



HUFVUDSTADEN 2012

English



BIBLIOTEKSTAN

Norrmalmstorg, Stockholm

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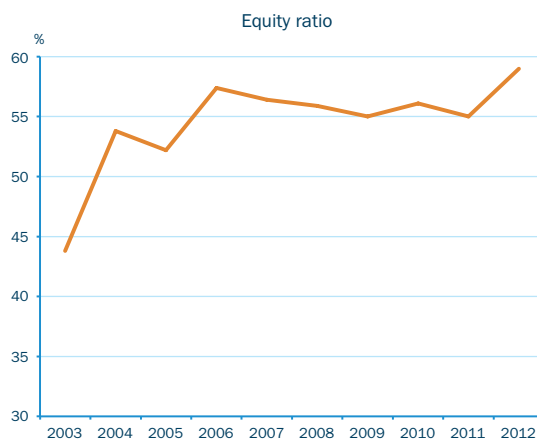
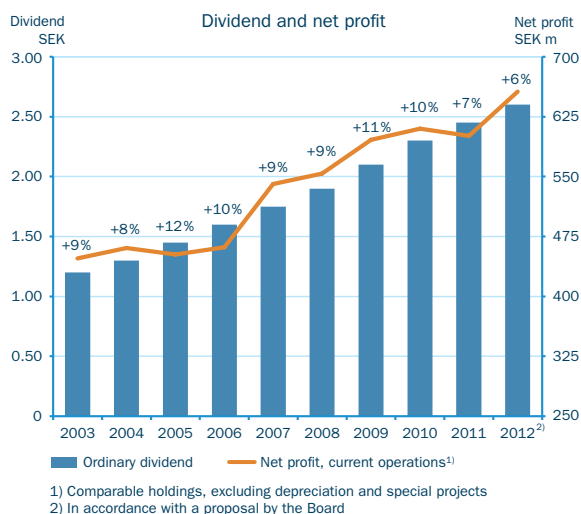
*This document is in all respects a translation of the Swedish original Annual Report.
In the event of any differences between this translation and the Swedish original, the latter shall prevail.*

Year in brief

- The gross profit from property management increased by 13 per cent and totalled SEK 1,065 million (945), due mainly to higher rents and additional net operating income resulting from acquisitions and property investments.
- The profit for the year after tax was SEK 1,939 million (1,435), equivalent to SEK 9.40 per share (6.96). The increase in profit can be attributed to non-recurring income from a decrease in deferred tax following a reduction in corporation tax.
- The Board proposes an increase in the dividend to SEK 2.60 per share (2.45).
- In November, the property Nordstaden 8:26 was acquired for approximately SEK 1.3 billion. The property is located in the Nordstan Shopping Centre in Gothenburg and comprises around 20,700 square metres with completion in March 2013.
- The Company has established an MTN programme with a framework of SEK 2 billion. The first bond loan totalling SEK 500 million was issued in December.
- The fair value of the property holdings at the year-end was SEK 23.1 billion (22.3), equivalent to a net asset value of SEK 84 per share (76).
- The rental vacancy level at the year-end was 3.7 per cent (3.9).

Financial summary (SEK m)

| | 2012 | 2011 |
|--|-------|-------|
| Net revenue, property management | 1,472 | 1,369 |
| Gross profit, property management | 1,065 | 945 |
| Changes in value | 595 | 1,146 |
| Operating profit | 1,646 | 2,079 |
| Profit for the year | 1,939 | 1,435 |
| Net profit from current operations | 656 | 590 |
| Fair value, properties, SEK bn | 23.1 | 22.3 |
| Rental vacancy level, % | 3.7 | 3.9 |
| Net loan-to-value ratio, properties, % | 18.2 | 18.1 |
| Interest coverage ratio, multiple | 6.4 | 7.0 |



Hufvudstaden in summary



Hufvudstaden is a property company that carries on operations in Stockholm and Gothenburg. The Company owns and manages 30 properties, located in the most attractive, central parts of Stockholm and Gothenburg. At the end of 2012, the total fair value of the properties was SEK 23.1 billion, where the value of the properties in Stockholm was SEK 19.2 billion and in Gothenburg SEK 3.9 billion.

The holdings comprise commercial properties with largely office and retail tenants, divided between three business areas: Stockholm City East, Stockholm City West and Gothenburg. The office

tenants, who account for just under 50 per cent of the rental value, are to be found in sectors such as banking and finance, law, IT consulting, media and recruitment. Stores include internationally known brands as well as Swedish retailing chains and account for just over 40 per cent of the rental value.

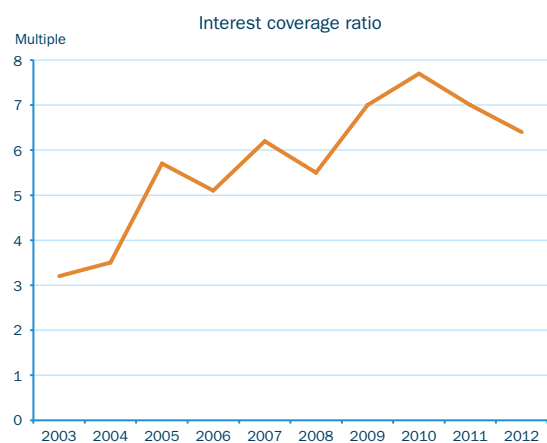
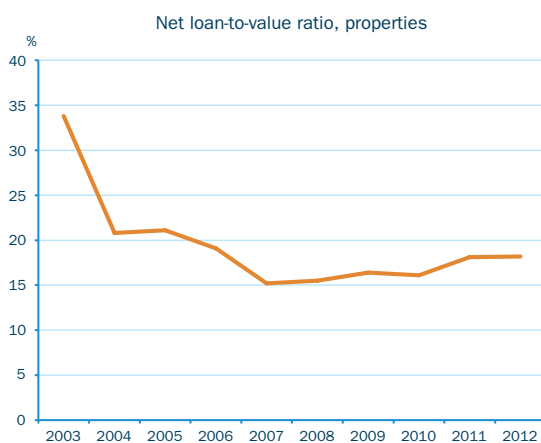
The Group also includes the two wholly owned subsidiaries AB Nordiska Kompaniet, which owns the NK brand and which has stores in Stockholm and Gothenburg, and Parkaden AB, which has parking operations in Stockholm at the multi-storey car parks Parkaden and Continentalgaraget.

Hufvudstaden's vision is to be consistently perceived as, and prove to be, the most attractive property company in Sweden and its aim is to have the most satisfied customers in the industry. To measure this, we take part in the annual Fastighetsbarometern survey, where we have come top for four out of the past five years. We have focused on providing our customers with a high level of service, which requires close collaboration with our tenants. All the properties are within walking distance of our offices and we have our own operating technicians who look after and maintain the prop-

erties. Long-term thinking also characterises the way we manage our properties. We endeavour to create flexible premises that are easy to adapt to the needs and wishes of the tenants while at the same time the properties must be sustainable for the future. In all our construction projects, we make very strict demands on the products and services that are chosen. The choice is based on environmental impact, lifespan and quality, the collective aim being to develop and improve our operations from an environmental and sustainability perspective.

“Hufvudstaden's vision is to be consistently perceived as, and prove to be, the most attractive property company in Sweden „

Hufvudstaden is well positioned for the future with holdings concentrated in two of the foremost growth regions in Sweden. We have a solid financial position, with a low loan-to-value ratio and good earning capacity. This gives us the opportunity to continue to develop our properties and to generate a good return with limited risk for the shareholders.





NORDSTAN

Fyran, Nordstaden 8:26, Gothenburg

Business concept, objectives and strategies

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 will work in close collaboration 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 knowledge and values.

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

Fulfilment of objectives

Financial objectives

- According to a proposal by the Board, the total share dividend will be SEK 536.3 million, equivalent to 82 per cent of the net profit from current operations.
- The equity ratio at the end of 2012 amounted to 59 per cent.

Operating objectives

- Net profit on current operations increased by 11 per cent during the year.
- Hufvudstaden takes part in the annual Fastighetsbarometern Customer Satisfaction Survey among office tenants. In this year's survey, we once again came out top. This means that we have now come out top for four out of the past five years.
- During the year, Hufvudstaden acquired one property and developed existing property holdings.

In Gothenburg, the property Nord-

staden 8:26 was acquired with completion in March 2013. The acquisition in December last year of the property Inom Vallgraven 12:2 in Gothenburg has meant that we have been able to commence development of the whole of the Hårbärg block.

Several projects have been carried out in existing properties. Among other things, the extension of the Femman property in Gothenburg has almost been completed and the majority of the floor space has been let. In addition, there has been adaptation of around 35,000 square metres for new and existing tenants.

- Each year, the Company runs a survey to determine the employees' view of their working environment and of the Company. The response rate, as in previous years, was very high. The results showed, among other things, that Hufvudstaden is an equal opportunities workplace with good potential for skills development. The employees also feel there is a high degree of job satisfaction and that they have considerable commitment.

Statement by the President

A strong year for Hufvudstaden

The Swedish economy developed positively during the first half of the year although during the autumn there was emerging uncertainty, among other things due to the continued problems in the Eurozone and major question marks surrounding economic development in the USA and China. Growth in Sweden fell during the second half of the year, redundancies increased and it was obvious that Sweden was entering a recession. To counteract the slowdown in the economy, the Swedish Central Bank cut interest rates on a couple of occasions during the autumn.

For Hufvudstaden, things went mostly our way during the year. The Company reports one of the best results ever from current operations. A number of successful projects have been concluded and a strategically important acquisition in Gothenburg has taken place. Hufvudstaden also has the most satisfied office tenants in the industry, which was shown once again in the Fastighetsbarometern Satisfied Customer Index. The share price rose during the year by approximately 17 per cent and, in line with the trend in recent years, international interest in investing in Hufvudstaden shares has increased even further.

Stable in Stockholm and positive in Gothenburg

The rental market in central Stockholm was stable. Office rents in prime locations amounted to SEK 4,000–5,000 per square metre and the rental vacancy level in the CBD was 4–5 per cent with a slight rise during the autumn. The slowdown in the economy has mainly hit the finance, legal and media sectors although its impact on Hufvudstaden's financial results up to now has been limited.

The office market in central Gothenburg has been almost unaffected by the weakened economy, due mainly to the

lack of prime office space as very few office projects have been completed in Gothenburg in recent years. Rents for prime office space during the year rose and are SEK 2,000–2,600 per square metre. The rental vacancy level for the CBD was stable at 4–5 per cent.

During the year, Hufvudstaden succeeded in maintaining a low rental vacancy level, which at the year-end was just below 4 per cent. Renegotiations



have also gone well, resulting in an increase in rents of 10 per cent. In the newly acquired building beside Kungsgatan in Stockholm, for example, an important major lease was renegotiated with a good rent over a long period.

Convincing property market

The banks' restrictive lending to the property sector was expected to result in a lower transaction volume during 2012. However, the property companies' issues of commercial paper and bonds and the issuing of preference shares became an alternative to regular financing through the banks. During the year, Hufvudstaden established a bond

programme totalling SEK 2 billion.

New financing solutions, in combination with continued low interest rates and a lack of attractive alternative investments, gave the property market new impetus and several major transactions were completed towards the end of the year. The total transaction volume was almost SEK 110 billion, exceeding the level for 2011.

