

HUFVUDSTADEN



Q1

Interim Report
January–March 2020

HUFVUDSTADEN

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- **Gross profit from property management rose by 2 per cent to SEK 350 million (343). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 482 million (472), an increase of 2 per cent.**
- **Net income for the period was SEK -499 million (500), equivalent to SEK -2.42 per share (2.42). The decrease can be attributed to negative unrealized changes in the value of the property holdings.**
- **The fair value of the property holdings was SEK 47.0 billion (47.7 at the turn of the year), resulting in a net asset value of SEK 178 per share (185 at the turn of the year) following payment of a dividend of SEK 3.90 per share. The unrealized change in the value of the property holdings for the period was SEK -929 million (332).**
- **The equity ratio was 62 per cent (62), the net loan-to-value ratio was 18 per cent (17), and the interest coverage ratio multiple was 10.8 (11.8).**
- **The rental vacancy level at the period-end was 6.3 per cent (6.2). Excluding current development projects, the rental vacancy level was 2.7 per cent (2.3).**

Operating events during the first quarter

Hufvudstaden will be opening a coworking facility in Bibliotekstan – Cecil Coworking – under its own auspices.

The expansion and redevelopment of the Skären 9 property in Bibliotekstan is approaching the final phase. Externally, the extension and new facades are almost completed.

A new local plan has been approved for the Vildmannen 7 property in Stockholm. Demolition work behind the original facades has been in progress since autumn 2019.

The spread of Covid-19 has had a major impact on society as a whole, and a marked slowdown in the economy was noted at the end of the quarter.

Performance measures

| SEK m | Jan-Mar 2020 | Jan-Mar 2019 | Jan-Dec 2019 |
|---|-----------------|-----------------|-----------------|
| Net revenue, property management | 482 | 472 | 1,896 |
| Gross profit, property management | 350 | 343 | 1,373 |
| Unrealized changes in value, investment properties | -929 | 332 | 2,727 |
| Operating income | -585 | 674 | 4,087 |
| Net income for the period | -499 | 500 | 3,146 |
| Fair value, properties, SEK bn | 47.0 | 44.6 | 47.7 |
| Net loan-to-value ratio, properties, % | 17.5 | 17.5 | 15.5 |
| Interest coverage ratio, multiple | 10.8 | 11.8 | 11.4 |
| Rental vacancy level, excl. projects (EPRA vacancy rate), % | 2.7 | 2.3 | 1.7 |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 1.36 | 1.34 | 5.49 |
| Current net asset value (EPRA NNNAV) per share, SEK | 178.00 | 170.00 | 185.00 |

COVID-19

The spread of Covid-19 has had wide-reaching repercussions on society and its economic development. Measures to stop the spread of the virus have impacted on many sectors. The consumer durables and restaurant sectors have been hit particularly hard, with a substantial fall in sales since the middle of March. This also applies to Hufvudstaden's properties with stores and restaurants, principally the NK department stores and the Femman galleria, where there is a heightened risk of rent default. However, Hufvudstaden's operations during the first quarter were only affected to a limited extent, as rent is mainly paid quarterly in advance. For details of the impact on property valuation and the rental market, reference can be made to the relevant sections on pages 4 and 5.

In many cases, Hufvudstaden has a long-term relationship with its tenants, which is a core element in our business concept. We support tenants in all matters related to premises, both in good times and bad. Discussions are currently taking place to find the best solution in business terms to help tenants bridge this challenging period. Despite this, there is an increased risk of company reconstructions and bankruptcies, which have already taken place in a number of instances since the end of March. This will be reflected in earnings from the second quarter.

The government has decided to provide state support to landlords that offer rent relief during the second quarter to tenants in vulnerable sectors. The state will reimburse the landlord for 50 per cent of the reduction although subject to a maximum of 25 per cent of the fixed rent. If Hufvudstaden were to theoretically reduce the rent by 50 per cent for all tenants within the consumer durables and restaurant sectors, and at the same time receive state support for providing such financial relief, the outcome would be a decrease in income of just over SEK 50 million for the second quarter.

Hufvudstaden is following official directives on how to handle the spread of the infection. Operations are being adapted to ensure full compliance with the directives, both in stores, restaurants, and office premises. Despite the present situation, current and planned projects will still go ahead as scheduled. Hufvudstaden's financial position remains sound with good liquidity to cope with the situation as it develops. Even if rent payments are affected in the short term, the company will continue to be stable.

Hufvudstaden is well placed to deal with major societal changes and downturns. The business concept remains firm, and properties in prime commercial locations in the two largest cities in Sweden will continue to be in demand after Covid-19 has passed.

GROUP

RESULTS

Property management

Net revenue from property management during the period amounted to SEK 482.2 million (472.0). Gross profit was SEK 350.1 million (342.9). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation.

