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HUFVUDSTADEN

Interim Report January – September 2013



## Interim Report January–September 2013

- Gross profit from property management increased by 6 per cent and amounted to SEK 851 million (800), which can be attributed to property acquisitions in Gothenburg and increased rental revenue from the property holdings.
- Profit after tax for the period was SEK 1,076 million (793), equivalent to SEK 5.22 per share (3.84). The increase is mainly due to higher unrealized changes in value compared with the previous year.
- The fair value of the property holdings was set at SEK 25.0 billion (23.1 at the turn of the year).
- The net asset value was SEK 87 per share (84 at the turn of the year).
- The equity ratio was 57 per cent (55), the net loan-to-value ratio was 22 per cent (18) and the interest coverage ratio multiple was 8.3 (6.4).
- Consolidated net revenue amounted to SEK 1,201 million (1,144), an increase of 5 per cent.
- The rental vacancy level at the period-end was 4.0 per cent (3.7 at the turn of the year).

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### GROUP

### RESULTS

#### Property management<sup>1</sup>

Net rents from property management during the period amounted to SEK 1,152.7 million (1,093.8), an increase of 5 per cent. The gross profit increased by 6 per cent to SEK 851.3 million (799.6). The increase can be attributed mainly to the result from the acquired property Nordstaden 8:26 in Gothenburg and higher rents in conjunction with renegotiations and new leases.

The turnover-based rent supplement at the NK properties is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 8.8 million. Otherwise, there are no material seasonal variations in rents.

The property management results for each business area are reported on page 6.

#### Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 48.5 million (50.1), expenses SEK 36.8 million (36.5) and gross profit SEK 11.7 million (13.6).

#### Other profit and loss items

Central administration totalled SEK -25.4 million (-24.6). Changes in the value of properties totalled SEK 551.8 million (419.8) and changes in interest derivatives totalled SEK 88.1 million (-7.3).

#### Financial income and expense

Financial income and expense amounted to SEK -95.4 million (-121.2). Net financial income and expense has improved which can be explained by a lower average interest rate of funding while borrowing has increased as a result of property acquisitions.

#### Tax

The Group's tax for the period was SEK -306.3 million (-286.9), of which SEK -123.7 million (-147.9) was actual tax and SEK -182.6 million (-139.0) was deferred tax.

#### Profit for the period

The consolidated profit after tax amounted to SEK 1,075.8 million (793.0). The increase is due mainly to a higher unrealized increase in the value of the property holdings and the derivative portfolio and an increase in gross profit from property management.

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<sup>1</sup> The acquired property Nordstaden 8:26 is included from March 7, 2013.

## ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 1,413.5 million (125.5). The increase can be attributed to the acquisition of the Nordstaden 8:26 property in Gothenburg for SEK 1,265 million.

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation and as at September 30, 2013 it is estimated at SEK 25,020 million (23,058 at the turn of the year). The increase can be attributed to property acquisitions, investments in the property holdings and unrealized changes in value. Rentable floor space totalled 388,000 square metres (367,000).

The rental vacancy level as at September 30, 2013 was 4.0 per cent (3.7 at the turn of the year) and the floor space vacancy level was 5.6 per cent (5.4 at the turn of the year).

### Property value and net asset value

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

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

In the light of the above, the unrealized change in value of the property holdings for the period was estimated at SEK 551.8 million (419.8). The total value of the property holdings as at September 30, 2013 was SEK 25.0 billion, including acquisitions and investments. The unrealized increase in value can be attributed to increased rents in conjunction with new and renegotiated leases.

The average yield requirement at the above valuation point was 4.8 per cent (4.8 at the turn of the year).

### Valuation method

Valuation of the property holdings is done by assessing each individual property's fair value. 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 put in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's sub-area, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different sub-areas within the regions. Account is also taken of the type of property, the technical standard, the building construction and major investment needs. For leasehold properties, the calculation was based on a yield requirement that was

0.25 percentage points higher than for equivalent properties where the land is freehold.

The net operating income of the properties is based on market rental income, the long-term rental vacancy level and normalized operating and maintenance costs.