The purchasers were mainly Swedish institutions and financially strong Swedish property companies. For properties of the highest standard in absolute prime locations in Stockholm and Gothenburg, the yield requirement was 4.5–5.5 per cent, which in European terms is relatively low.

Hufvudstaden's property value has grown positively, due mainly to increased rents in the holdings, and closed the year at SEK 23.1 billion. The net asset value at the year-end amounted to SEK 84 per share and the share price was SEK 81.95 per share.

Strengthening of Bibliotekstan and NK

Hufvudstaden's investment over many years in high-quality retailing has produced results.

Both NK and Bibliotekstan have succeeded in attracting several international brands of the very highest class, which will refine and reinforce both marketplaces even further.

In Bibliotekstan, Ralph Lauren opened a flagship store during the year. In spring 2013, the French cosmetics company Sephora will open a shop on Biblioteksgatan and at the same time the well-established Wienerkonditoriet will be refurbished and the concept will be renewed.

Revenue at both NK Stockholm and NK Gothenburg has risen over several years and in 2012 totalled SEK 2,850 million, which is up on 2011 by approximately SEK 40 million and is the highest figure ever.

Acquisitions and projects in Gothenburg

During November, Hufvudstaden acquired a property in the Nordstan Shopping Centre in central Gothenburg for approximately SEK 1.3 billion with completion in March 2013. The total floor space is 21,000 square metres and around two-thirds of the revenue is from retailing and the remainder from offices. The acquisition is a natural complement to the existing holdings and reinforces Hufvudstaden's position as one of the leading, long-term property owners in Gothenburg.

In November, Hufvudstaden received a positive planning decision regarding the development of a whole block in a prime commercial location on Fredsgatan, beside NK. Work on a new detailed plan has commenced and there is considerable potential, in collaboration with the City of Gothenburg, to create modern offices and attractive stores that will benefit both the people of Gothenburg and visitors to the city.

We have worked resolutely for several years with both the acquisition and the planned project and both processes are excellent examples of our focused business concept being put into practice and in time increasing value for the shareholders.

Corporate social responsibility vital to profitability

A strong corporate culture based on sound values is an important prerequisite for corporate social responsibility that is profitable in the long term. Quality, attentiveness, honesty and commitment are the values that each day govern Hufvudstaden's decisions and the actions of employees in each individual situation. Year after year, the Company comes top in independent customer and employee surveys and both employees and customers remain with Hufvudstaden for a long time, which ensures continuity in its business operations.

We are striving for solutions that are sustainable from a long-term, quality perspective. Over the past five years, it

“The Company reports one of the best results ever from current operations”

has been possible to reduce energy use by 8 per cent despite a number of acquisitions. In conjunction with the recently implemented redevelopment of the Femman property in Gothenburg, energy efficiency has been improved by approximately 30 per cent. At the same time, we have endeavoured to find redevelopment solutions, which in terms of technology, choice of materials and planning solutions will entail the least possible impact on the environment in the future.

Hufvudstaden has for the third year in succession achieved high scores in the international climate survey Carbon Disclosure Project, where the Company received the highest results of all the property companies in the Nordic region.

Strong financial trend in 2012

Operating results have developed well and the gross profit was SEK 1,085 million, an increase of 13 per cent. Net revenue totalled SEK 1,542 million, an increase of 7 per cent. The increase can be attributed mainly to higher rent levels in conjunction with new leases, successful renegotiations, index-linked increases and a continued low level of vacant space in the holdings. Concluded projects and acquisitions have also contributed to the improvement in profit. It was also possible to reduce current costs during the year.

The profit after tax was SEK 1,939 million (1,435), an increase of SEK 504 million, which can be explained by dissolved deferred tax as a result of a reduction in corporation tax.

Focus in 2013 and the future

Work during 2013 will be aimed mainly at optimising current operations and dealing with the effects of the uncertain economic situation. The aim behind renegotiations and new leases is to con-

clude matters quickly and achieve long leases that will allow vacant space to be kept at a low level over time. At the same time, we will continue working to identify and initiate new projects and further acquisitions cannot be ruled out.

Looking farther ahead, I am full of confidence. The Stockholm and Gothenburg regions are developing positively and scheduled investments in the infrastructure, in combination with an increasing influx of individuals and companies, will bring continued growth and increased purchasing power in the future.

Hufvudstaden's properties are in prime locations at the most attractive addresses in Sweden and we have a sound corporate culture with committed employees. I am convinced that our business concept, which has proved successful up to now, will in the future provide a good return for the shareholders with limited risk. At the same time, we will continue to contribute to the development of city centre marketplaces in the two leading regions in Sweden.

In conclusion, I would like to take the opportunity to thank all the employees at Hufvudstaden for their excellent and highly valuable work during the past year.

Stockholm, February 2013

Ivo Stopner
President

BIBLIOTEKSTAN

Jakobsbergsgatan, Stockholm





10

BIRGER JARLSPASSAGEN

BIRGER JARLSPASSAGEN

Bibliotekstan, Stockholm

Property market

The rental and investor markets in Stockholm and Gothenburg, which is where Hufvudstaden carries on its operations, are affected to a high degree by the state of the Swedish economy. As Sweden is largely an export-dependent economy, it is affected by developments abroad. It is therefore important that Hufvudstaden keeps pace with shifts in the economy, both in Sweden and internationally.

After a certain respite at the beginning of the year, uncertainty once again began to increase in the global economy as the spring approached. The background was the national debt crisis in countries in southern Europe, with fears that Greece would go bankrupt and leave the Eurozone. There was also uncertainty surrounding the considerably larger Spanish economy, which continued to have a negative impact. Similarly, the economic downturn during the year had an effect on the driving force in Europe – Germany. In China and in a number of other expanding nations, growth slowed down slightly from what were previously very high levels. The USA appears to have recovered, which is supported by positive labour market figures towards the end of the year.

Resistance in the Swedish economy declined considerably after the summer, with clear indications of an economic downturn. A drop in exports, a rise in redundancies, falling inflation and a decline in growth resulted in the Swedish Central Bank reducing the repo rate. Despite the negative trend, the Swedish economy's stable conditions offer a better starting point compared to the majority of other countries. The national debt in Sweden is relatively low in relation to the GNP, approximately 30–35 per cent. Government finances are stable and the balance of trade is positive. In the light of these beneficial conditions, the Government has announced that there is economic scope for increased investment, including infrastructure projects. A number of these will have a major impact on the sub-markets in which Hufvudstaden is operating. These investments, together with a cut in corporation tax in 2013, will counteract the negative effects of an economic downturn.

There was a surprisingly strong increase in growth measured in GNP during the first half of the year compared to the trend internationally and the figure for the third quarter was

higher than expected, albeit lower than the first two quarters. Inflation, against which Hufvudstaden is protected through index-linked leases, began to fall and throughout the year it remained below the Central Bank's long-term target of two per cent.

Hufvudstaden's sub-markets

In Stockholm, Hufvudstaden owns and manages 25 properties, all located in the most attractive, central parts of the city. The properties house modern, high-quality office and retailing premises in which successful companies are offered the opportunity to carry on their business operations.

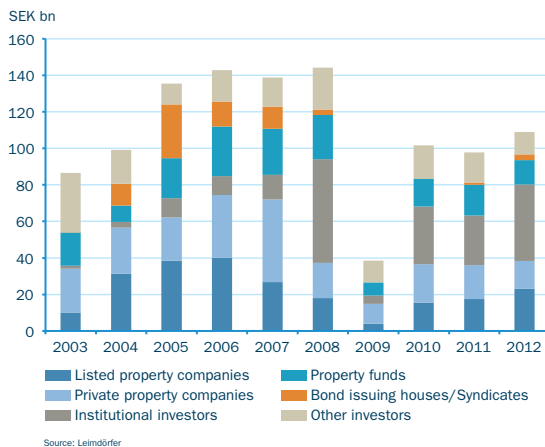
Greater Stockholm is frequently described as the growth engine of Sweden and figures from Statistics Sweden indicate that growth, measured in terms of gross regional product (GRP) increased by an average of 3.6 per cent per annum between 1994 and 2010, whilst the GNP for the whole of Sweden increased by an average of 2.7 per cent per annum. The higher rate of growth in Greater Stockholm can be attributed largely to the strong service sector, including property, finance, IT, communication and corporate services, which according to



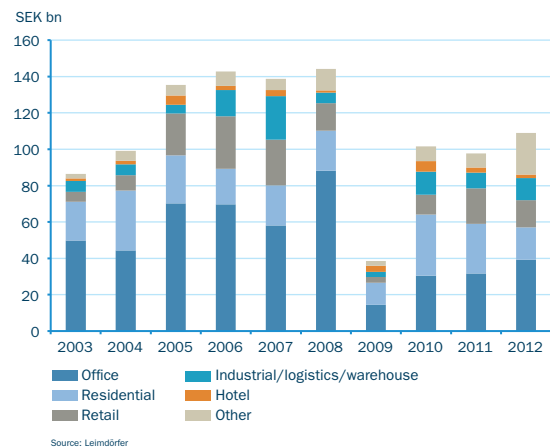
Source: Leimdörfer

Larger property owners in central Stockholm.

Transaction volume per investor category



Transaction volume according to type of property



Statistics Sweden employs around 29 per cent of the working population. This can be compared to the country as a whole, where employment in this sector is around 19 per cent.

In Greater Stockholm, the population is over 2.1 million and during the past 10 years it has increased by almost 15 per cent. The forecast for the coming years is that the population will

Förbifart Stockholm, Österleden and expansion of the underground system. In total, current and planned infrastructure investments in Greater Stockholm are worth around SEK 100 billion.

The availability of commercial properties within the Stockholm inner city comprises holdings totalling approximately 5 million square metres of office space, of which around 1.7 million square metres are within the CBD. Hufvudstaden is the second-largest commercial property owner in the Stockholm CBD with rentable floor space for all categories of premises of 268,000 square metres.

In Gothenburg, Hufvudstaden owns five properties, excluding the property Nordstaden 8:26, where completion will take place in March 2013. As in Stockholm, the holdings comprise modern, high-quality office and retailing premises located in the most central parts of the city.

In Gothenburg, a transformation is taking place from what in the past was very much an industrial city into a city with a more diversified commercial base. The service sector has grown steadily and according to Statistics Sweden it now employs around 20 per cent of the working population, which is slightly

higher than the country as a whole. According to Statistics Sweden, growth in Västra Götaland, an area that is slightly larger than what is normally designated Greater Gothenburg, increased by an average of 3.2 per cent between 1994 and 2010. Among the other regions in Sweden, this figure is only bettered by Greater Stockholm.

The population in Greater Gothenburg is just over 0.9 million. The increase in population in the past ten years has been higher than in Sweden as a whole. Since 2002, the population has grown by over 10 per cent compared to the national average of just under 7 per cent. The forecast for Greater Gothenburg is that the population will continue to rise at around the same rate through to 2020, by which time the population will be over 1.0 million.

In line with the increase in population, several infrastructure investments are taking place in the region. The largest current projects include the Marieholm

Largest property owners in the Stockholm CBD

| | Rentable floor space sq. m. |
|----------------------|-----------------------------|
| Vasakronan | 363,000 |
| Hufvudstaden | 268,000 |
| AMF Fastigheter | 224,000 |
| Diligentia | 128,000 |
| SEB Trygg Liv | 102,000 |
| Pembroke Real Estate | 91,000 |
| Ramsbury | 88,000 |

Source: Leimdörfer

continue to rise at about the same rate, reaching around 2.4 million by 2020.