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

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

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 19.2 million (20.8). The decrease can be attributed to reduced revenue from short-term parking. Expenses totalled SEK -13.0 million (-12.9) and gross profit totalled SEK 6.2 million (7.9).

Other profit and loss items

Central administration totalled SEK -11.5 million (-10.8). Unrealized changes in the value of investment properties totalled SEK -929.4 million (331.8) and changes in interest derivatives totalled SEK 0.0 million (2.2). For further information, see pages 4-6.

Financial income and expense

Net financial income and expense amounted to SEK -32.0 million (-28.6), of which SEK -26.5 million (-23.2) refers to the cost of borrowing, and SEK -5.5 million (-5.7) to leasing cost for mainly site leasehold charges. The increase in financial expense related to borrowing can be attributed to a higher average rate of interest on loans. For further information, see pages 5-6.

Tax

The Group's tax for the period was SEK 118.1 million (-145.9), of which SEK -37.7 million (-44.4) was actual tax, and SEK 155.8 million (-101.5) was deferred tax.

Net income for the period

The consolidated net income amounted to SEK -498.5 million (499.5). The decrease can be attributed to negative unrealized changes in the value of the property holdings.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The assessed value as at March 31, 2020 was SEK 46,963 million (47,681 at the turn of the year). The decrease can be attributed to negative unrealized changes in value in the property holdings. Rentable floor space totalled approximately 384,200 square metres (384,200 at the turn of the year).

The rental vacancy level as at March 31, 2020 was 6.3 per cent (5.0 at the turn of the year) and the total floor space vacancy level was 8.1 per cent (6.7 at the turn of the year). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 2.7 per cent (1.7 at the turn of the year).

Acquisitions and investments

The total investment in properties and other non-current assets during the period was SEK 217.8 million (173.9).

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

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

Extensive redevelopment has taken place in recent years at NK in Stockholm with the aim of strengthening its position as a world-class department store. To date, around 35 new departments have opened, and preparations for the project's remaining openings have continued during the first quarter of the year.

The expansion and redevelopment project on the Skären 9 property in Bibliotekstan is approaching the final phase. Window and facade work and the addition of terraces has largely been completed. The law firm Vinge will lease around 75 per cent of the floor space from the turn of the year 2020/2021. Cecil Coworking will open on the first and second floor at the beginning of 2021 and by which time the office part of the property will be fully let.

A new local plan has been approved for the Vildmannen 7 property in Stockholm. Demolition work has been taking place behind the original facades in preparation for the new construction.

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

Property value and net asset value

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

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

The Covid-19 outbreak resulted in a greater degree of uncertainty than normal in the valuation as at March 31, 2020. To ease this uncertainty, four properties have been valued externally, and several reconciliations have been made with valuation companies and transaction consultants.

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK -929.4 million (331.8). The total value of the property holdings as at March 31, 2020 was SEK 47.0 billion, including investments made during the period. The unrealized decrease in value can be attributed to rising yield requirements as a risk supplement.

The yield requirement has on average increased by 6 points compared to the fourth quarter, and in conjunction with the above valuation it stood at 3.7 per cent (3.6 at the turn of the year).

Valuation method

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

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's subarea, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different subareas within the regions.

Major current and planned projects in the first quarter 2020

| City | Property | Status | Type of premises | Project floor space (sq m) | Of which added floor space (sq m) | Estimated investment ¹⁾ (SEK m) | Estimated completion |
|------------|---------------------------|---------------------------|------------------------------|--|-----------------------------------|--|----------------------|
| Stockholm | NK Stockholm, Hästskon 10 | Current | Retail, restaurant & parking | 50% of the department store floor space & 20% increase | - | 700 | 2020/2021 |
| Stockholm | Skären 9 | Current | Office | 10,700 | 2,600 | 750 | 2020/2021 |
| Stockholm | Vildmannen 7 | Demolition work, planning | Office & retail | - | - | - | - |
| Stockholm | Orgelpipan 7 | Local planning | Office | - | - | - | - |
| Gothenburg | Inom Vallgraven 3:2 | Planning | Residential | 1,300 | - | 85 | 2021/2022 |
| Gothenburg | Inom Vallgraven 12 block | Planning | Office, retail & restaurant | - | - | - | - |

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

Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that is 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level, and normalized operating and maintenance costs. If there is a greater degree of uncertainty than normal, this is compensated for by increased yield requirements in the valuation.

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

Yield requirements, property valuation¹⁾

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

¹⁾ Valuation date: March 31, 2020.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In the case of an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The range is usually +/- 5 per cent but can vary depending, in part, on the market situation, the technical standard of the property, and investment requirements.