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

Stockholm	4.4-5.1 per cent
Gothenburg	4.7-6.0 per cent
Property holdings, average	4.8 per cent

### Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In conjunction with 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, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 25.0 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- SEK 1.2 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

### Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq.m	SEK 810 m
Property costs	SEK 50/sq.m	SEK 405 m
Rental vacancy level	1.0 percentage points	SEK 340 m
Yield requirement	0.25percentage points	SEK 1,300 m

### Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 18.0 billion or SEK 87 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 5 per cent of the difference between the assessed fair value of the properties and the residual value for tax purposes. The 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 purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 5 per cent. If the tax rate according to the Balance Sheet (22 per cent) had been used in the calculation, the net asset value would have been SEK 14.5 billion or SEK 70 per share. If the tax rate was assumed to be 0 per cent, the net asset value would have been SEK 19.0 billion or SEK 92 per share.

## SATISFIED CUSTOMER SURVEY

As with several other major property companies, Hufvudstaden takes part in the Fastighetsbarometern Satisfied Customer Survey. Hufvudstaden is once again among the leading companies, coming joint second.

## RENTAL MARKET

Interest in modern, flexible office space in prime locations in central Stockholm continued to be good during the period. Vacant space in this category has remained low and rents are stable. In conjunction with renegotiations and new leases for office space in Stockholm's most attractive locations in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area, rents were noted of between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement. Interest in prime location retail premises in the same sub-markets has also been high with rents ranging from SEK 13,000 to SEK 20,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg has been good with a slight rise in rents. Market rents for modern, well-planned office premises in prime locations were between SEK 2,000 and SEK 2,800 per square metre per year, excluding the property tax supplement. For retail premises, the market rents were between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

The Group's renegotiation of retail and office leases has proceeded in line with expectations. In total, 29,200 square metres were renegotiated during the period at a rental value of SEK 121 million. On average, these renegotiations have resulted in an increase in rent of approximately 4 per cent.

## FINANCING STRUCTURE

Hufvudstaden's borrowing as at September 30, 2013 amounted to SEK 5,850 million (4,700 at the turn of the year).

Hufvudstaden already has an MTN programme in place totalling SEK 2 billion. In October 2013, the programme was expanded by SEK 2 billion and now totals SEK 4 billion. During the period, bonds to a value of SEK 1,400 million were issued and the total outstanding amount is SEK 1,900 million. Outstanding commercial paper amounted to SEK 1,100 million. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper.

The average fixed interest period was 43 months (47 at the turn of the year), the average capital tie-up period was 47 months (47 at the turn of the year) and the average annual equivalent rate was 2.3 per cent (2.1 at the turn of the year). The net interest-bearing debt was SEK 5,406 million (4,203 at the turn of the year).

The fair value of all interest derivatives as at September 30, 2013 was SEK 65.2 million (-23.0 at the turn of the year).

### Capital tie-up structure, September 30, 2013

Maturity Date	Volume, SEK m	Share, %
2014	200	3
2015	300	5
2016	1,000	17
2017	2,650	45
2018	1,200	21
2019	500	9
Total	5,850	100

### Fixed interest structure, September 30, 2013

Maturity Date	Volume, SEK m	Share %	Average, AER, %
2013	500	8	2.0
2014	800	14	2.1
2016	500	8	2.0
2017	1,500	26	1.8
2018	1,800	31	2.6
2019	750	13	2.9
Total	5,850	100	2.3

## THIRD QUARTER

The gross profit from property management amounted to SEK 293.7 million (272.4), an increase of 8 per cent. The change can be attributed mainly to the result deriving from the acquired Nordstaden 8:26 property in Gothenburg and higher gross rents. Net rents amounted to SEK 391.8 million (365.7), an increase of 7 per cent. Property management costs amounted to SEK 98.1 million (93.3). The increase can be attributed largely to higher maintenance costs.

The gross profit from parking operations was SEK 2.5 million (3.4). Net revenue was SEK 14.9 million (15.6) and costs SEK 12.4 million (12.2).

Changes in the value of properties amounted to SEK 44.4 million (0.0) and changes in the value of interest derivatives amounted to SEK -1.5 million (-39.9). Net financial income and expense totalled SEK -33.0 million (-38.9). Net financial income and expense has improved which can be explained by a lower average interest rate of funding while borrowing has increased as a result of property acquisitions.

## SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,317 shareholders at the end of the period. The proportion of foreign ownership as at September 30, 2013 was 30.8 per cent of the total number of outstanding shares (29.9 at the turn of the year). The series A share price as at September 30, 2013 was SEK 81.80 and market capitalization was SEK 17.9 billion.

### Shares bought back

The total number of shares held by Hufvudstaden as at September 30, 2013 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during or after the end of the reporting period. At the 2013 Annual General Meeting, the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

### Buy-back of shares as of September 30, 2013, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2013	211.3	5.0	206.3
Buy-back	-	-	-
As of September 30, 2013	211.3	5.0	206.3

## **MATERIAL RISKS AND UNCERTAINTY FACTORS**

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2012 Annual Report.

## **MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES**

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

## **ACCOUNTING PRINCIPLES**

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable stipulations in the Annual Accounts Act. IFRS 13 has been applied since January 1, 2013, otherwise the accounting principles and computation base are the same as those applied in the most recent Annual Report. Derivatives are valued at fair value in the Statement of Financial Position. All de-

derivatives are classified as Level 2 according to IFRS 13. There is no set-off of financial assets and liabilities and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

## **FORTHCOMING INFORMATION**

Year-End Report 2013	February 13, 2014
Annual Report 2013	March 2014
Annual General Meeting in Stockholm 2014	March 20, 2014

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on November 7, 2013.

*This information is also published on Hufvudstaden's website, [www.hufvudstaden.se](http://www.hufvudstaden.se)*

*Questions can be answered by Ivo Stopner, President, or Magnus Jacobson, Head of Finance, telephone +46 8-762 90 00.*

## INCOME STATEMENTS – SUMMARY

GROUP, SEK m	July- September 2013	July- September 2012	January- September 2013	January- September 2012	January- December 2012
<b>Net revenue</b>					
Property management	391.8	365.7	1,152.7	1,093.8	1,472.0
Parking operations	14.9	15.6	48.5	50.1	69.7
	<b>406.7</b>	<b>381.3</b>	<b>1,201.2</b>	<b>1,143.9</b>	<b>1,541.7</b>
<b>Property management expenses</b>					
Maintenance	-9.5	-6.4	-20.4	-23.6	-35.5
Operation and administration	-50.5	-50.7	-168.2	-162.4	-227.1
Ground rents	-4.2	-4.2	-12.5	-12.1	-16.3
Property tax	-33.9	-32.0	-100.3	-96.1	-128.2
<b>Property management expenses</b>	<b>-98.1</b>	<b>-93.3</b>	<b>-301.4</b>	<b>-294.2</b>	<b>-407.1</b>
Parking operations, expenses	-12.4	-12.2	-36.8	-36.5	-49.4
<b>Operating expenses</b>	<b>-110.5</b>	<b>-105.5</b>	<b>-338.2</b>	<b>-330.7</b>	<b>-456.5</b>
<b>Gross profit</b>	<b>296.2</b>	<b>275.8</b>	<b>863.0</b>	<b>813.2</b>	<b>1,085.2</b>
- of which Property management	293.7	272.4	851.3	799.6	1,064.9
- of which Parking operations	2.5	3.4	11.7	13.6	20.3
Central administration	-8.5	-8.2	-25.4	-24.6	-34.1
<b>Operating profit before changes in value</b>	<b>287.7</b>	<b>267.6</b>	<b>837.6</b>	<b>788.6</b>	<b>1,051.1</b>
<b>Changes in value</b>					
Investment properties	44.4	0.0	551.8	419.8	620.6
Interest derivatives	-1.5	-39.9	88.1	-7.3	-25.4
<b>Operating profit</b>	<b>330.6</b>	<b>227.7</b>	<b>1,477.5</b>	<b>1,201.1</b>	<b>1,646.3</b>
Financial income and expense	-33.0	-38.9	-95.4	-121.2	-160.7
<b>Profit before tax</b>	<b>297.6</b>	<b>188.8</b>	<b>1,382.1</b>	<b>1,079.9</b>	<b>1,485.6</b>
Tax	-65.7	-49.5	-306.3	-286.9	453.8
<b>Profit after tax</b>	<b>231.9</b>	<b>139.3</b>	<b>1,075.8</b>	<b>793.0</b>	<b>1,939.4</b>
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>231.9</b>	<b>139.3</b>	<b>1,075.8</b>	<b>793.0</b>	<b>1,939.4</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	1.12	0.68	5.22	3.84	9.40