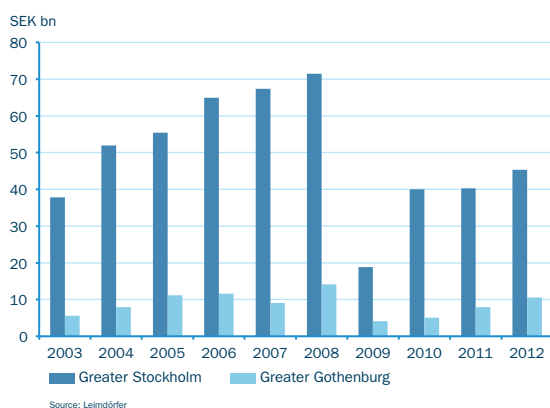
To meet the high rate of population growth, several infrastructure projects are taking place in the region. The largest current projects are Citybanan, Norra Länken, Mälarbanan and a motorway between Hjulsta and Kista. The investment figure for these four projects alone is estimated at around SEK 47 billion. They are expected to be completed between 2015 and 2019. In addition to these projects, there are plans for future investments. These include

Largest property owners in the Gothenburg CBD

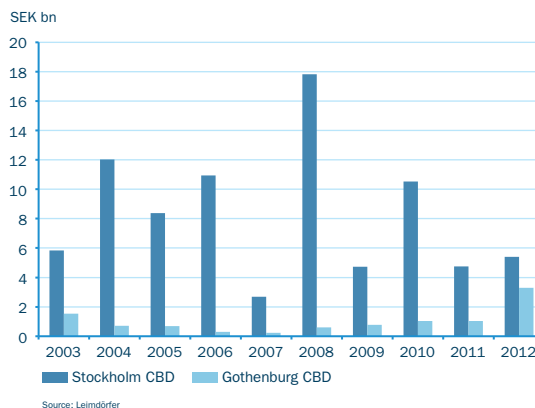
| | Rentable floor space sq. m. |
|--------------------|-----------------------------|
| Vasakronan | 269,000 |
| Wallenstam | 135,000 |
| Hufvudstaden | 83,000 |
| Bygg-Göta Göteborg | 67,000 |
| Castellum | 52,000 |
| Platzer | 49,000 |
| SEB Trygg Liv | 43,000 |

Source: Leimdörfer

Transaction volume in Greater Stockholm and Greater Gothenburg



Transaction volume in the Stockholm CBD and Gothenburg CBD



Link. The investment is worth in excess of SEK 5 billion. Part of the project was completed at the end of 2011 and the remaining parts are at the planning stage. Another major investment at the planning stage is West Link, a rail link that will include three new stations. With a total investment of around SEK 20 billion, completion is scheduled for 2025–2030. In total, current and planned infrastructure projects in the Gothenburg area amount to over SEK 60 billion. A number of these investments will be funded through congestion charges, which were introduced for central Gothenburg at the turn of the year 2012/2013.

In the Gothenburg region as a whole, there are around 3.2 million square metres of office space, of which around 0.9 million square metres are located in the Gothenburg CBD. Hufvudstaden is the third-largest commercial property owner in the Gothenburg CBD with rentable floor space for all categories of premises of 83,000 square metres, excluding the property Nordstaden 8:26. The Company's properties are to be found in prime locations in the Inom Vallgraven and Östra Nordstan areas, making Hufvudstaden's property holdings among the most concentrated in Gothenburg.

A comparison with other major property companies shows that Hufvudstaden is among the most concentrated companies, both in terms of property holdings and geographical location. It is considered that the good rate of growth on both of the Compa-

ny's sub-markets will continue to contribute to satisfying the Company's operating objectives.

Investor market

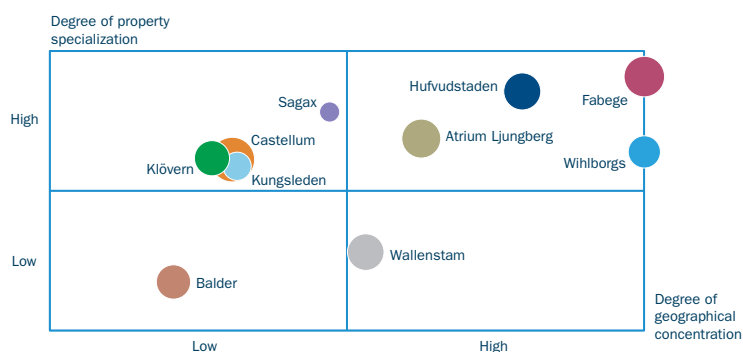
Thanks to a very strong end to the year, the transaction volume for 2012 was almost SEK 110 billion. This is an increase of around SEK 10 billion compared to 2011.

Properties with a low risk, such as offices in attractive locations and residential properties, continued to account for a large proportion of the total transaction volume during 2012. It is mainly Swedish investors, such as institutions, private property investors with low loan-to-value ratios, listed property companies and property funds that are behind the majority of the property acquisitions.

The greatest level of activity was on the Stockholm and Gothenburg mar-

kets, where revenue was in excess of SEK 45 billion and SEK 10 billion respectively. Revenue during 2011 on these two sub-markets totalled around SEK 40 billion and SEK 8 billion respectively. In the Stockholm CBD, where most of Hufvudstaden's properties are located, several transactions took place. The two largest transactions were the acquisition by Folksam of Kungsbrohuset from Jernhusen for around SEK 2.1 billion, and the acquisition by AFA Fastigheter of the Klara-berg Building from Fortin Properties for around SEK 1.5 billion. There have also been transactions in central Gothenburg and in the CBD turnover was in excess of SEK 3.0 billion, which is one of the highest figures in this area. Hufvudstaden acquired the Nordstaden 8:26 property, part of the Nordstan Shopping Centre, from AMF

Positioning among larger property companies



Fastigheter for almost SEK 1.3 billion. The acquisition is an excellent complement to current Hufvudstaden property holdings in Gothenburg. Another major transaction in Gothenburg was the sale of 12 properties by Diligentia to Vasakronan for over SEK 2.1 billion.

There was high demand in 2012 for prime location office and retailing properties in the Stockholm CBD and the Gothenburg CBD. This has resulted in continued low yield requirements, which for modern office and retailing properties in the Stockholm CBD were between 4.50 and 5.25 per cent and in the Gothenburg CBD between 4.75 and 5.50 per cent at the end of 2012.

Rental market in Stockholm

Offices

The rental market for offices in Stockholm developed steadily during 2012. Demand has been relatively good and availability continues to be limited. During the latter part of the year, the letting processes became more protracted, which resulted in a slight fall in activity. The greatest demand is for offices in the CBD, in other central locations within the inner city areas and within nearby off-centre areas, directly outside the inner city areas and close to public transport, mainly in modern, new and redeveloped properties.

One of the competitive advantages on the rental market is the ability to offer modern office premises where the floor space can be utilized efficiently, thus allowing the rental cost per employee to be reduced. The potential to

let large, cohesive office premises in the Stockholm CBD is relatively limited. This will have a positive impact on Hufvudstaden, as the Company owns compact, high-quality property holdings in this area, comprising modern office premises. It is Hufvudstaden's long-term strategy to own properties gathered within the same area, preferably comprising whole blocks, which also makes it possible for our tenants to expand within the existing property holdings.

During the period 2014–2017, the rental market for offices in the Stockholm CBD will be affected by a number of large-scale vacations. In the first instance, a couple of banks will move and total vacant space is expected to rise by around 150,000–200,000 square metres, equivalent to around 10 per cent of the total office space. At present, availability arising from new construction and redevelopment projects in the CBD is relatively limited although it is expected to increase when the vacation of premises will result in increased project investments. However, the level of activity is still high when it comes to upgrading older buildings into modern office and retailing premises.

During 2012, rents were noted in Bibliotekstan of between SEK 4,200 and 5,000 per square metre per year, excluding the property tax supplement. Throughout the rest of the CBD, rent

levels were between SEK 4,000 and 5,000 per square metre per year excluding the property tax supplement. The level of vacant space during the year was 4–5 per cent (4–5) in the CBD, 1–2 per cent (1–2) in Gamla Stan and 3–5 per cent (3–7) in inner city areas, i.e. Södermalm, Kungsholmen, Vasastan/Norr-malm and Östermalm/Gärdet.

Stores

The high demand for well-located store premises in the most central sub-markets in Stockholm continued during 2012.

**Market rents, December 2012
(excluding the property tax supplement)**

| Stockholm | Offices, | | Stores, | |
|-------------------|---------------------|--|---------------------|--|
| | SEK/sq. m. per year | | SEK/sq. m. per year | |
| Bibliotekstan/NK | 4,200 – 5,000 | | 13,000 – 19,000 | |
| City, other | 4,000 – 5,000 | | 4,000 – 12,000 | |
| Östermalm | 2,400 – 3,600 | | 3,000 – 8,500 | |
| Gamla Stan | 2,700 – 3,300 | | 2,500 – 5,000 | |
| Slussen/Södermalm | 2,200 – 3,000 | | 2,500 – 5,000 | |
| Kungsholmen | 2,200 – 3,300 | | 2,000 – 7,000 | |
| Liljeholmen | 2,000 – 2,300 | | 2,000 – 5,000 | |
| Globen | 1,500 – 2,200 | | 3,500 – 5,000 | |
| Kista | 1,800 – 2,300 | | 4,000 – 8,000 | |

| Gothenburg | Offices, | | Stores, | |
|-----------------|---------------------|--|---------------------|--|
| | SEK/sq. m. per year | | SEK/sq. m. per year | |
| Inom Vallgraven | 2,000 – 2,600 | | 6,000 – 13,000 | |

Vacant space in prime locations was virtually non-existent. This has resulted in retained or slightly increased rent levels. Growth in revenue in the retail trade was fair during the year whilst household confidence indicators showed greater pessimism, which could have an impact on consumption in the future.

The most sought-after retailing areas are in Bibliotekstan and on Hamngatan, Kungsgatan and Drottninggatan. Bibliotekstan and the NK department store have a special position as the most exclusive store locations. Hufvudstaden is working actively here to establish more international brands in the premium segment, which will reinforce these retailing locations even further. Rents for prime retailing space in these areas are between SEK 13,000 and 19,000 per square metre per year, excluding the property tax supplement.

Yield, Stockholm CBD and Gothenburg CBD



Source: Leimdörfer



BIBLIOTEKSTAN

Birger Jarlgatan, Stockholm

SVEAVÄGEN/KUNGSGATAN

Stockholm



Rental market in Gothenburg

Offices

The development on the office rental market in Gothenburg has been relatively strong during the year with good demand for modern, efficient office space. Rent levels have risen slightly and vacant space has fallen to even lower levels.

Hufvudstaden's extension of the Femman building in Nordstan, one of the largest new construction projects in central Gothenburg, has in effect been completed. The project indicates that rents for modern office space in prime locations has increased and are now above SEK 2,500 per square metre per year, excluding the property tax supplement. New construction of office space in the Gothenburg area is expected to be relatively low during the next few years.