Hufvudstaden's property holdings are valued at SEK 47.0 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.3 billion. The opinion is that uncertainty in the valuation as at March 31, 2020 is greater than normal. Below are the key factors that influence the valuation and the consequent impact on income before tax.

Sensitivity analysis, property valuation¹⁾

| | Change, +/- | Impact on income before tax, +/- |
|----------------------|------------------------|----------------------------------|
| Rental revenue | SEK 100/sq m | SEK 1,050 m |
| Property costs | SEK 50/sq m | SEK 525 m |
| Rental vacancy level | 1.0 percentage points | SEK 600 m |
| Yield requirement | 0.25 percentage points | SEK 3,200 m |

¹⁾ Valuation date: March 31, 2020.

External valuation

To reduce uncertainty in the valuation, external estimates were obtained from two independent valuation companies, Forum Fastighetsekonomi, and Newsec Advice. The external valuations as at March 31, 2020 covered four properties, equivalent to 18 per cent of the internally assessed fair value.

The external valuation companies set a fair value for these properties of SEK 8.8 billion. Hufvudstaden's internal valuation of the same properties was SEK 8.6 billion. The internal valuations thus concur well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 38.9 billion or SEK 188 per share. The current net asset value (EPRA NNAV) was SEK 36.7 billion or SEK 178 per share following a deduction for estimated deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been set at 5 per cent.

Net asset value, March 31, 2020

| | SEK m | SEK/ share |
|--|----------|------------|
| Equity according to the Balance Sheet | 30,079.8 | 146 |
| <i>Reversal</i> | | |
| Deferred tax, investment properties | 8,775.0 | 42 |
| Non-current net asset value (EPRA NAV) | 38,854.8 | 188 |
| <i>Deduction</i> | | |
| Estimated actual deferred tax 5% | -2,129.9 | -10 |
| Current net asset value (EPRA NNAV) | 36,724.9 | 178 |

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be positive at the beginning of the period. A cautious market resulting from the Covid-19 outbreak meant there were few transactions. Vacant space has been low and in Stockholm's most attractive locations – in Bibliotekstan, at Normalmstorg/Hamngatan, and in the Hötorget area – market rents for office space were SEK 6,300-8,700 per square metre per year, excluding the property tax supplement. During the first two months of the quarter, market rents for retail premises in prime locations were SEK 14,000-26,000 per square metre per year, excluding the property tax supplement. By the end of the quarter the Covid-19 outbreak had a significant impact in the consumer durables sector. The effects of this are hard to predict but, temporarily at least, the assessment is that market rents will be affected negatively.

Central submarkets in Gothenburg were also affected by a cautious office rental market at the end of the period. Market rents in prime locations were assessed at SEK 2,900-3,800 per square metre per year, excluding the property tax supplement. At the beginning of the period market rents for retail premises in central Gothenburg were SEK 6,000-15,000 per square metre per year, excluding the property tax supplement. As in Stockholm, the effects of the Covid-19 outbreak are difficult to assess, but the expectation is that the retail rental market will be weaker in the immediate future.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at March 31, 2020 was SEK 8,200 million (8,350 at the turn of the year). Interest-bearing net debt was SEK 8,225 million (7,404 at the turn of the year). During the second and third quarter SEK 500 million in commercial paper will mature, and in November SEK 500 million in bank loans will fall due. No bonds are due to mature during 2020. In addition to outstanding loans, there are unutilized loan assurances amounting to SEK 2,500 million, of which SEK 500 million is reserved as backup for outstanding commercial paper.

Hufvudstaden has an MTN programme totalling SEK 8,000 million, and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds is SEK 6,200 million and there is SEK 500 million outstanding in commercial paper. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 2.4 years (2.6 at the turn of the year), the average capital tie-up period was 2.9 years (3.3 at the turn of the year), and the average equivalent rate of interest was 1.4 per cent (1.2 at the turn of the year).

To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the total borrowings, SEK 6,200 million carries a fixed rate of interest. Financial assets and liabilities are recognized at the accrued acquisition cost, which in all material respects concurs with the fair value. There is no set-off of financial assets and liabilities, and there are no agreements that permit netting.

