



# Q4

HUFVUDSTADEN  
Year-End Report 2013



# HUFVUDSTADEN

## Year-End Report 2013

- Gross profit from property management increased by 7 per cent and amounted to SEK 1,135 million (1,065), which can be attributed to property acquisitions in Gothenburg and increased rental revenue from the property holdings.
- Profit for the year before tax increased by SEK 921 million, totalling SEK 2,407 million (1,486). The increase can be attributed mainly to unrealized changes in value.
- Profit after tax for the year was SEK 1,876 million (1,939), equivalent to SEK 9.10 per share (9.40). The profit for the previous year was affected by non-recurring income of SEK 888 million as a result of a reduction in corporation tax.
- The Board proposes an increase in the dividend to SEK 2.75 per share (2.60).
- The fair value of the property holdings was set at SEK 25.9 billion (23.1), which gives a net asset value of SEK 92 per share (84).
- The equity ratio was 58 per cent (59), the net loan-to-value ratio was 20 per cent (18) and the interest coverage ratio multiple was 8.3 (6.4).
- Consolidated net revenue amounted to SEK 1,640 million (1,542), an increase of 6 per cent.
- The rental vacancy level at the year-end was 4.0 per cent (3.7).

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### GROUP

#### RESULTS

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

Net rents from property management during the year amounted to SEK 1,572.7 million (1,472.0), an increase of 7 per cent. Gross profit also increased by 7 per cent to SEK 1,134.6 million (1,064.9). The increase can be attributed mainly to the result from the acquired property Fyran in Nordstan in Gothenburg and higher rents in conjunction with renegotiations and new leases.

The turnover-based rent supplement was SEK 10.3 million (9.4) of which the supplement for the NK properties was SEK 9.6 million (8.8). 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 67.7 million (69.7), expenses SEK 49.7 million (49.4) and gross profit SEK 18.0 million (20.3).

##### Other profit and loss items

Central administration totalled SEK -35.7 million (-34.1). Changes in the value of properties totalled SEK 1,357.9 million (620.6) and changes in interest derivatives totalled SEK 59.6 million (-25.4).

##### Financial income and expense

Net financial income and expense amounted to SEK -127.8 million (-160.7). Net financial income and expense has improved despite increased borrowing, which can be explained by a lower average rate of interest on loans.

##### Tax

The Group's tax for the period was SEK -530.5 million (453.8), of which SEK -141.0 million was actual tax (-176.2) and SEK -389.5 million was deferred tax (630.0).

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<sup>1</sup> The acquired property Nordstaden 8:26 (Fyran) is included from March 7, 2013. It has been reallocated as part of Nordstaden 8:24.

### Profit for the year

The consolidated profit after tax amounted to SEK 1,876.1 million (1,939.4). The profit for the previous year was affected by non-recurring income of SEK 887.6 million in the form of positive deferred tax as result of the reduction in corporation tax.

### ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 1,457.3 million (187.0). The increase can be attributed to the acquisition of the Fyran 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 December 31, 2013 it was estimated to be SEK 25,869 million (23,058). The increase can be attributed to property acquisitions, investments in the property holdings and unrealized changes in value. Rentable floor space totalled approximately 387,500 square metres (367,000).

The rental vacancy level as at December 31, 2013 was 4.0 per cent (3.7) and the floor space vacancy level was 5.7 per cent (5.4).

### 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, taking 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 leases, terminations and material changes in yield requirements.

In the light of the above, the unrealized change in value of the property holdings for 2013 was SEK 1,357.9 million (620.6). The value of the property holdings as at December 31, 2013 was SEK 25.9 billion, including acquisitions and investments. The unrealized increase in value can be attributed to the effect of slightly lower yield requirements as well as increased rents in conjunction with new and renegotiated leases.

The average yield requirement at the above valuation point was 4.7 per cent (4.8).