The best locations for offices in central Gothenburg are considered to be

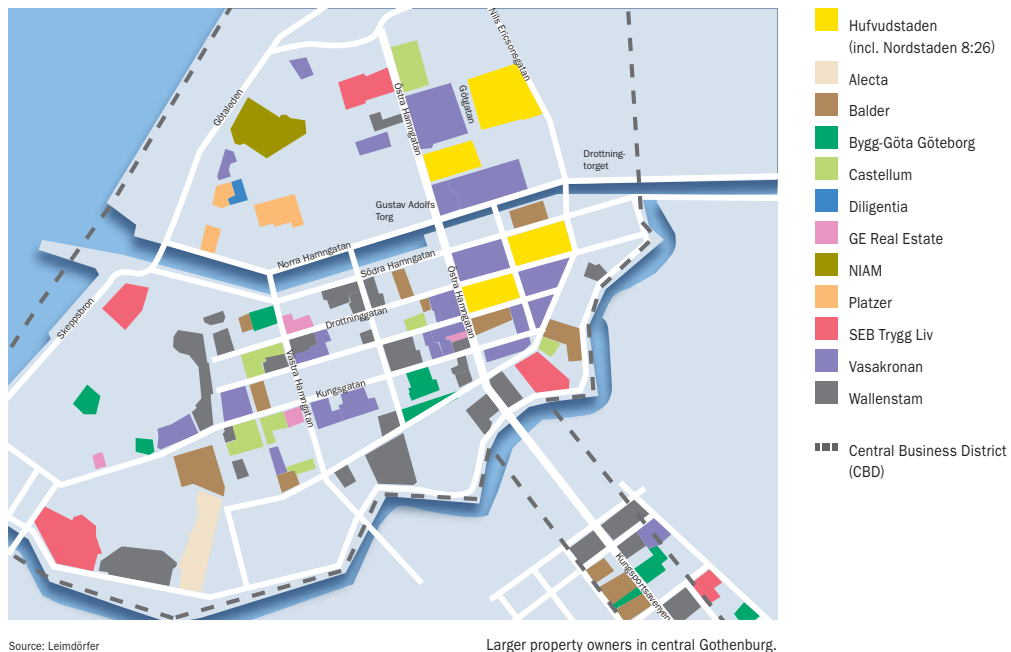
the Inom Vallgraven areas, particularly areas near Östra Hamngatan, Västra Hamngatan, Norra Hamngatan and Södra Hamngatan, as well as Nordstan, Kungssportsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Within the Gothenburg CBD, market rents for modern office space were between SEK 2,000 and SEK 2,600 per square metre per year, excluding the property tax supplement. The top rent is considered to be slightly above this range. Vacant space in the Gothenburg CBD fell during 2012 compared to 2011 and was between 4 and 5 per cent (5–6) at the end of the year. As in Stockholm, Hufvudstaden in Gothenburg owns high-quality properties with modern office premises, which are mainly the type of office premises that are in demand on the market.

Stores

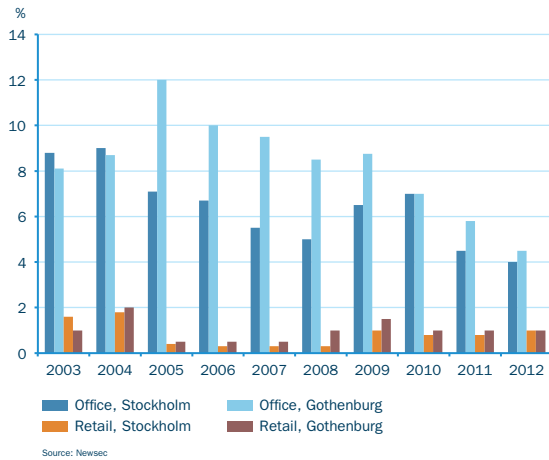
Rents for stores in prime locations in Gothenburg were stable during the

year with limited availability of vacant space. Prospects for the retail sector are uncertain, however, although this is being compensated for by a positive net influx of people into the Gothenburg region. With the acquisition of the property Nordstaden 8:26, Hufvudstaden will reinforce its presence even further in central Gothenburg and it is expected to continue to benefit from the strong city centre retail trade. In addition, work has commenced on the future development of the wholly owned Härbarget block, located on Fredsgatan, one of the prime retailing areas in Gothenburg.

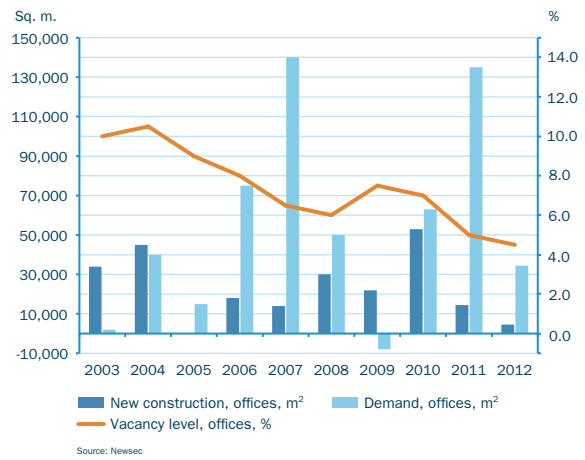
The prime locations for stores in central Gothenburg are considered to be Östra Nordstan, Fredsgatan and Kungsgatan between Östra Hamngatan and Västra Hamngatan. In these locations, rents for prime sales space were between SEK 6,000 and 13,000 per square metre per year, excluding the property tax supplement.



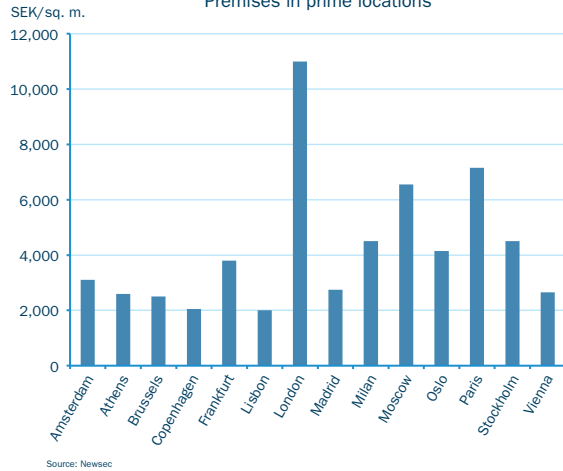
Vacant office and retail space
Prime location premises



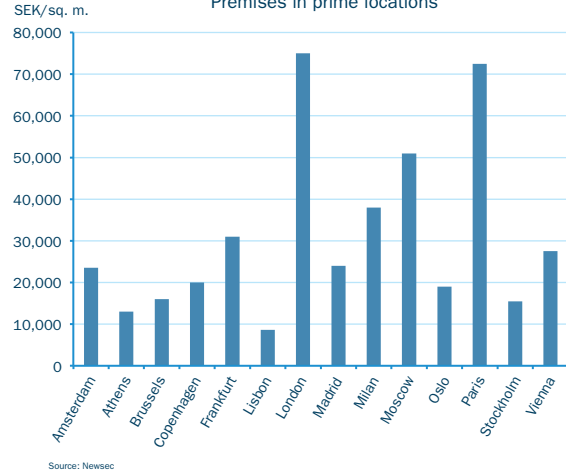
New construction, demand and vacancy level,
office premises in Central Stockholm



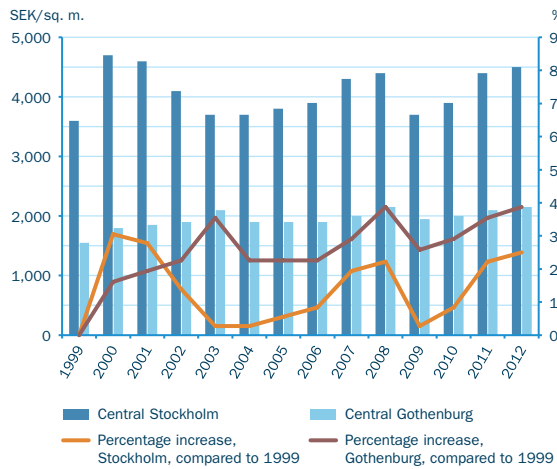
Office rents in European cities, December 2012
Premises in prime locations



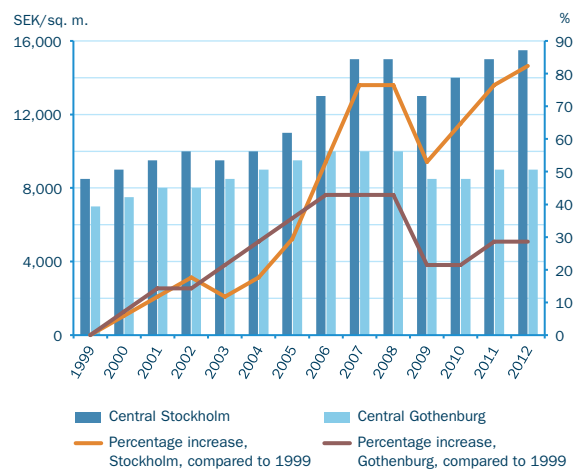
Store rents in European cities, December 2012
Premises in prime locations



Market rent trend, prime location offices, nominal
(excluding the property tax supplement)



Market rent trend, prime location stores, nominal
(excluding the property tax supplement)



Shares and shareholders

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a nominal value of SEK 100. At the end of 2012, the share capital amounted to SEK 1,056.4 million with a par value of SEK 5 per share.

Share structure

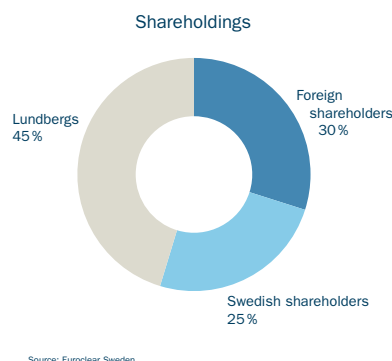
Hufvudstaden has two share series, series A and series C. Both series are listed in the large cap list on NASDAQ OMX Stockholm. Series A shares carry one vote per share and series C shares carry 100 votes per share. There is no limit on how many votes each shareholder may cast at a general meeting. Series A shares were listed in 1938, on what was at the time the Stockholm Stock Exchange, whilst series C shares were first listed in 1998.

The Articles of Association include what is termed a conversion provision. This means that the holders of series C shares are entitled, if they wish, to request conversion of their series C shares into series A shares. No such conversion took place during the year.

At the end of the year, the total number of outstanding shares was 206,265,933, of which 197,990,869 were series A shares and 8,275,064 were series C shares. In addition, Hufvudstaden held 5,006,000 series A shares.

Shareholder structure

The number of shareholders at the year-end was 17,499. The largest shareholder was LE Lundbergföretagen AB with 45.3 per cent of the total number of outstanding shares and 88.1 per cent



of the votes. The second largest was State Street Bank and Trust with 6.6 per cent of the total number of outstanding shares and 1.3 per cent of the votes.