Fixed interest structure, SEK m, March 31, 2020

| Maturity, year | Credit amount | AER, % ¹⁾ | Proportion, % |
|----------------|---------------|----------------------|---------------|
| < 1 | 2,500 | 1.5 | 31 |
| 1 - 2 | 900 | 1.3 | 11 |
| 2 - 3 | 1,800 | 1.4 | 22 |
| 3 - 4 | 1,000 | 1.3 | 12 |
| 4 - 5 | 2,000 | 1.2 | 24 |
| Total | 8,200 | 1.4 | 100 |

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

Capital tie-up structure SEK m, March 31, 2020

| Maturity, year | Credit Agreement | Utilized: | | | | Proportion, % |
|----------------|------------------|------------|-------|--------------------------------|---------------------|---------------|
| | | Bank loans | Bonds | Commercial paper ¹⁾ | Total | |
| < 1 | 1,000 | 500 | 500 | - | 1,000 | 12 |
| 1 - 2 | 1,900 | 500 | 900 | - | 1,400 | 17 |
| 2 - 3 | 2,300 | 500 | 1,800 | - | 2,300 | 28 |
| 3 - 4 | 2,000 | - | 1,000 | - | 1,000 | 12 |
| 4 - 5 | 3,000 | - | 2,000 | 500 | 2,500 ²⁾ | 31 |
| Total | 10,200 | 1,500 | 6,200 | 500 | 8,200 | 100 |

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

²⁾ SEK 500 million is reserved as backup for outstanding commercial paper.

SHARES AND SHAREHOLDERS

Hufvudstaden series A shares are listed on NASDAQ Stockholm. The Company's series C shares were delisted from NASDAQ Stockholm in January 2020. The Company had 30,256 shareholders at the period-end. The proportion of foreign ownership as at March 31, 2020 was 28.6 per cent of the total number of outstanding shares (28.4 at the turn of the year). The series A share price as at March 31, 2020 was SEK 135.70, and the total market capitalization of all shares based on the series A share price was SEK 28.7 billion.

Conversion of Hufvudstaden's series C shares

At the 2001 Annual General Meeting a conversion provision was added to Hufvudstaden's articles of association. Shareholders have the right at any time to request conversion of their series C shares into series A shares. In March 2020, 2,210 series C shares were converted into series A shares.

Share structure as at March 31, 2020

| Share category | Number of shares | Number of votes | Capital % | Votes % |
|----------------|------------------|-----------------|-----------|---------|
| A (1 vote) | 202,999,079 | 202,999,079 | 96.1 | 19.7 |
| C (100 votes) | 8,272,854 | 827,285,400 | 3.9 | 80.3 |
| Total | 211,271,933 | 1,030,284,479 | 100.0 | 100.0 |

Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 2020 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buybacks were made during or after the end of the reporting period. At the 2020 Annual General Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares, and to assign own shares held by Hufvudstaden.

Buy-back of shares as at March 31, 2020, million shares

| | Total number of shares | Company holdings | Held by other shareholders |
|-----------------------|------------------------|------------------|----------------------------|
| As at January 1, 2020 | 211.3 | 5.0 | 206.3 |
| Buy-back | - | - | - |
| As at March 31, 2020 | 211.3 | 5.0 | 206.3 |

EVENTS DURING THE PERIOD

The President, Ivo Stopner, will continue to be on sick leave until June 30, 2020. The Company's Vice President Bo Wikare will continue as acting President until Ivo Stopner takes up his position again, which is expected to be on July 1, 2020.

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. Other than the material risks and uncertainties described in the 2019 Annual Report, a greater degree of uncertainty has been identified as a result of the current Covid-19 pandemic. See page 3 for further details. The scale of this uncertainty makes it difficult to predict the consequences and financial impact that could eventually ensue.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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

FORTHCOMING INFORMATION

| | |
|--|-------------------|
| Half-year Report, January-June 2020 | August 26, 2020 |
| Interim Report, January-September 2020 | November 5, 2020 |
| Year-end Report 2020 | February 18, 2021 |
| Annual Report 2020 | March 2021 |
| Annual General Meeting in Stockholm 2021 | March 25, 2021 |

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on May 7, 2020.

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

Questions can be answered by Bo Wikare, Acting President, or Åsa Roslund, CFO, telephone +46-8-762 90 00.

