten 6  
Construction year: 1917  
Rentable space:  
7,071 sq m



**14**  
Packarhuset 4  
Construction year: 1932  
Rentable space:  
15,357 sq m



**16**  
Rännilen 11  
Construction year: 1902  
Rentable space:  
2,913 sq m



**17**  
Norrmalm 2:63  
Construction year: 1993  
Rentable space:  
194 sq m

Property/Construction year/Rentable space



**8**  
Hästskon 10  
Construction year: 1964  
Rentable space:  
35,680 sq m



**11**  
Vildmannen 7  
Construction year: 1897  
Rentable space: - sq m



**12**  
Kvasten 9  
Construction year: 1978  
Rentable space:  
3,440 sq m



**15**  
Pumpstocken 10  
Construction year: 1865  
Rentable space:  
12,467 sq m



**16**  
Rännilen 18  
Construction year: 1888  
Rentable space:  
6,956 sq m



**18**  
Medusa 1  
Construction year: 1878  
Rentable space:  
2,206 sq m

Property/Construction year/Rentable space



**9**  
Hästen 19, 20 (NK)  
Construction year: 1915  
Rentable space:  
39,305 sq m



**12**  
Kvasten 2  
Construction year: 1987  
Rentable space:  
4,708 sq m



**13**  
Skären 9  
Construction year:  
1984/2020  
Rentable space:  
13,769 sq m



**16**  
Rännilen 8  
Construction year: 1900  
Rentable space:  
2,673 sq m



**16**  
Rännilen 19  
Construction year: 1902  
Rentable space:  
11,321 sq m



**19**  
Achilles 1  
Construction year: 17th  
century  
Rentable space:  
4,958 sq m

# Hufvudstaden's property holdings in Gothenburg



Property/Construction year/Rentable space



**1**  
 Nordstaden 8:24  
 (Femman)  
 Construction year:  
 1972/2011  
 Rentable space:  
 45,061 sq m

Property/Construction year/Rentable space



**2**  
 Nordstaden 8:24  
 (Fyran)  
 Construction year:  
 1972  
 Rentable space:  
 21,209 sq m

Property/Construction year/Rentable space



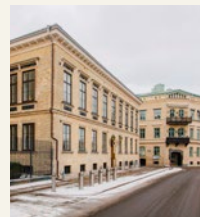
**3**  
 Inom Vallgraven 12:10  
 Construction year:  
 1975  
 Rentable space:  
 16,449 sq m



**3**  
 Inom Vallgraven 12:11  
 Construction year:  
 1875/1929/30  
 Rentable space:  
 4,704 sq m



**4**  
 Inom Vallgraven 10:9  
 (NK)  
 Construction year:  
 1964  
 Rentable space:  
 16,462 sq m



**5**  
 Inom Vallgraven 3:2  
 Construction year:  
 1856/2022  
 Rentable space:  
 1,564 sq m

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