As of December 31, 2012, institutions and companies with holdings of over 100,000 shares held 184,027,640 shares, equivalent to 89.2 per cent of the total number of outstanding shares and 96.9 per cent of the votes. Of these, 64 were Swedish institutions and companies, which together held 127,175,300 shares, equivalent to 61.6 per cent of the total number of outstanding shares and 91.4 per cent of the votes. There were 89 foreign institutions and companies with holdings of 100,000 shares or more. Their holdings amounted to

Ownership structure as of December 31, 2012

| | | Number of shareholders | Proportion of shareholders, % | Number of issued shares | Proportion of shares, % |
|--------------|--------|---------------------------|----------------------------------|----------------------------|----------------------------|
| 1 – | 999 | 14,411 | 82.4 | 2,792,113 | 1.3 |
| 1,000 – | 9,999 | 2,572 | 14.7 | 5,900,113 | 2.8 |
| 10,000 – | 99,999 | 358 | 2.0 | 11,121,655 | 5.3 |
| 100,000 – | | 158 | 0.9 | 186,452,052 | 88.2 |
| | | 17,499 | 100.0 | 206,265,933 | 97.6 |
| Hufvudstaden | | | | 5,006,000 | 2.4 |
| Total | | | | 211,271,933 | 100.0 |

Source: Euroclear Sweden

Largest shareholder groups as of December 31, 2012

| | Series A, shares | Series C, shares | Total number of shares | Outstanding shares, % | | Issued shares, % | |
|-------------------------------|---------------------|---------------------|---------------------------|-----------------------|-------|------------------|-------|
| | | | | Capital | Votes | Capital | Votes |
| Lundbergs | 85,200,000 | 8,177,680 | 93,377,680 | 45.3 | 88.1 | 44.2 | 87.6 |
| State Street Bank and Trust | 13,543,387 | 0 | 13,543,387 | 6.6 | 1.3 | 6.4 | 1.3 |
| JP Morgan Fonder | 10,564,616 | 0 | 10,564,616 | 5.1 | 1.0 | 5.0 | 1.0 |
| Mellon Fonder | 6,544,720 | 0 | 6,544,720 | 3.2 | 0.6 | 3.1 | 0.6 |
| NTC Wealth | 5,848,717 | 0 | 5,848,717 | 2.8 | 0.6 | 2.8 | 0.6 |
| Swedbank Robur Fonder | 3,980,676 | 0 | 3,980,676 | 1.9 | 0.4 | 1.9 | 0.4 |
| SEB Fonder | 3,867,508 | 0 | 3,867,508 | 1.9 | 0.4 | 1.8 | 0.4 |
| BNP Paribas | 2,618,081 | 0 | 2,618,081 | 1.3 | 0.3 | 1.2 | 0.3 |
| AFA Försäkring | 2,552,700 | 0 | 2,552,700 | 1.2 | 0.2 | 1.2 | 0.2 |
| Other shareholders | 63,270,464 | 97,384 | 63,367,848 | 30.7 | 7.1 | 30.0 | 7.1 |
| Outstanding shares | 197,990,869 | 8,275,064 | 206,265,933 | 100.0 | 100.0 | 97.6 | 99.5 |
| Hufvudstaden | 5,006,000 | | 5,006,000 | | | 2.4 | 0.5 |
| Total number of issued shares | 202,996,869 | 8,275,064 | 211,271,933 | | | 100.0 | 100.0 |

| | | | |
|----------------------------|-------------|-------------|---------------|
| Votes (excl. own holdings) | 197,990,869 | 827,506,400 | 1,025,497,269 |
| Votes (incl. own holdings) | 202,996,869 | 827,506,400 | 1,030,503,269 |

Source: Euroclear Sweden

56,852,340 shares, equivalent to 27.6 per cent of the outstanding shares and 5.5 per cent of the votes. In addition, five Swedish private individuals each held 100,000 shares or more. The number of shareholders fell during the year by 652. The proportion of foreign ownership increased during the year from 26.5 to 29.9 per cent of the total number of outstanding shares.

Buy-back

Since the Annual General Meeting in 2003, the Board has had the mandate of

the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares. The mandate was renewed at the 2012 Annual General Meeting. At the end of the year, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No shares were bought back during 2012.

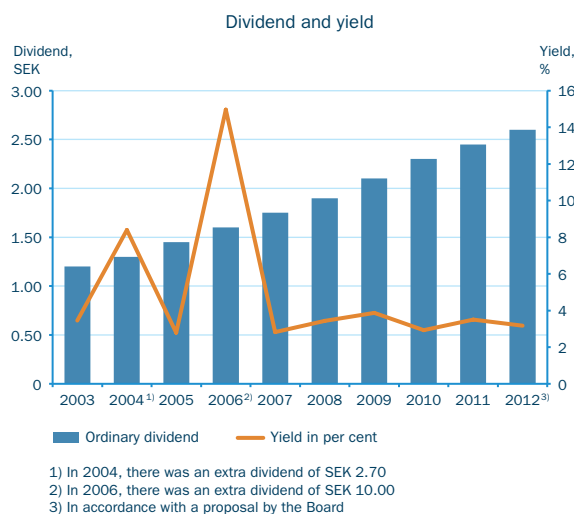
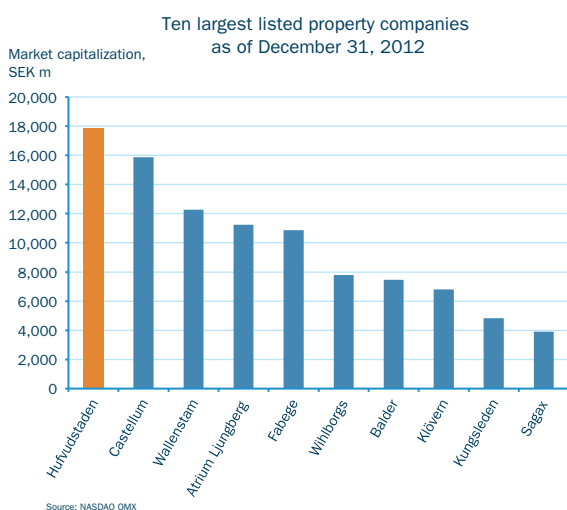
Market capitalization

At the end of 2012, Hufvudstaden's total market capitalization was SEK 17,816 million. The graph below shows the price

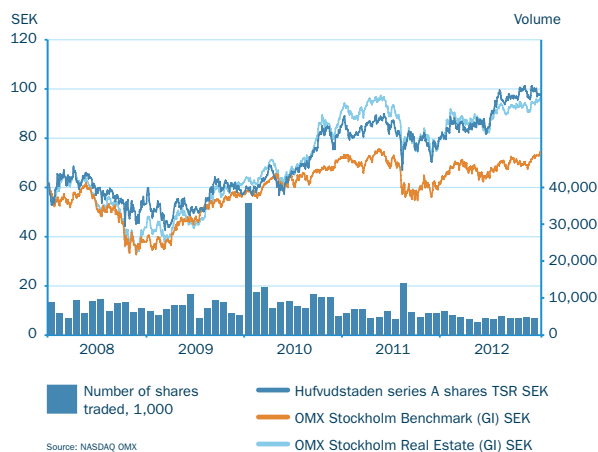
trend and trading in Hufvudstaden's series A shares during the year.

Dividend

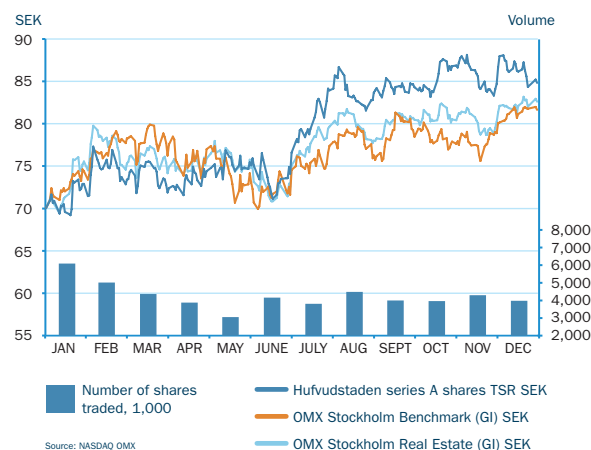
Hufvudstaden shares shall have good growth over time and the dividend shall be more than half the net profit from current operations unless investments or the Company's financial position in general justify a deviation. A dividend of SEK 2.60 per share is proposed for 2012, equivalent to 82 per cent of the net profit on current operations. (See Definitions, page 95, Dividend).



Share price trend, including dividend, and trading from 2008 in relation to Stockholm Real Estate GI and Stockholm Benchmark GI



Share price trend, including dividend, and trading during 2012 in relation to Stockholm Real Estate GI and Stockholm Benchmark GI





PARKADEN

Regeringsgatan, Stockholm

Sustainability and corporate social responsibility

Sustainability at Hufvudstaden is based on the Company's vision and business concept. For Hufvudstaden, sustainability work involves assuming long-term responsibility, both with regard to financial development and in environmental and social issues.

The corporate culture is value governed and is characterized by firm commitment throughout the whole organization. Our four basic values are quality, attentiveness, honesty and commitment. These values form the basis for how our employees act in business situations and in their dealings with colleagues and suppliers. They help us to achieve our operating objectives and at the same time, they are of importance in ensuring that we can develop operations and be more sustainable. Sustainability work extends from operation of our properties to redevelopment, business ethics and our human resource policy. To provide guidance, policies and guidelines have been drawn up for our employees and for environmental matters.

We are one of the leading property owners in central Stockholm and central Gothenburg. As a major property owner, we are in a position to be involved in developing the two cities in the face of increasing environmental demands in the future. Apart from the Company's work on continuously developing existing holdings, Hufvudstaden is involved in a number of different working groups in order to make these cities safer, more accessible and more attractive.

GRI

Global Reporting Initiative (GRI) is the most recognized and widely used set of principles for the presentation and reporting of sustainability information. It provides guidelines for what a sustainability report ought to include as well as the indicators that are to be reported. Hufvudstaden reports according to the GRI standard. The Company's sustainability report has been prepared according to application level C. The GRI appendix and index can be found on the Hufvudstaden website (www.hufvudstaden.se).

Stakeholders

Stakeholders are those players who are influenced by us or our operations. We have identified five main groups of stakeholders: tenants, employees, owners, suppliers and the community. Having an understanding and knowledge of the Company's stakeholders is self-evident for our long-term strategy of being able to operate efficiently and profitably. In order to measure the satisfaction of our office tenants, we take part in the annual Fastighetsbarometern survey. This provides feedback on, for example, how it is felt we pursue our sustainability work. Hufvudstaden manages all properties using its own staff, which means that we can maintain an effective, continuous dialogue with our tenants. Employees' proposals and views are picked up in daily operations and supplemented with employee appraisals and employee surveys and through the Company's Environmental Council and Environmental Working Group. A dialogue with the Company's owners takes place at the Annual General Meeting, investor meetings and other similar meetings. We are involved in a number of networks, sector-linked projects and associations with the aim of actively carrying on and influencing developments in sustainability issues, primarily within the environmental field.

During the year, Hufvudstaden took part in a number of environmental surveys, including the Carbon Disclosure Project (CDP), which is a worldwide survey that is conducted among publicly listed companies. The survey includes a presentation of the companies' climate work and climate impact. Hufvudstaden is at the forefront among Swedish companies and received the highest score among all the property companies in the Nordic region that participated. Hufvudstaden's environmental work has also been approved and analyzed for investment by the Swedbank Robur Sustainability Funds.

Ethical guidelines and social responsibility

Hufvudstaden's values form the basis of our ethical guidelines. They provide us with guidance in business and personal relationships with our stakeholders. Each manager is responsible for ensuring compliance with the guidelines and that a follow-up takes place. All employees are responsible for being aware of and adhering to our ethical guidelines and new employees undergo a compulsory training programme. We have a specific ambition regarding honesty and ensuring that there is fair competition in every situation. We do not tolerate bribes, corruption or similar actions. Indeterminate behaviour or infringements are

Hufvudstaden's sustainability work in the community takes place mainly through active participation in different sector-linked networks and associations.