INCOME STATEMENTS – SUMMARY

| GROUP, SEK m | January- March 2020 | January- March 2019 | January- December 2019 |
|--|---------------------------|---------------------------|------------------------------|
| Net revenue¹⁾ | | | |
| Property management | 482.2 | 472.0 | 1,896.4 |
| Parking operations | 19.2 | 20.8 | 84.8 |
| | 501.4 | 492.8 | 1,981.2 |
| Property management expenses | | | |
| Maintenance | -6.4 | -5.3 | -28.9 |
| Operation and administration | -74.3 | -72.3 | -287.0 |
| Property tax | -50.2 | -50.3 | -200.7 |
| Depreciation, right of use assets | -1.2 | -1.2 | -6.8 |
| Property management expenses | -132.1 | -129.1 | -523.4 |
| Parking operations, expenses | -13.0 | -12.9 | -52.5 |
| Operating expenses | -145.1 | -142.0 | -575.9 |
| Gross profit | 356.3 | 350.8 | 1,405.3 |
| - of which Property management | 350.1 | 342.9 | 1,373.0 |
| - of which Parking operations | 6.2 | 7.9 | 32.3 |
| Central administration | -11.5 | -10.8 | -49.2 |
| Operating income before changes in value | 344.8 | 340.0 | 1,356.1 |
| Changes in value, investment properties | -929.4 | 331.8 | 2,726.9 |
| Changes in value, interest derivatives | - | 2.2 | 3.7 |
| Operating income | -584.6 | 674.0 | 4,086.7 |
| Financial income and expense | -32.0 | -28.6 | -118.7 |
| Income before tax | -616.6 | 645.4 | 3,968.0 |
| Tax | 118.1 | -145.9 | -821.6 |
| Net income | -498.5 | 499.5 | 3,146.4 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | -498.5 | 499.5 | 3,146.4 |
| Average number of outstanding shares following buy-backs during the period | 206,265,933 | 206,265,933 | 206,265,933 |
| Net income for the period per share before and after dilution, SEK | -2.42 | 2.42 | 15.25 |

¹⁾ Service revenue totalled SEK 23.7 million, equivalent to 5% of the total net revenue for Jan-Mar 2020. The figure for Jan-Mar 2019 was SEK 21.4 million, equivalent to 4%, and the figure for Jan-Dec 2019 was SEK 86.8 million, equivalent to 4%.

BALANCE SHEETS – SUMMARY

| GROUP SEK m | March 31, 2020 | March 31, 2019 | December 31, 2019 |
|--|-------------------|-------------------|----------------------|
| Investment properties | 46,963.0 | 44,582.0 | 47,680.6 |
| Right of use assets | 749.4 | 778.3 | 760.0 |
| Other non-current assets | 104.1 | 49.7 | 101.1 |
| Total non-current assets | 47,816.5 | 45,410.0 | 48,541.7 |
| Current assets | 978.7 | 627.8 | 1,799.9 |
| Total assets | 48,795.2 | 46,037.8 | 50,341.6 |
| Equity | 30,079.7 | 28,735.8 | 31,382.7 |
| Non-current interest-bearing liabilities | 6,700.0 | 5,700.0 | 6,700.0 |
| Deferred tax liabilities | 8,816.5 | 8,394.5 | 8,972.3 |
| Non-current leasing liabilities | 714.3 | 739.2 | 719.0 |
| Other non-current liabilities | 69.9 | 51.4 | 61.0 |
| Other provisions | 23.1 | 21.3 | 25.7 |
| Total non-current liabilities | 16,323.8 | 14,906.4 | 16,478.0 |
| Current interest-bearing liabilities | 1,500.0 | 1,650.0 | 1,650.0 |
| Current leasing liabilities | 35.6 | 39.2 | 41.4 |
| Other liabilities | 856.1 | 706.4 | 789.5 |
| Total current liabilities | 2,391.7 | 2,395.6 | 2,480.9 |
| Total equity and liabilities | 48,795.2 | 46,037.8 | 50,341.6 |

CHANGES IN EQUITY – SUMMARY

| GROUP, SEK m | January- March 2020 | January- March 2019 | January- December 2019 |
|---|---------------------------|---------------------------|------------------------------|
| Equity, opening balance | 31,382.7 | 28,999.5 | 28,999.5 |
| Total comprehensive income for the period | -498.5 | 499.5 | 3,146.4 |
| Dividend | -804.4 | -763.2 | -763.2 |
| Equity, closing balance | 30,079.7 | 28,735.8 | 31,382.7 |

STATEMENTS OF CASH FLOWS – SUMMARY

| GROUP, SEK m | January- March 2020 | January- March 2019 | January- December 2019 |
|--|---------------------------|---------------------------|------------------------------|
| Income before tax | -616.6 | 645.4 | 3,968.0 |
| Depreciation/impairments | 16.7 | 12.7 | 52.8 |
| Changes in value, investment properties | 929.4 | -331.8 | -2,726.9 |
| Changes in value, interest derivatives | - | -2.2 | -3.7 |
| Other changes | -2.5 | 1.7 | 6.0 |
| Income tax paid | -39.6 | -38.9 | -138.0 |
| Cash flow from current operations before changes in working capital | 287.4 | 286.9 | 1,158.2 |
| Increase/decrease in operating receivables | -163.3 | -113.2 | 72.1 |
| Increase/decrease in operating liabilities | 77.3 | 41.4 | 136.8 |
| Cash flow from current operations | 201.4 | 215.1 | 1,367.1 |
| Investments in properties | -211.8 | -161.7 | -865.2 |
| Investments in other non-current assets | -6.0 | -12.2 | -63.0 |
| Cash flow from investments | -217.8 | -173.9 | -928.2 |
| Loans raised | 1,000.0 | 1,450.0 | 5,350.0 |
| Amortization of loan debt | -1,150.0 | -1,450.0 | -4,350.0 |
| Amortization of leasing debt | -10.5 | -9.7 | -40.3 |
| Dividend paid | -804.4 | -763.2 | -763.2 |
| Cash flow from financing | -964.9 | -772.9 | 196.5 |
| Cash flow for the period | -981.3 | -731.7 | 635.4 |
| Cash and cash equivalents at the beginning of the period | 1,706.1 | 1,070.7 | 1,070.7 |
| Cash and cash equivalents at the period-end | 724.8 | 339.0 | 1,706.1 |
| Cash flow from current operations per share, SEK | 0.98 | 1.04 | 6.63 |
| Cash flow for the period per share, SEK | -4.76 | -3.55 | 3.08 |