### 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	4.3-4.9 per cent
Gothenburg	4.7-6.0 per cent
Property holdings, average	4.7 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 25.9 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- SEK 1.3 billion. Below are the most important 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/m <sup>2</sup>	SEK 830 m
Property costs	SEK 50/m <sup>2</sup>	SEK 415 m
Rental vacancy level	1.0 percentage points	SEK 350 m
Yield requirement	0.25 percentage points	SEK 1,400 m

### External valuation

To guarantee the valuation, external valuations were obtained from three valuation companies, Forum Fastighetsekonomi AB, NAI Svefa AB and Newsec Advice AB. The external valuations as at December 31, 2013 cover 7 properties and are equivalent to 35 per cent of the internally assessed fair value. The corresponding figure for the whole of 2013 was 66 per cent. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation as at December 31, 2013 were Hästen 19 and 20 (NK Stockholm), Medusa 1, Oxhuvudet 18, Pumpstocken 11, Rännilen 11, Rännilen 18 in Stockholm and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 9.4 billion. Hufvudstaden's internal valuation of the same properties was SEK 9.1 billion. The internal valuations thus concur well with the external valuations.

### Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 18.9 billion or SEK 92 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. The table below shows the net asset value with different assumptions regarding the rate of deferred tax.

### Net asset value, December 31, 2013

SEK bn	0 %	5 %	22 %
Net asset value before tax	20.0	20.0	20.0
Calculated deferred tax	-	-1.1	-4.7
Net asset value after tax	20.0	18.9	15.3
Net asset value per share, SEK	97	92	74

### RENTAL MARKET

Demand for 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 has also been high with rents ranging from SEK 14,000 to SEK 21,000 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 2,900 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, 38,600 square metres were renegotiated during the period at a rental value of SEK 179 million. On average, these renegotiations have resulted in an increase in rent of approximately 4 per cent.

### FINANCING STRUCTURE

Hufvudstaden's borrowing as at December 31, 2013 amounted to SEK 5,750 million (4,700).

Hufvudstaden already has an MTN programme in place totalling SEK 4 billion. During the year, 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 1,000 million. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper.

At the year-end, the average fixed interest period was 41 months (47), the average capital tie-up period was 44 months (47) and the average annual equivalent rate was 2.3 per cent (2.1). The net interest-bearing debt was SEK 5,245 million (4,203).

The fair value of all interest derivatives as at December 31, 2013 was SEK 36.6 million (-23.0).

### Capital tie-up structure, December 31, 2013

Maturity Date	Volume, SEK m <sup>1</sup>	Share, %
2014	200	3
2015	200	3
2016	1,000	18
2017	2,650	46
2018	1,200	21
2019	500	9
Total	5,750	100

<sup>1</sup> Capital tie-up regarding commercial paper has been calculated based on underlying loan assurances.

### Fixed interest structure, December 31, 2013

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2014	1,200	21	2.0
2016	500	9	2.0
2017	1,500	26	1.8
2018	1,800	31	2.6
2019	750	13	2.9
Total	5,750	100	2.3

### FOURTH QUARTER

The gross profit from property management amounted to SEK 283.3 million (265.3), an increase of 7 per cent. The change can be attributed mainly to the result deriving from the acquired Fyran property in Gothenburg and higher gross rents. Net rents amounted to SEK 420.0 million (378.2), an increase of 11 per cent. Property management costs amounted to SEK 136.7 million (112.9). The increase can be attributed largely to higher property tax as a result of a new property tax assessment.

The gross profit from parking operations was SEK 6.3 million (6.7). Net revenue was SEK 19.2 million (19.6) and costs SEK 12.9 million (12.9).

Changes in the value of properties amounted to SEK 806.1 million (200.8) and changes in the value of interest derivatives amounted to SEK -28.5 million (-18.1). Net financial income and expense totalled SEK -32.4 million (-39.5). Financial income and expense has improved due to a low average rate of interest on borrowings and increased borrowing as a result of property acquisitions.

### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,333 shareholders at the end of the period. The proportion of foreign ownership as at December 31, 2013 was 30.5 per cent of the total number of outstanding shares (29.9). The series A share price as at December 31, 2013 was SEK 86.15 and market capitalization was SEK 18.8 billion.

### Largest shareholders as at December 31, 2013

	Number of shares, %	Number of votes, %
Lundbergs	44.2	87.6
JP Morgan Funds	6.2	1.3
State Street Bank and Trust	5.7	1.2
Mellon Funds	2.8	0.6
SEB Funds	2.0	0.4
NTC Wealth	1.9	0.4
Swedbank Robur Funds	1.7	0.3
Länsförsäkringar	1.5	0.3
BNP Paribas	1.5	0.3
Other shareholders	30.1	7.1
Outstanding shares	97.6	99.5
Company holdings	2.4	0.5
Total issued shares	100.0	100.0

### Shares bought back

The total number of shares held by Hufvudstaden as at December 31, 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 series A shares up to 10 per cent of all the issued shares and to assign company shares. On March 20, 2014, the Board of Directors will propose that the Annual General Meeting renews authorization to acquire and assign company shares.