- Hufvudstaden plays an active role in BVB, a construction product assessment association, and has had a seat on the board for many years.
- Hufvudstaden is a member of Sweden Green Building Council and a member of the committee for the Swedish environmental classification system Miljöbyggnad.
- Hufvudstaden is one of the participants in BELOK, a collaborative venture between the Swedish Energy Agency and 16 of the largest commercial property owners in Sweden.



followed up and action is taken if necessary. Gifts and business entertainment are in line with laws, rules and business practice.

When choosing contractors, clear demands are made and they are evaluated before procuring goods and services to ensure that current laws and rules are followed and that the employees have terms and conditions that are in line with agreements. No form of unofficial labour is acceptable at any stage. We are a responsible company that creates involvement, motivation and commitment among our employees and everyone who is involved in our operations. These are just some of the conditions required for successful enterprise. As Hufvudstaden carries on all its activities in Sweden, there is very little risk

of anything in our operations conflicting with the UN declaration on human rights. To contribute to a better social situation, Hufvudstaden supports, among other things, the work of the charity Stockholms Stadsmission.

Customer relations

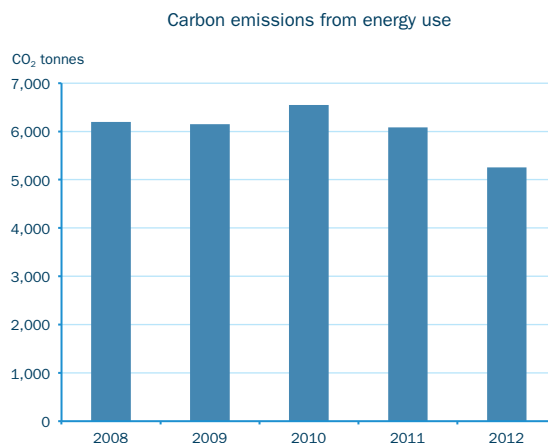
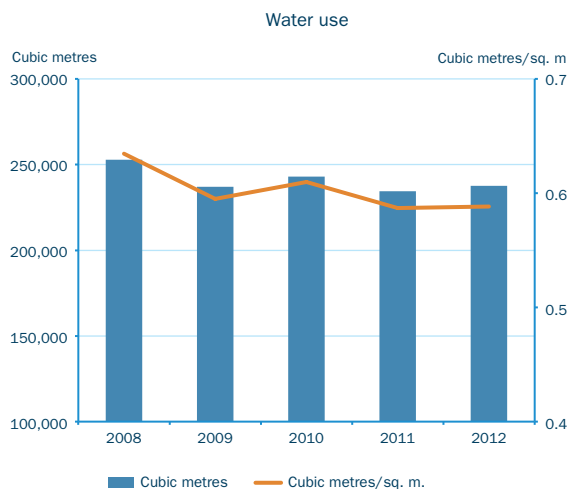
The Company's vision is to always be perceived as, and prove to be, the most attractive property company in Sweden with the aim of having the most satisfied customers in the industry. Hufvudstaden has for many years focused on creating a higher level of service for our customers. This requires close collaboration with our tenants. We are within walking distance of our properties and we have our own service organization with operating technicians

who take care of and maintain the properties.

The Company's quality work is based on structured processes for control and follow-up of business operations. Detailed process descriptions are in place to cover everything from how the buildings are to be constructed to how the leases are signed. We have our own service manager who works with internal and external service. Together with management, the starting point and aim is to provide a high degree of quality and service. Through our close, long-term, personal relationship with our customers, we create sustainable, attractive environments, which results in loyal tenants who remain in our holdings for a long time.

Satisfied Customer Index

According to the annual Fastighetsbarometern survey, Hufvudstaden has the most satisfied office tenants in the industry. The Company has thus come top for four out of the past five years. The study provides answers to how the tenants perceive the premises, the service by the property owner, as well as how satisfied the tenant is and the degree of customer loyalty. Overall satisfaction is presented as a Satisfied Customer Index (NKI) and the areas that have the greatest impact on the tenants' satisfaction are the property owner's image, service and the capacity



to adapt premises as well as the way faults are handled and rectified.

Environment

We work methodically to develop and improve our operations from an environmental and sustainability perspective. Our greatest impact on the environment as a property company is in the form of energy use for operating the properties and redevelopment and maintenance. Long-term work is therefore taking place on the operating level to reduce energy use and thus reduce carbon emissions. In conjunction with construction and maintenance, we present a whole series of environmental and quality demands on the building products and services purchased in order to minimize resource wastage when tenants change. The choice of products is based on environmental impact, lifespan, quality and low energy use.

Hufvudstaden has an advantage in that it only has operations in central Stockholm and central Gothenburg. Many property companies are endeavouring to mitigate emissions from their service vehicles. Hufvudstaden does not have any service vehicles – our properties are within walking distance. For our tenants, our central locations are a distinct environmental advantage as there is a well-developed public transport system very close to the properties, thus reducing the need for transport by car.

Environmental work is led by the head of property development, who is also a member of the executive management. The Company has an Environmental Council with representatives from all departments. The task of the Environmental Council is to secure support and drive environmental work at the Company forward.

Long-term management

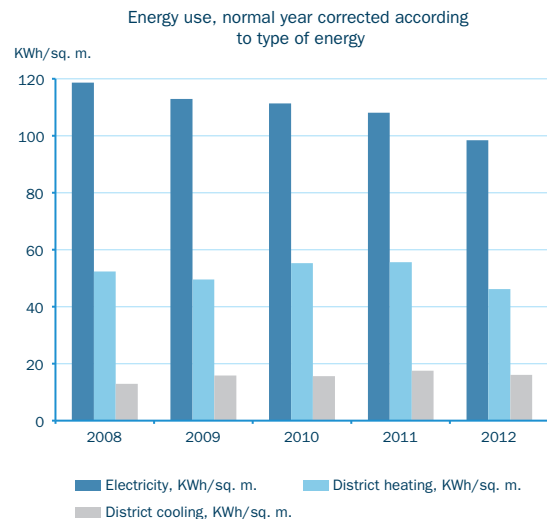
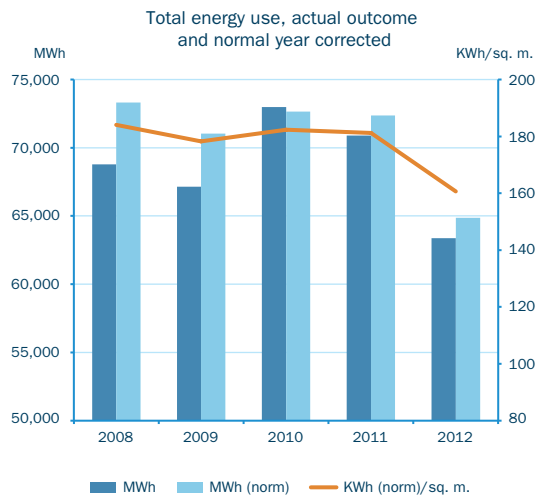
Tenants often want to set their own mark on their premises, which involves tenant adaptations to a greater or lesser degree. To create sustainable premises, it is important as a property owner to build solutions that are flexible and can be adapted easily to different wishes and requirements. During construction, stylistically correct products are chosen where the quality ensures less risk that they will need to be replaced in conjunction with a change of tenant. As Hufvudstaden has carried on operations since 1915, long-term thinking has become part of our soul and it is natural for us to plan for how the property will be used in the future.

We are striving towards fresh thinking and an innovative choice of technology to reduce energy use. This applies to heating, ventilation and cooling systems as well as the choice of lighting. Hufvudstaden is also available to support our tenants with regard to concrete proposals and solutions to reduce environmental impact.

Improved energy efficiency of office space

To create premises that are flexible and make efficient use of floor space, the trend is moving away from cell offices (own rooms) to office landscapes. This means more workplaces in the same floor space although with an increased need for ventilation and cooling. In our property Grönlandet Södra 11, the number of workplaces increased between 2002 and 2011 by more than 60 per cent. Despite this, we have succeeded in reducing energy use by 12 per cent. If the comparison is made in terms of energy use per workplace, energy use has fallen by 46 per cent.

When choosing construction products, we use the BVB system, which is the property industry's own environmental assessment database. In our projects,



we demand that when choosing construction products, our consultants and contractors ensure that the products have been environmentally examined and that waste generated in construction projects is sorted at source.

Energy use

The property sector accounts for around 40 per cent of energy use in Sweden and has a significant impact on climate. Hufvudstaden has worked for a long time to improve efficiency in energy use in our properties. Over the past five years, energy use in our comparable holdings, corrected for a normal year, has been reduced by around 12 per cent. This reduction could be achieved despite longer opening hours in the stores and the fact that several office tenants have office landscapes with more persons per square metre, which increases energy use. If Hufvudstaden's energy used for heating is compared with the Statistics Sweden figures for non-residential premises, it can be noted that our use is approximately 60 per cent lower than the average.

The Femman extension project in Nordstan was in effect completed during the year. The project included replacement of the whole of the property's heat-

ing and ventilation system. It has been possible to reduce energy use by approximately 30 per cent following expansion of the building by 10 per cent. During autumn 2012, an application was submitted to GreenBuilding for certification of the property. GreenBuilding certification means that energy savings of at least 25 per cent have been achieved.

When comparing energy use, floor space has been used as a unit in many cases. To make a more correct calculation of energy use, the whole of the heated floor space in the property ought to be measured, i.e. areas that are heated to a temperature above 10 °C. During the year, we have supplemented and quality-assured information about all the properties' heated areas. We have also carried out an external energy analysis of operating systems throughout the whole of the Pumpstocken block in Bibliotekstan. The analysis has provided us with further knowledge and tools regarding alternative operating strategies but also proposals regarding concrete measures to reduce energy use in the properties.

Waste management

Hufvudstaden's target is to reduce the total volume of waste and to arrange a more efficient system for handling re-

sidual products. It is also our ambition that as much waste as possible is recycled or reused. Waste in Hufvudstaden's properties comes mainly from the tenants' operations and from construction. As a property owner, we have joint responsibility with our tenants for the efficient working of the waste management system. As several of our properties are more than 100 years old and have limited common areas, a higher proportion of the waste needs to be sorted directly by the tenant.

During the year, we analyzed and discussed waste management in the future with our tenants. We have also evaluated and procured new contractors and tested alternative solutions. One example is the development of a highly efficient environmental station for all stores on the Rännilen block in Bibliotekstan.

Quality and environmental objectives

Hufvudstaden's environmental programme should be structured with concrete objectives and activity plans. The table below shows our quality and environmental objectives for 2013. A follow-up of the objectives for 2012 is also presented.