SEGMENT REPORT – SUMMARY

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

| GROUP, SEK m | Business Area Stockholm | | Business Area NK | | Business Area Gothenburg | | Total | |
|---|----------------------------|-----------------|---------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | Jan-Mar 2020 | Jan-Mar 2019 | Jan-Mar 2020 | Jan-Mar 2019 | Jan-Mar 2020 | Jan-Mar 2019 | Jan-Mar 2020 | Jan-Mar 2019 |
| Property management: | | | | | | | | |
| Net revenue | 271.3 | 264.1 | 118.8 | 117.9 | 92.1 | 90.0 | 482.2 | 472.0 |
| Property costs | -60.9 | -60.8 | -45.2 | -42.8 | -26.0 | -25.5 | -132.1 | -129.1 |
| Gross profit property management | 210.4 | 203.3 | 73.6 | 75.1 | 66.1 | 64.5 | 350.1 | 342.9 |
| Gross profit Parking operations | | | 6.2 | 7.9 | | | 6.2 | 7.9 |
| Central administration | | | | | | | -11.5 | -10.8 |
| Changes in value: | | | | | | | | |
| Investment properties | | | | | | | -929.4 | 331.8 |
| Interest derivatives | | | | | | | - | 2.2 |
| Operating income | | | | | | | -584.6 | 674.0 |
| Financial income and expense | | | | | | | -32.0 | -28.6 |
| Income before tax | | | | | | | -616.6 | 645.4 |

PERFORMANCE MEASURES

| GROUP | March 31, 2020 | March 31, 2019 | Full year 2019 |
|---|-------------------|-------------------|-------------------|
| Property-related | | | |
| Rentable floor space, 1,000 m ² | 384.2 | 384.1 | 384.2 |
| Rental vacancy level, % | 6.3 | 6.2 | 5.0 |
| Floor space vacancy level, % | 8.1 | 8.3 | 6.7 |
| Fair value, SEK bn | 47.0 | 44.6 | 47.7 |
| Financial | | | |
| Return on equity, % | 0.7 | 4.1 | 10.4 |
| Return on capital employed, % | 1.1 | 4.6 | 10.7 |
| Equity ratio, % | 62 | 62 | 62 |
| Interest coverage ratio, multiple | 10.8 | 11.8 | 11.4 |
| Debt/equity ratio, multiple | 0.3 | 0.3 | 0.2 |
| Net loan-to-value ratio, properties, % | 17.5 | 17.5 | 15.5 |
| Surplus ratio, % | 71.1 | 71.2 | 70.9 |
| Data per share | | | |
| Net income for the period, SEK | -2.42 | 2.42 | 15.25 |
| Equity, SEK | 145.83 | 139.31 | 152.15 |
| Properties, fair value, SEK | 227.68 | 216.14 | 231.16 |
| Number of outstanding shares, 1,000 | 206,266 | 206,266 | 206,266 |
| Number of issued shares, 1,000 | 211,272 | 211,272 | 211,272 |
| EPRA | | | |
| Result from property management after nominal tax (EPRA Earnings), SEK m | 281 | 276 | 1,132 |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 1.36 | 1.34 | 5.49 |
| Non-current net asset value (EPRA NAV), SEK m | 38,854.8 | 37,051.4 | 40,314.1 |
| Non-current net asset value (EPRA NAV) per share, SEK | 188.00 | 180.00 | 195.00 |
| Current net asset value (EPRA NNNAV), SEK m | 36,724.9 | 35,031.9 | 38,146.2 |
| Current net asset value (EPRA NNNAV) per share, SEK | 178.00 | 170.00 | 185.00 |
| EPRA Vacancy rate, % | 2.7 | 2.3 | 1.7 |