### Buy-back of shares as at December 31, 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 December 31, 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 Balance Sheet. All derivatives are classified as Level 2 according to

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

### PROPOSED DIVIDEND

The Board of Directors proposes that the dividend be increased to SEK 2.75 per share.

### PROPOSAL REGARDING ELECTION OF A BOARD OF DIRECTORS AND AUDITORS

The Company's main shareholders have notified the Company of the intention to present a proposal to the Annual General Meeting that the present Board members be re-elected and that KPMG be elected as the auditing company with George Pettersson as lead auditor.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, March 20, 2014, 4 pm at the Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2013 will be available in week 9 at the Company's office and on the Company's website. At the same time, it will be distributed to the shareholders who have notified their interest.

### FORTHCOMING INFORMATION

Annual Report 2013	March 2014
Annual General Meeting in Stockholm 2014	March 20, 2014
Interim Report, January-March 2014	May 20, 2014
Interim Report, January-June 2014	August 21, 2014
Interim Report, January-September 2014	November 5, 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 February 13, 2014.

*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	October- December 2013	October- December 2012	January- December 2013	January- December 2012
<b>Net revenue</b>				
Property management	420.0	378.2	1,572.7	1,472.0
Parking operations	19.2	19.6	67.7	69.7
	<b>439.2</b>	<b>397.8</b>	<b>1,640.4</b>	<b>1,541.7</b>
<b>Property management expenses</b>				
Maintenance	-11.6	-11.9	-32.0	-35.5
Operation and administration	-69.6	-64.7	-237.8	-227.1
Ground rents	-3.6	-4.2	-16.1	-16.3
Property tax	-51.9	-32.1	-152.2	-128.2
	<b>-136.7</b>	<b>-112.9</b>	<b>-438.1</b>	<b>-407.1</b>
Parking operations, expenses	-12.9	-12.9	-49.7	-49.4
<b>Operating expenses</b>	<b>-149.6</b>	<b>-125.8</b>	<b>-487.8</b>	<b>-456.5</b>
<b>Gross profit</b>	<b>289.6</b>	<b>272.0</b>	<b>1,152.6</b>	<b>1,085.2</b>
- of which Property management	283.3	265.3	1,134.6	1,064.9
- of which Parking operations	6.3	6.7	18.0	20.3
Central administration	-10.3	-9.5	-35.7	-34.1
<b>Operating profit before changes in value</b>	<b>279.3</b>	<b>262.5</b>	<b>1,116.9</b>	<b>1,051.1</b>
<b>Changes in value</b>				
Properties	806.1	200.8	1,357.9	620.6
Interest derivatives	-28.5	-18.1	59.6	-25.4
	<b>1,056.9</b>	<b>445.2</b>	<b>2,534.4</b>	<b>1,646.3</b>
Financial income/expense	-32.4	-39.5	-127.8	-160.7
<b>Profit before tax</b>	<b>1,024.5</b>	<b>405.7</b>	<b>2,406.6</b>	<b>1,485.6</b>
Tax	-224.2	740.7	-530.5	453.8
<b>Profit after tax</b>	<b>800.3</b>	<b>1,146.4</b>	<b>1,876.1</b>	<b>1,939.4</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>800.3</b>	<b>1,146.4</b>	<b>1,876.1</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
Profit for the period after tax per share before and after dilution, SEK	3.88	5.56	9.10	9.40

## BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2013	December 31, 2012
Properties	25,869.1	23,057.5
Other non-current assets	49.1	11.0
<b>Total non-current assets</b>	<b>25,918.2</b>	<b>23,068.5</b>
Current assets	557.5	584.6
<b>Total assets</b>	<b>26,475.7</b>	<b>23,653.1</b>
Equity	15,260.7	13,920.9
Non-current interest-bearing liabilities	4,550.0	3,150.0
Deferred tax liabilities	4,930.8	4,541.3
Other non-current liabilities	17.3	34.5
Pension provisions	8.8	8.4
<b>Total non-current liabilities</b>	<b>9,506.9</b>	<b>7,734.2</b>
Current interest-bearing liabilities	1,200.0	1,550.0
Other liabilities	508.1	448.0
<b>Total current liabilities</b>	<b>1,708.1</b>	<b>1,998.0</b>
<b>Total equity and liabilities</b>	<b>26,475.7</b>	<b>23,653.1</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- December 2013	January- December 2012
Equity, opening balance	13,920.9	12,486.9
Total comprehensive income for the period	1,876.1	1,939.4
Dividend	-536.3	-505.4
<b>Equity, closing balance</b>	<b>15,260.7</b>	<b>13,920.9</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- December 2013	January- December 2012
Result before tax	2,406.6	1,485.6
Depreciation/impairments	3.2	7.3
Unrealized change in value, properties	-1,357.9	-620.6
Unrealized change in value, interest derivatives	-59.6	-160.6
Other changes	0.4	0.7
Tax paid	-101.6	-203.5
<b>Cash flow from current operations before changes in working capital</b>	<b>891.1</b>	<b>508.9</b>
Increase/decrease in operating receivables	-6.2	20.1
Increase/decrease in operating liabilities	65.8	-10.8
<b>Cash flow from current operations</b>	<b>950.7</b>	<b>518.2</b>
Investments in properties	-1,453.7	-185.7
Investments in equipment	-3.6	-1.3
<b>Cash flow from investments</b>	<b>-1,457.3</b>	<b>-187.0</b>
Loans raised	4,100.0	1,100.0
Amortization of loan debt	-3,050.0	-775.0
Dividend paid	-536.3	-505.4
<b>Cash flow from financing</b>	<b>513.7</b>	<b>-180.4</b>
<b>Cash flow for the period</b>	<b>7.1</b>	<b>150.8</b>
Cash and cash equivalents at the beginning of the period	497.5	346.7
Cash and cash equivalents at the period-end	504.6	497.5
Cash flow for the period per share, SEK	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	
	2013	2012	2013	2012	2013	2012	2013	2012
Net revenue	699.7	677.4	614.8	604.8	258.2	189.8	1,572.7	1,472.0
Property costs	-168.8	-162.1	-196.0	-189.4	-73.3	-55.6	-438.1	-407.1
<b>Gross profit, property management</b>	<b>530.9</b>	<b>515.3</b>	<b>418.8</b>	<b>415.4</b>	<b>184.9</b>	<b>134.2</b>	<b>1,134.6</b>	<b>1,064.9</b>
Parking operations			18.0	20.3			18.0	20.3
Central administration							-35.7	-34.1
<b>Changes in value</b>								
Properties							1,357.9	620.6
Interest derivatives							59.6	-25.4
<b>Operating profit</b>							<b>2,534.4</b>	<b>1,646.3</b>
Financial income and expense							-127.8	-160.7
<b>Profit before tax</b>							<b>2,406.6</b>	<b>1,485.6</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 62.8 million and SEK 47.9 million respectively for 2012.

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	December 31, 2013	December 31, 2012
<b>Pledged assets</b>		
Mortgages	1,653.1	1,956.2
Endowment insurance	6.9	6.6
<b>Total pledged assets</b>	<b>1,660.0</b>	<b>1,962.8</b>
Contingent liabilities	None	None

## KEY RATIOS

GROUP	Full year 2013	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>	387	367	365	358	354
Rental vacancy level, %	4.0	3.7	3.9	5.1	6.2
Floor space vacancy level, %	5.7	5.4	5.9	6.8	7.4
Fair value, SEK bn	25.9	23.1	22.3	20.1	18.1
Surplus ratio, %	70.3	70.4	67.1	67.8	68.8
<b>Financial</b>					
Return on equity, %	12.9	14.7	12.0	15.9	-3.4
Return on capital employed, %	12.8	9.3	13.1	17.2	-2.5
Equity ratio, %	57.6	58.9	55.0	56.1	55.0
Interest coverage ratio, multiple	8.3	6.4	7.0	7.7	7.0
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	20.3	18.2	18.1	16.1	16.4
<b>Data per share</b>					
Profit/loss for the period, SEK	9.10	9.40	6.96	8.40	-1.73
Equity, SEK	73.99	67.49	60.54	55.88	49.58
Properties, fair value, SEK	125.42	111.79	107.88	97.68	87.87
Net asset value, SEK	92.00	84.00	76.00	70.00	62.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012
Net revenue, SEK m	439	407	405	390	398	381	382	381
Return on equity, %	12.9	9.0	8.9	5.7	31.0	7.7	7.6	6.5
Return on equity, adjusted, %	5.3	5.6	5.6	5.1	28.0	5.3	5.0	5.1
Equity ratio, %	57.6	56.5	56.1	54.2	58.9	55.0	54.7	54.1
Profit per share for the period, SEK	3.88	1.12	2.80	1.29	5.56	0.68	1.52	1.65
Equity per share, SEK	73.99	70.11	68.98	66.18	67.49	61.93	61.26	59.74
Net asset value per share, SEK	92.00	87.00	86.00	83.00	84.00	77.00	77.00	75.00
Cash flow per share from current operations, SEK	0.99	1.34	1.10	1.17	0.27	0.79	0.85	0.59