Quality and environmental objectives

| | Outcome 2012 | Comment |
|--|-----------------------|---|
| Improve energy use by 3 per cent | 10 per cent | The reduction can be attributed to replacement of the entire ventilation system in the Femman building and advantageous weather conditions, with a relatively mild winter and cool summer. |
| Reduce Hufvudstaden's carbon emissions by 5 per cent | 14 per cent | The reduction is due mainly to a greater level of efficiency in energy use. |
| Top place in the Fastighetsbarometern annual customer satisfaction survey | First place | During the past five years, we have come top on four occasions. |
| Continued development of quality and environmental work | Yes | Action plans for the environmental programme have been produced as well as an evaluation of sorting of waste at source in the properties and the further development of a sustainability report in accordance with GRI. |
| Further environmental certification of the properties | Application submitted | An application for GreenBuilding certification of the Femman building was submitted in October. |
| Reduce the proportion of unsorted waste | Yes | New environmental room for sorting of waste at source at the stores on the Rännilen block. Around 30 new office tenants have had waste sorting equipment installed. |
| Guide Hufvudstaden's tenants in their waste sorting work | Yes | Breakfast meetings with environmental information have been arranged. Several individual meetings have taken place with our tenants dealing with how they should develop their waste sorting systems. |
| Develop communication with our tenants regarding energy and environmental issues | Yes | A new website has been launched where there is a major focus on our sustainability programme. |



NORDISKA KOMPANIET

Hamngatan, Stockholm

Employees

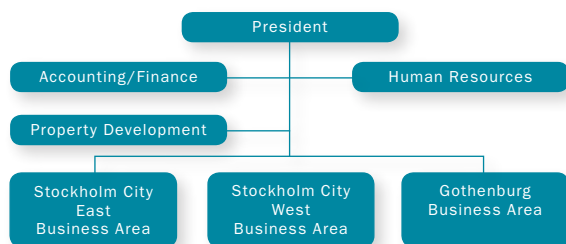
Organization

Hufvudstaden's operations are organized into three business areas: Stockholm City East, Stockholm City West (which includes the NK department stores in Stockholm and Gothenburg) and Gothenburg. The staff functions Accounting/Finance, Property Development and Human Resources support work on the operating level. We also carry on our own parking operations through the subsidiary Parkaden AB.

At the end of 2012, 95 persons worked in the Group, of whom 92 were in the Parent Company and three at the subsidiary Parkaden AB. There were 85 employees in Stockholm and 10 in Gothenburg. At the year-end, the division was 39 per cent women and 61 per cent men. Of the Group's managers, 33 per cent are women. The average age in the Group was 44 years for both women and men.

Value-driven corporate culture

Hufvudstaden's corporate culture is marked by a clear, broadly accepted set of values. The values are our most important tool in the task of leading and controlling our operations towards achieving the Company's vision and objectives and towards responsible enterprise. Our core values are quality, attentiveness, honesty and commitment. They are embodied in everything we do; from the induction of new employees to regu-



lar appraisal discussions and information meetings. It involves listening actively, both internally and externally, being honest towards others and towards oneself and being committed to one's work. We would like people to give that little extra and to think in terms of quality and in the long term – whatever the situation.

Attractive employer

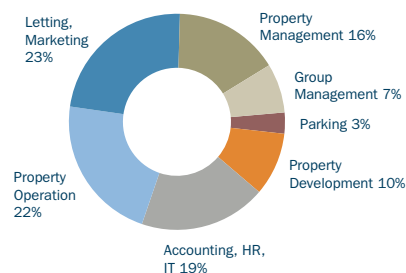
Hufvudstaden is a workplace characterised by strong commitment on the part of employees. At the annual staff conference, all employees in the Group meet to raise the level of competence, exchange experience and increase the sense of belonging. The theme for this year's staff conference was values and corporate culture. Groups made up of people from different departments discussed values and presented many good examples of how we live our daily lives according to our values.

We feel it is highly important to be an attractive employer, both for current and potential employees. Each year, an employee survey is conducted to acquire an understanding of the state of the organisation and to identify what is working and areas that can be improved.

The survey measures the employees' views on their working situation. In line with previous years, the response rate was high. The results demonstrated, among other things, that Hufvudstaden is an equal opportunities workplace with good leadership, a high degree of job satisfaction and considerable commitment on the part of the employees. The Employee Satisfaction Survey also demonstrated that our employees are proud to work at Hufvudstaden. It is natural for them to lend their support and to do that little bit extra beyond their regular, day-to-day duties. Our employees' pride and commitment is also reflected in the fact that many employees choose to remain at Hufvudstaden for a long time. In 2012, the average period of employment was nine years and staff turnover was four per cent.

Apart from stimulating duties and good potential to develop, Hufvudstaden offers a variable remuneration system in the form of a bonus related to the outcome of the Company's results and the results of the Satisfied Customer Index.

Employees per working area



Working environment

Our working environment must comply with legal stipulations and agreements and be safe and sound. Both the physical and psychosocial conditions at the Company must be suitable for women and men. An important condition is that it must be possible to combine employment with parenthood. Our collective agreement promotes this principle and Hufvudstaden encourages both men and women to take parental leave.

Our aim is for Hufvudstaden to be a workplace in which our employees take pride. We are part of each other's work setting and together we help each other to develop the working environment. In our annual employee survey and in the health survey, areas related to the working environment were scored highly. In order to retain motivation and generate job satisfaction, Hufvudstaden endeavours to provide its employees with stimulating duties and good potential for development.

The working environment is being developed continuously in a group made up of representatives from various parts of the organization. The group is charged with the task of reviewing and presenting proposals for measures and promoting development at the workplace. During the year, for example, we ran an ergonomics review for our employees.

Employee development

Competent, committed, service-oriented employees in all operating areas are a requirement to work at Hufvudstaden and contribute to achieving the Com-

pany's objectives. All new employees are offered a comprehensive induction programme, part of which is undertaken by all employees and part of which is designed in line with the person's position in the Company. The individual induction programme usually lasts between two and four weeks. We also have a joint day for all new employees where matters related to the Company's values and approaches are discussed. Another important element in employee development is the appraisal discussion. During these discussions, goals and achievement of goals, competence development and similar issues are examined, after which an individual activity plan is drawn up for the coming year. In our endeavour to maintain a high level of quality, Hufvudstaden invests in competence development in all working areas in the organization and we ensure that training initiatives are linked strongly to demands from the market and among customers. We also promote the development of our employees by allowing them to take part in projects that fall outside their primary duties. This could involve a project that is within or outside their operating area. This offers a greater opportunity to exchange experience and promotes the transfer of skills. Increased co-operation also ensures that we work consistently throughout the whole organization.

According to this year's Employee Satisfaction Survey, the employees feel that they are offered good opportunities for competence development.

Finding new challenges and being able to grow within the Company are important. As far as possible, we try to fill vacant positions by recruiting from within the Company.

Leadership development

Hufvudstaden's ambition is to develop and retain talented, dedicated employees. Continuously identifying and developing employees with leadership qualities is a priority area within the Company. Hufvudstaden's leadership should be characterized by courage and exemplary behaviour as well as being forward thinking and inspirational. We work with short lines of communication and clear mandates that extend far out

into the organization. We believe this is a source of motivation and at the same time stimulates the ability to act and think innovatively. Regular seminars for managers have been arranged and an in-house manager network is now well established. The network has a range of functions and acts as a meeting place where our managers can exchange experience and discuss leadership issues. Linked to the annual Employee Satisfaction Survey is a leadership index for each manager and this is used as a basis for developing and improving leadership. This year's survey indicates, as in previous years, that our employees are satisfied with their manager's leadership style and that they have considerable confidence in their manager.

Healthy employees

Hufvudstaden adopts a preventive approach to health through regular health checks, ongoing health-promoting activities and massage at the workplace. One of the tasks of the Company's Working Environment Group is to plan and arrange activities such as joint health initiatives and health-related talks. All employees are covered by health insurance, which ensures rapid, qualified care in the event of illness. We encourage physical activity both inside and outside work and provide an annual health and fitness allowance. The success of these initiatives is reflected, for example, in a pleasant working environment and the very low level of absenteeism due to illness. The aim is to maintain this low level.

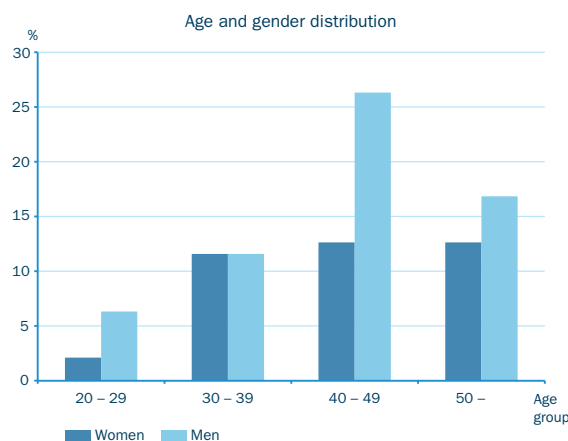
Employees of the future

To facilitate future recruitment needs, Hufvudstaden is building up relations with students. Each year, Hufvudstaden offers work placement opportunities both during and after completion of studies. During the year, we took part in the 'LAVA Days' at the Royal Institute of Technology to market the Company. This activity was followed up by giving a small group of students the opportunity to acquire work experience at the Company. There was considerable interest and

the evaluation showed that the majority of students could envisage working for Hufvudstaden in the future. These forms of collaboration are just a selection of our strategies to find the most professional employees in the industry.

Diversity and equality

Hufvudstaden is striving for diversity in every part of the organization. We feel that a diverse organization has many advantages, such as greater creativity and innovative ability as well as improved knowledge and understanding of the varying needs of our stakeholders. We can also see that diversity increases in organizations that offer equal opportunities, as more groups of people would like to work there. In our equality programme, all employees are offered the same potential to develop and unfounded salary differences are counteracted. We have a human resource policy that describes how we work to promote equality and combat discrimination. It is important to us to find employees with the correct knowledge and skills for their duties regardless of age, functional impairment, sexual disposition,



religion or ethnic origin. No employee, customer or supplier must be subjected to discrimination.

The Employee Satisfaction Survey has shown for several years that one of our best results has been in the equality area. We are an open, non-discriminating company with strict demands in every operating area.

HUFVUDSTADEN

Stockholm



HUFVUDSTADEN

Stockholm



Property development

Hufvudstaden is working actively to develop the high quality and efficiency of its property portfolio. The aim is to create good growth in value and, in co-operation with the customers, adapt offices and stores to their conditions and needs. Several development projects were conducted during the year to satisfy market demand for modern offices in attractive locations in the areas in which Hufvudstaden operates.

Development projects can be divided principally into redevelopment and investment in existing properties as well as the development of existing and new building rights. Development gives the buildings a higher technical standard and more efficient and flexible planning of available floor space. The customers have a better product and Hufvudstaden has a higher yield and a better net operating profit in the long term.

The process of developing the properties is being constantly reviewed. Changes and improvements, both large and small, are made on a regular basis. Development takes place in close collaboration between property development and the property management organisation. When developing new construction rights, a style of architecture is sought that creates timeless modernity with a distinct feeling of quality. The architectural design of the properties must be attractive both now and for a long time to come. There is considerable emphasis on creating a product that is easy to maintain from a long-term management point of view. Projects are procured and controlled by Hufvudstaden's own project managers. They are involved in all stages of the project and work on a daily basis with project control, co-ordination with the tenant and working environment issues. This is crucial if Hufvudstaden is to meet strict demands for quality, flexibility and long-term thinking.