PERFORMANCE MEASURES PER QUARTER

| GROUP | Jan-Mar 2020 | Oct-Dec 2019 | Jul-Sept 2019 | Apr-Jun 2019 | Jan-Mar 2019 | Oct-Dec 2018 | Jul-Sept 2018 | Apr-Jun 2018 |
|---|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| Share price, series A share, SEK | 135.70 | 185.10 | 178.20 | 157.90 | 161.30 | 136.90 | 135.20 | 128.30 |
| Net revenue, SEK m | 501 | 512 | 489 | 487 | 493 | 487 | 465 | 464 |
| Return on equity, % | 0.7 | 10.9 | 7.8 | 6.4 | 4.1 | 14.7 | 10.7 | 9.4 |
| Return on equity, adjusted, % | 3.1 | 3.8 | 3.2 | 3.0 | 3.2 | 4.1 | 3.4 | 3.3 |
| Equity ratio, % | 62 | 62 | 62 | 62 | 62 | 64 | 63 | 63 |
| Surplus ratio, % | 71.1 | 69.1 | 72.3 | 71.2 | 71.2 | 69.9 | 71.1 | 71.4 |
| Net income per share for the period, SEK | -2.42 | 5.34 | 2.73 | 4.76 | 2.42 | 5.73 | 2.73 | 9.13 |
| Equity per share, SEK | 145.83 | 152.15 | 146.81 | 144.07 | 139.31 | 140.59 | 134.86 | 132.13 |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 1.36 | 1.38 | 1.38 | 1.39 | 1.34 | 1.36 | 1.26 | 1.28 |
| Net asset value (EPRA NNNAV) per share, SEK | 178.00 | 185.00 | 179.00 | 176.00 | 170.00 | 171.00 | 164.00 | 161.00 |
| Cash flow per share from current operations, SEK | 0.98 | 1.98 | 2.23 | 1.37 | 1.04 | 1.69 | 1.08 | 1.40 |

ALTERNATIVE PERFORMANCE MEASURES

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

| SEK m | March 31, 2020 | March 31, 2019 | Full year 2019 |
|--|-------------------|----------------------------|-------------------|
| Net asset value (EPRA NNAV) see page 5. | | | |
| Net debt | | | |
| Non-current interest-bearing liabilities | 6,700 | 5,700 | 6,700 |
| Non-current leasing liabilities | 714 | 739 | 719 |
| Current interest-bearing liabilities | 1,500 | 1,650 | 1,650 |
| Current leasing liabilities | 36 | 39 | 41 |
| Cash and bank holdings | -725 | -339 | -1,706 |
| Net debt | 8,225 | 7,789 | 7,404 |
| Equity ratio | | | |
| Equity | 30,080 | 28,736 | 31,383 |
| Total assets | 48,795 | 46,038 | 50,342 |
| Equity ratio, % | 62 | 62 | 62 |
| Net loan-to-value ratio, properties | | | |
| Interest-bearing liabilities | 8,950 | 8,128 | 9,110 |
| Interest-bearing assets | -725 | -339 | -1,706 |
| Total | 8,225 | 7,789 | 7,404 |
| Carrying amount, properties | 46,963 | 44,582 | 47,681 |
| Net loan-to-value ratio, properties, % | 17.5 | 17.5 | 15.5 |
| Interest coverage ratio | | | |
| Income before tax | 322 ¹⁾ | 1,580 ¹⁾ | 3,968 |
| Reversal of changes in value | 929 | -334 | -2,731 |
| Interest expense | 128 ¹⁾ | 115 ¹⁾ | 119 |
| Total | 1,379 | 1,361 ¹⁾ | 1,356 |
| Interest expense | 128 ¹⁾ | 115 | 119 |
| Interest coverage ratio, multiple | 10.8 | 11.8 | 11.4 |
| Result from property management after nominal tax (EPRA Earnings) | | | |
| Operating income before changes in value | 345 | 340 | 1,356 |
| Financial income and expense | -32 | -29 | -119 |
| Result from property management | 313 | 311 | 1,237 |
| Current tax, result from property management | -32 | -35 | -105 |
| Result from property management after nominal tax (EPRA Earnings) | 281 | 276 | 1,132 |
| Number of outstanding shares, million | 206.3 | 206.3 | 206.3 |
| Result from property management after nominal tax (EPRA EPS) per share, SEK | 1.36 | 1.34 | 5.49 |

¹⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 331.7 million (322.9). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Operating costs totalled SEK -202.8 million (-176.4). The increase is attributed to higher maintenance costs, mainly as a result of major current development projects. Gross profit was SEK 128.9 million (146.5). Net financial income and expense was SEK -26.4 million (-22.9).

Cash and cash equivalents at the period-end amounted to SEK 707.7 million (337.5). Investment in properties, intangible fixed assets and equipment was SEK 92.0 million (44.5).