## BALANCE SHEETS – SUMMARY

GROUP, SEK m	September 30, 2013	September 30, 2012	December 31, 2012
Investment properties	25,020.4	22,795.8	23,057.5
Other non-current assets	76.9	10.9	11.0
<b>Total non-current assets</b>	<b>25,097.3</b>	<b>22,806.7</b>	<b>23,068.5</b>
Current assets	485.0	425.6	584.6
<b>Total assets</b>	<b>25,582.3</b>	<b>23,232.3</b>	<b>23,653.1</b>
Equity	14,460.4	12,774.5	13,920.9
Non-current interest-bearing liabilities	4,750.0	2,650.0	3,150.0
Deferred tax liabilities	4,723.8	5,310.3	4,541.3
Other non-current liabilities	16.0	195.9	34.5
Pension provisions	8.7	8.2	8.4
<b>Total non-current liabilities</b>	<b>9,498.5</b>	<b>8,164.4</b>	<b>7,734.2</b>
Current, interest-bearing liabilities	1,100.0	1,900.0	1,550.0
Other liabilities	523.4	393.4	448.0
<b>Total current liabilities</b>	<b>1,623.4</b>	<b>2,293.4</b>	<b>1,998.0</b>
<b>Total equity and liabilities</b>	<b>25,582.3</b>	<b>23,232.3</b>	<b>23,653.1</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- September 2013	January- September 2012	January- December 2012
Equity, opening balance	13,920.9	12,486.9	12,486.9
Comprehensive income for the period	1,075.8	793.0	1,939.4
Dividend	-536.3	-505.4	-505.4
<b>Equity, closing balance</b>	<b>14,460.4</b>	<b>12,774.6</b>	<b>13,920.9</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- September 2013	January- September 2012	January- December 2012
Result before tax	1,382.1	1,079.9	1,485.6
Depreciation/impairments	3.3	6.6	7.3
Unrealized change in value, properties	-551.8	-419.8	-620.6
Unrealized change in value, interest derivatives	-88.1	7.3	-160.6
Other changes	0.3	0.5	0.7
Tax paid	-72.7	-158.5	-203.5
<b>Cash flow from current operations before changes in working capital</b>	<b>673.1</b>	<b>516.0</b>	<b>508.9</b>
Increase/decrease in operating receivables	-5.8	17.7	20.1
Increase/decrease in operating liabilities	78.8	-72.0	-10.8
<b>Cash flow from current operations</b>	<b>746.1</b>	<b>461.7</b>	<b>518.2</b>
Investments in properties	-1,411.1	-124.7	-185.7
Investments in equipment	-2.4	-0.8	-1.3
<b>Cash flow from investments</b>	<b>-1,413.5</b>	<b>-125.5</b>	<b>-187.0</b>
Loans raised	2,400.0	175.0	1,100.0
Amortization of loan debt	-1,250.0	-	-775.0
Dividend paid	-536.3	-505.4	-505.4
<b>Cash flow from financing</b>	<b>613.7</b>	<b>-330.4</b>	<b>-180.4</b>
<b>Cash flow for the period</b>	<b>-53.7</b>	<b>5.8</b>	<b>150.8</b>
Cash and cash equivalents at the beginning of the period	497.5	346.7	346.7
Cash and cash equivalents at the period-end	443.8	352.5	497.5
Cash flow for the period per share, SEK	-0.26	0.03	0.73