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 987.9 million (890.9). The gross profit was SEK 558.0 million (475.4). The increase in net revenue can be attributed to revenue from the newly acquired Fyran property in Gothenburg and higher rents as a result of renegotiations.

Net financial income and expense was SEK 230.5 million (215.3). Profit for the year includes group contributions from subsidiaries totalling SEK 358.4 million (373.1).

Cash and cash equivalents at the period-end amounted to SEK 504.4 million (497.2). Investments in properties and equipment during the period totalled SEK 1,330.5 million (68.2). 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

Apart from the dividend to the shareholders, 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	October - December 2013	October - December 2012	January - December 2013	January - December 2012
Net revenue	264.0	225.9	987.9	890.9
Operating expenses	-129.4	-119.1	-429.9	-415.5
<b>Gross profit</b>	<b>134.6</b>	<b>106.8</b>	<b>558.0</b>	<b>475.4</b>
Central administration	-10.3	-9.4	-35.7	-34.1
Changes in value, interest derivatives	-28.5	-18.1	59.6	-25.4
<b>Operating profit</b>	<b>95.8</b>	<b>79.3</b>	<b>581.9</b>	<b>415.9</b>
Group contribution	358.4	373.1	358.4	373.1
Other financial income and expense	-32.6	-39.8	-127.9	-157.8
<b>Profit after financial items</b>	<b>421.6</b>	<b>412.6</b>	<b>812.4</b>	<b>631.2</b>
Appropriations	-105.2	-24.9	-105.2	-24.9
<b>Profit before tax</b>	<b>316.4</b>	<b>387.7</b>	<b>707.2</b>	<b>606.3</b>
Tax	-69.1	41.0	-157.2	-17.8
<b>Profit for the period</b>	<b>247.3</b>	<b>428.7</b>	<b>550.0</b>	<b>588.5</b>
<b>Statement of comprehensive income, SEK m</b>				
Profit for the period	247.3	428.7	550.0	588.5
<i>Other comprehensive income</i>	-	-	-	-
<b>Comprehensive income for the period</b>	<b>247.3</b>	<b>428.7</b>	<b>550.0</b>	<b>588.5</b>

## BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	December 31, 2013	December 31, 2012
Properties	7,588.9	6,352.4
Other non-current assets	3,138.4	3,100.8
Total non-current assets	10,727.3	9,453.2
Current assets	1,216.7	1,250.4
<b>Total assets</b>	<b>11,944.0</b>	<b>10,703.6</b>
Restricted equity	1,978.7	1,978.7
Non-restricted equity	2,186.4	2,172.7
Total equity	4,165.1	4,151.4
Untaxed reserves	714.6	609.4
Appropriations	961.8	945.6
Non-current liabilities	4,566.9	3,185.0
Current liabilities	1,535.6	1,812.2
Total liabilities	7,778.9	6,552.2
<b>Total equity and liabilities</b>	<b>11,944.0</b>	<b>10,703.6</b>

Stockholm, February 13, 2014

Fredrik Lundberg  
Chairman

Claes Boustedt  
Board Member

Bengt Braun  
Board Member

Peter Egardt  
Board Member

Louise Lindh  
Board Member

Hans Mertzig  
Board Member

Sten Peterson  
Board Member

Anna-Greta Sjöberg  
Board Member

Ivo Stopner  
President  
Board Member

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

## DEFINITIONS AND GLOSSARY

**Annual rent.** Gross rent including supplement at the period-end, calculated on an annual basis. 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 the decided dividend less current investments and cash and bank holdings.

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

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

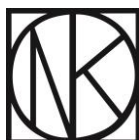
**Return on equity, adjusted.** Profit after tax, excluding changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without taking account of seasonal variations that normally arise in operations.

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

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

*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

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

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

*Skills 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 will create added value in the property holdings.

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