MATERIAL RISKS AND UNCERTAINTY FACTORS

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

greater degree of uncertainty has been identified as a result of the current Covid-19 pandemic. See page 3 for further details. The scale of this uncertainty makes it difficult to predict the consequences and financial impact that could eventually ensue.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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

INCOME STATEMENTS – SUMMARY

| | January- March 2020 | January- March 2019 | January- December 2019 |
|--|---------------------------|---------------------------|------------------------------|
| PARENT COMPANY, SEK m | | | |
| Net revenue ¹⁾ | 331.7 | 322.9 | 1,282.7 |
| Operating expenses | -202.8 | -176.4 | -802.7 |
| Gross profit | 128.9 | 146.5 | 480.0 |
| Central administration | -11.5 | -10.8 | -49.2 |
| Changes in value, interest derivatives | - | 2.2 | 3.7 |
| Operating income | 117.4 | 137.9 | 434.5 |
| Group contributions received | - | - | 162.9 |
| Other financial income and expense | -26.4 | -22.9 | -96.3 |
| Income after financial items | 91.0 | 115.0 | 501.1 |
| Appropriations | - | - | 174.5 |
| Income before tax | 91.0 | 115.0 | 675.6 |
| Tax | -26.9 | -33.7 | -145.0 |
| Net income for the period | 64.1 | 81.3 | 530.6 |
| Statement of comprehensive income, SEK m | | | |
| Net income for the period | 64.1 | 81.3 | 530.6 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | 64.1 | 81.3 | 530.6 |

¹⁾ Service revenue totalled SEK 11.5 million, equivalent to 3% of the total net revenue for Jan-Mar 2020. The figure for Jan-Mar 2019 was SEK 10.7 million, equivalent to 3%, and the figure for Jan-Dec 2019 was SEK 43.7 million, equivalent to 3%.

BALANCE SHEETS – SUMMARY

| | March 31, 2020 | March 31, 2019 | December 31, 2019 |
|-------------------------------------|-------------------|-------------------|----------------------|
| PARENT COMPANY, SEK m | | | |
| Investment properties | 8,115.8 | 7,978.5 | 8,066.7 |
| Other non-current assets | 2,913.6 | 2,910.0 | 2,914.7 |
| Total non-current assets | 11,029.4 | 10,888.5 | 10,981.4 |
| Current assets | 1,563.6 | 1,058.4 | 2,353.3 |
| Total assets | 12,593.0 | 11,946.9 | 13,334.7 |
| Restricted equity | 1,978.7 | 1,978.7 | 1,978.7 |
| Non-restricted equity | 619.5 | 910.6 | 1,359.9 |
| Total equity | 2,598.2 | 2,889.3 | 3,338.6 |
| Untaxed reserves | 161.6 | 340.5 | 161.6 |
| Provisions | 895.5 | 890.5 | 896.7 |
| Non-current liabilities | 6,762.8 | 5,746.3 | 6,754.4 |
| Current liabilities | 2,174.9 | 2,080.3 | 2,183.4 |
| Total equity and liabilities | 12,593.0 | 11,946.9 | 13,334.7 |

Stockholm, May 7, 2020

Bo Wikare
Acting President

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

DEFINITIONS AND GLOSSARY

Finance

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

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

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

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

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

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

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

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

Interest coverage ratio. Income after financial items, excluding changes in value, plus interest expense in relation to interest expense. In the interim accounts, income after financial items, excluding changes in value, as well as interest expense, have been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in the Company's operations.

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

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

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

Result from property management. Operating income before changes in value minus financial income and expense.

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

Return on equity. Net income in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in the Company's operations and with the exception of changes in value.

Return on equity, adjusted. Net income, excluding changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

Surplus ratio. Gross profit in relation to net revenue.

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

Shares

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

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

Profit per share. Net income for the period in relation to the average number of outstanding shares during the period.

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

Properties

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

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

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

Fair value. The estimated market value of the properties.

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

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

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

Property tax supplement. Property tax payments received from tenants.

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

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

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

HUFVUDSTADEN

Hufvudstaden

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

Vision

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

Business concept

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

Financial objectives

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

Operating objectives

Hufvudstaden will:

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

Strategies to achieve the objectives

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

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

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

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

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



BIBLIOTEKSTAN



FREDSTAN
GÖTEBORG

nordstan



Hufvudstaden AB (publ)

NK 100, SE-111 77 Stockholm

Visiting address: Regeringsgatan 38

Telephone: +46 8-762 90 00

Email: info@hufvudstaden.se Website: www.hufvudstaden.se

Company registration number: 556012-8240

Registered office: Stockholm



HUFVUDSTADEN