## SEGMENT REPORT – SUMMARY<sup>1</sup>

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Sept 2013	Jan-Sept 2012	Jan-Sept 2013	Jan-Sept 2012	Jan-Sept 2013	Jan-Sept 2012	Jan-Sept 2013	Jan-Sept 2012
Net revenue	514.9	507.4	450.9	445.6	186.9	140.8	1,152.7	1,093.8
Property costs	-116.4	-118.3	-137.2	-137.0	-47.8	-38.9	-301.4	-294.2
<b>Gross profit, property management</b>	<b>398.5</b>	<b>389.1</b>	<b>313.7</b>	<b>308.6</b>	<b>139.1</b>	<b>101.9</b>	<b>851.3</b>	<b>799.6</b>
Parking operations			11.7	13.6			11.7	13.6
Central administration							-25.4	-24.6
<b>Changes in value</b>								
Investment properties							551.8	419.8
Interest derivatives							88.1	-7.3
<b>Operating profit</b>							<b>1,477.5</b>	<b>1,201.1</b>
Financial income and expense							-95.4	-121.2
<b>Profit before tax</b>							<b>1,382.1</b>	<b>1,079.9</b>

<sup>1</sup> For comparable holdings, net revenue for the Gothenburg Business Area and the Group and gross profit from property management should be increased by SEK 41.1 million and SEK 31.7 million respectively for 2012.

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	September 30, 2013	September 30, 2012	December 31, 2012
<b>Pledged assets</b>			
Mortgages	1,653.1	1,956.2	1,956.2
Endowment insurance	6.8	6.4	6.6
<b>Total pledged assets</b>	<b>1,659.9</b>	<b>1,962.6</b>	<b>1,962.8</b>
Contingent liabilities	None	None	None

## KEY RATIOS

GROUP	September 30, 2013	September 30, 2012	Full Year 2012	Full Year 2011	Full Year 2010	Full Year 2009
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	388	367	367	365	358	354
Rental vacancy level, %	4.0	4.0	3.7	3.9	5.1	6.2
Floor space vacancy level, %	5.6	5.8	5.4	5.9	6.8	7.4
Fair value, SEK bn	25.0	22.8	23.1	22.3	20.1	18.1
Surplus ratio, %	71.8	71.1	70.4	67.1	67.8	68.8
<b>Financial</b>						
Return on equity, %	8.9	7.5	14.7	12.0	15.9	-3.4
Return on capital employed, %	9.0	8.4	9.3	13.1	17.2	-2.5
Equity ratio, %	56.5	55.0	58.9	55.0	56.1	55.0
Interest coverage ratio, multiple	8.3	6.4	6.4	7.0	7.7	7.0
Debt/equity ratio, multiple	0.4	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	21.6	18.4	18.2	18.1	16.1	16.4
<b>Data per share</b>						
Profit/loss for the period, SEK	5.22	3.84	9.40	6.96	8.40	-1.73
Equity, SEK	70.11	61.93	67.49	60.54	55.88	49.58
Properties, fair value, SEK	121.30	110.52	111.79	107.88	97.68	87.87
Net asset value, SEK	87.00	77.00	84.00	76.00	70.00	62.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012	Oct-Dec 2011
Net revenue, SEK m	407	405	390	398	381	382	381	380
Return on equity, %	9.0	8.9	5.7	31.0	7.7	7.6	6.5	12.4
Return on equity, adjusted, %	5.6	5.6	5.1	28.0	5.3	5.0	5.1	5.4
Equity ratio, %	56.5	56.1	54.2	58.9	55.0	54.7	54.1	55.0
Profit/share for the period, SEK	1.12	2.80	1.29	5.56	0.68	1.52	1.65	2.06
Equity per share, SEK	70.11	68.98	66.18	67.49	61.93	61.26	59.74	60.54
Net asset value per share, SEK	87.00	86.00	83.00	84.00	77.00	77.00	75.00	76.00
Cash flow from current operations per share, SEK	1.34	1.10	1.17	0.27	0.79	0.85	0.59	0.53

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 723.9 million (665.0). The gross profit was SEK 423.4 million (368.6). The increase in net revenue can be attributed to revenue from the newly acquired property Nordstaden 8:26 in Gothenburg and higher rents as a result of renegotiations. Financial income and expense was SEK -95.3 million (-118.0).

Cash and cash equivalents at the period-end amounted to SEK 443.6 million (352.2). Investments in properties and equipment during the period totalled SEK 1,316.1 million (44.3). The increase can be attributed to the acquisition of the Nordstaden 8:26 property in Gothenburg.

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is exposed mainly to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2012 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

The interim report for the Parent Company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. The Parent Company applies the same accounting principles as in the most recent annual report.



## INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	July- September 2013	July- September 2012	January- September 2013	January- September 2012	January- December 2012
Net revenue	248.4	222.6	723.9	665.0	890.9
Operating expenses	-89.6	-92.2	-300.5	-296.4	-415.5
<b>Gross profit</b>	<b>158.8</b>	<b>130.4</b>	<b>423.4</b>	<b>368.6</b>	<b>475.4</b>
Central administration	-8.5	-8.2	-25.4	-24.7	-34.1
Changes in value, interest derivatives	-1.5	-39.9	88.1	-7.3	-25.4
<b>Operating profit</b>	<b>148.8</b>	<b>82.3</b>	<b>486.1</b>	<b>336.6</b>	<b>415.9</b>
Group contribution	-	-	-	-	373.1
Financial income and expense	-32.9	-38.9	-95.3	-118.0	-157.8
<b>Profit after financial items</b>	<b>115.9</b>	<b>43.4</b>	<b>390.8</b>	<b>218.6</b>	<b>631.2</b>
Appropriations	-	-	-	-	-24.9
<b>Profit before tax</b>	<b>115.9</b>	<b>43.4</b>	<b>390.8</b>	<b>218.6</b>	<b>606.3</b>
Tax	-26.2	-10.9	-88.1	-58.8	-17.8
<b>Profit for the period</b>	<b>89.7</b>	<b>32.5</b>	<b>302.7</b>	<b>159.8</b>	<b>588.5</b>
<b>Statement of comprehensive income, SEK m</b>					
Profit for the period	89.7	32.5	302.7	159.8	588.5
<i>Other comprehensive income</i>	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>89.7</b>	<b>32.5</b>	<b>302.7</b>	<b>159.8</b>	<b>588.5</b>

## BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	September 30, 2013	September 30, 2012	December 31, 2012
Investment properties	7,606.5	6,353.7	6,352.4
Other non-current assets	3,166.2	3,102.7	3,100.8
Total non-current assets	10,772.7	9,456.4	9,453.2
Current assets	991.1	972.0	1,250.4
<b>Total assets</b>	<b>11,763.8</b>	<b>10,428.4</b>	<b>10,703.6</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,939.1	1,744.0	2,172.7
Total equity	3,917.8	3,722.7	4,151.4
Untaxed reserves	609.4	584.5	609.4
Appropriations	966.3	1,273.9	945.6
Non-current liabilities	4,765.6	2,658.6	3,185.0
Current liabilities	1,504.7	2,188.7	1,812.2
Total liabilities	7,846.0	6,705.7	6,552.2
<b>Total equity and liabilities</b>	<b>11,763.8</b>	<b>10,428.4</b>	<b>10,703.6</b>

Stockholm, November 7, 2013

Ivo Stopner  
President

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

## DEFINITIONS AND GLOSSARY

**Annual rent.** Gross rent at the period-end, calculated on an annual basis, excluding the turnover-based rent supplement. Vacant premises are reported at the market rent.

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

**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.

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

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

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

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

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

**Investments.** Expenses related to value-enhancing improvements that entail future financial benefits are capitalized. Rebuilding costs of an ongoing maintenance nature are charged to profit.

**Market 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 which have an interest in the transaction being completed. In accounting terms, this is known as fair value.

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

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

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

**Profit per share.** Profit for the period after tax in relation to the average number of outstanding shares during the period.

**Property tax supplement.** Property tax payments received from tenants.

**Rental losses.** Loss of revenue as a result of unlet space.

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

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

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

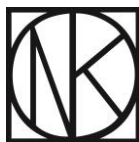
**Return on equity, adjusted.** Profit after tax, excluding changes in value, in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

**Surplus ratio.** Gross profit in relation to net revenue.

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

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

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



# HUFVUDSTADEN

## Hufvudstaden

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

## Vision

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

## Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden shall offer successful companies high-quality office and retailing premises in attractive marketplaces.

## Financial objectives

- Hufvudstaden shares shall have good dividend growth over time and the dividend shall account for more than half the net profit from current operations.
- The equity ratio shall 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 shall work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

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

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

*Business development.* Active business development shall create added value in the property holdings.

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