Current project development

During the year, expansion of the Femman building in Gothenburg was largely completed. The new section comprises approximately 5,100 square metres of rentable floor space, the majority of which has been leased to the law firm Advokatfirman Vinge. The project commenced in 2010 and two floors of offices have been added, offering a splendid view of Gothenburg. There has been considerable demand for modern, efficient, high-quality offices and virtually the whole of the extension has now been let. Replacement of technical systems has resulted in substantial energy savings. Energy use, corrected for a normal year, has been reduced by approximately 30 per cent for the whole property in relation to the figure for 2009. The reduction in energy use has meant that we have been able to apply for GreenBuilding certification.

In December 2011, the Inom Vallgraven 12:2 property was acquired and the Company now owns the whole of the Härbärgat block, which comprises approximately 23,000 square metres. The block is very centrally located with a large flow of people along Fredsgatan. This presents the opportunity to adopt a holistic approach to the block and a project group has begun working to create an attractive design for premises suitable for both office and retailing purposes. At the end of 2012, a planning decision was received from the City of Gothenburg, which means that detailed planning work for the block can probably commence in 2014.

Adaptation of premises

Most redevelopment that takes place in the Hufvudstaden property holdings comprises adaptation of premises to new or existing tenants. When premises become vacant, an evaluation is made of

the technical standard to assess whether there are any refurbishment requirements. Following initial refurbishment, the premises are adapted to the needs of the new tenant. Open-plan arrangements with more efficient use of floor space are being demanded more and more by tenants. This has increased the need for ventilation and cooling and older installations need to be replaced by the latest technology to ensure an optimal indoor climate. Hufvudstaden owns many properties that are adjacent to each other. This facilitates the integration of premises with adjoining floor space, the aim being to optimize flexibility. In all redevelopment, the emphasis is on preserving the special character of the building and its architectural value.

During the year, renovation and adaptation of approximately 35,000 square metres of floor space were completed. The adaptations were mainly for existing tenants in conjunction with an extension of the lease period or an expansion of the leased floor space. In the Svärdfisken 2 property, extensive redevelopment has commenced to upgrade the property to a modern, efficient technical standard. The property comprises an older building, constructed in 1851, and a new building dating from the 1930s. Following renovation, the two parts will offer open office space with an exciting contrast between classic and modern architecture. To facilitate efficient use of the premises and a good indoor climate, the ventilation and cooling capacity has been expanded. The refurbishment of the Kungliga Trädgården 5 property is another redevelopment project, with three floors brought up to a new, more modern office standard. The building has a beautiful view across Kungsträdgården and the property is now fully let. In conjunction with the redevelopment, the entrance and stairwell were modernized.



NORDSTAN
Femman, Gothenburg

Stockholm City East Business Area

Property holdings

Historically, the Stockholm City East Business Area has been the core of Hufvudstaden's property holdings since the Company was founded in 1915. It comprises 17 (17) properties and is made up of two management areas, Norrmalmstorg and Kungsgatan. The Norrmalmstorg Management Area comprises properties in Bibliotekstan. The Kungsgatan Management Area comprises properties on the eastern part of Kungsgatan and at the junction of Kungsgatan/Sveavägen. The properties are entirely commercial and consist of office and retailing premises.

Development of holdings

At the end of 2011, the property Kåkenhusen 38 was acquired and integration has commenced with our other buildings on the block. This allowed a long lease to be signed with the Swedish Financial Supervisory Authority. Work has continued to create attractive market and commercial locations in Bibliotekstan. New stores opened in 2012 are Ralph Lauren and Line & Jo. In July, the restaurant Vau de Ville was opened on Norrmalmstorg.

Contracts were also signed with Sephora and Stella McCartney, both of which will open new stores in the area in spring 2013. Marketing of the Bibliotekstan brand takes place mainly through

Largest tenants

| Office | Sq. m. |
|---|--------|
| Danske Bank | 8,850 |
| Advokatfirman Vinge | 7,700 |
| Swedish Financial Supervisory Authority | 5,800 |
| Swedish Export Credit Agency | 3,900 |
| Brummer & Partners | 2,900 |

| Retail | Sq. m. |
|------------------|--------|
| Urban Outfitters | 1,850 |
| Zara | 1,600 |
| Stadium | 1,600 |
| Alewards | 1,350 |
| McDonald's | 1,250 |

events and PR. The fashion week in Bibliotekstan is a good example of an activity that took place during the year.

Rental market

The rental market for offices in the Business Area was stable during the year. The greatest interest is in modern prem-

ises where efficient use can be made of the floor space. Market rents for office space in prime locations were between SEK 4,200 and 5,000 per square metre per year, excluding the property tax supplement. Rents for retailing premises have also shown good growth and market rents for prime locations were SEK 13,000 to 19,000 per square metre per year, excluding the property tax supplement.

Customers

The office tenant structure within the Business Area consists mainly of companies that value centrally located, high-quality premises. The predominant sectors are banks, finance companies and law firms as well as recruitment, IT, management and media consultants. In total, there are 328 customers in the Business Area. The ten largest customers lease 43,000 square metres (42,000), representing annual rent revenue of SEK 210 million (200).

The majority of store tenants in Bibliotekstan are younger Scandinavian brands such as Fifth Avenue Shoe Repair, Whyred, WeSC, Rodebjer and Byredo,

Property holdings

| | 2012 | 2011 |
|-----------------------------------|---------|---------|
| Number of properties | 17 | 17 |
| Rentable floor space, sq. m. | 151,010 | 151,231 |
| – of which offices | 103,245 | 103,037 |
| – of which stores and restaurants | 35,514 | 35,772 |
| Annual rent, SEK m | 707 | 680 |
| Rental vacancy level, % | 4.0 | 3.7 |
| Floor space vacancy level, % | 5.1 | 5.1 |

New leases and renegotiations

| | 2012 | 2011 |
|---------------------------------|--------|--------|
| New leases, sq. m. | 6,800 | 12,600 |
| New leases, annual rent, SEK m | 33 | 58 |
| Renegotiated leases, sq. m. | 17,000 | 21,400 |
| Renegotiated annual rent, SEK m | 75 | 95 |

alongside larger international brands and retailing chains such as Ralph Lauren, Burberry, Filippa K, By Marlene Birger, Urban Outfitters, GANT, Diesel, Karen Millen and Georg Jensen.

The stores along Norrlandsgatan are specialized in sports fashion wear and include North Face, Haglöfs, Norröna and Quiksilver. The larger store tenants along Kungsgatan are mainly chain stores such as Cervera, Telia, Telenor, Alewalds, Adidas, Stadium, Naturkompaniet and Nespresso.

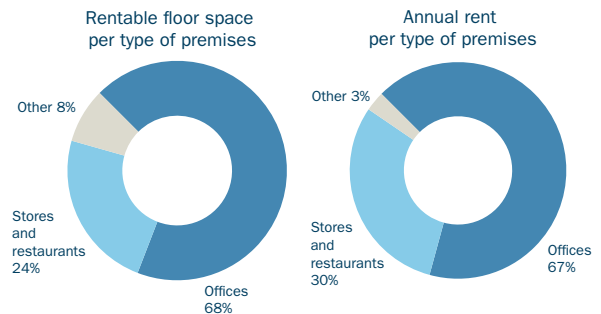
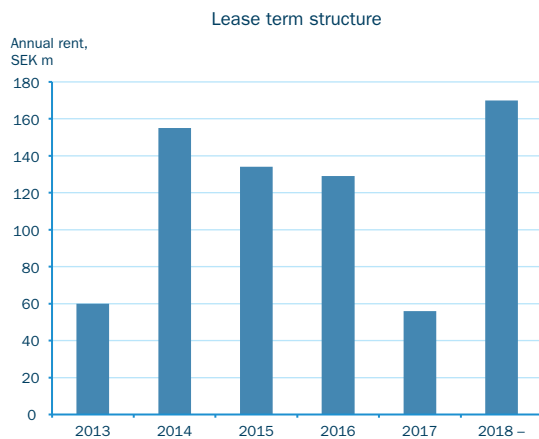
Within the Business Area, there are a number of Stockholm's more high-end restaurants: Prinsen, Bistro Jarl, Zink Grill, Pontus and Vau de Ville. These restaurants are an important element in the attractiveness of the area.

Brands within the Business Area

Bibliotekstan. The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan and which contains stores specializing in high-class brands.

Birger Jarlspassagen. The passage, located between Birger Jarlsgatan and Smålandsgatan, is of considerable cultural, historical and architectural value.

Norrmalmstorg 1. The building is a unique profile property and a commercial landmark in central Stockholm.





BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

BIBLIOTEKSTAN

Biblioteksgatan, Stockholm



Stockholm City West Business Area

Property holdings

The Stockholm City West Business Area comprises 8 (8) properties in Stockholm and 1 (1) in Gothenburg. It includes properties in the areas to the south and west of Hötorget and on Regeringsgatan and the NK properties in Stockholm and Gothenburg. The holdings are entirely commercial and comprise office and retailing properties as well as the Parkaden multi-storey car park. The properties are located on Drottninggatan, Klarabergsgatan, Hamngatan, Regeringsgatan, Västra Trädgårdsgatan and in Gamla Stan in Stockholm and on Östra Hamngatan in Gothenburg.

Development of holdings

Refurbishment and adaptation of premises was completed during 2012 on behalf of new and existing tenants. New office tenants include Legio Advokater, Fjord and Crispin Porter & Bogusky on Drottninggatan. In addition, Advokatfirman Törngren Magnell has moved from the NK Building to completely redeveloped premises in the Kungliga Trädgården 5 property. Knowit has expanded and renovated its premises on Klarabergsgatan, where the tenants Sandvik and Projectplace have also renegotiated.

Work on developing the store mix within the Business Area is continuing in order to establish a more attractive marketplace.

The development of the NK department stores in both Stockholm and Gothenburg is an ongoing process with the aim of creating even more attractive department stores that can more than hold their own internationally. At NK

Largest tenants

| Office | Sq. m. |
|---------------------|--------|
| Knowit | 3,550 |
| EnterCard | 2,500 |
| Forsman & Bodenfors | 2,400 |
| Investment AB Janus | 2,100 |
| Bain & Co Nordic | 2,000 |

| Retail | Sq. m. |
|-----------------------|--------|
| Departments & Stores | 11,350 |
| Rizzo | 1,650 |
| Northern Classic | 1,600 |
| Harjak & Månsson | 1,550 |
| Fourfield Scandinavia | 1,400 |

Stockholm, the womenswear departments Joseph, Tory Burch and Hunkydory have opened. Marc by Marc Jacobs has opened an accessory department on the ground floor. At NK Gothenburg, Ben Sherman has opened a menswear department and Coast and NK Gallery are new additions on the womenswear floor.

Rental market

The rental market for office space within the Business Area was stable during the

year and there is still considerable interest in modern premises where efficient use can be made of the floor space.

The market rents for office premises in prime locations in Stockholm during the year were between SEK 4,200 and 5,000 per square metre per year, excluding the property tax supplement. The rental market during the year for retailing premises continued to be good. The market rents for the best retailing space in prime locations, excluding NK, were between SEK 4,000 and 12,000 per square metre per year, excluding the property tax supplement. At the NK department store, which occupies the very best location and has the best retailing space in Stockholm, market rents in conjunction with renegotiations and new leases are between SEK 14,000 and 19,000 per square metre per year, excluding the turnover-based rent supplement and property tax supplement. The equivalent rent levels for NK Gothenburg were between SEK 8,000 and 13,000 per square metre.

Customers

The tenant structure within the Business Area comprises mainly companies that value centrally located, high-quality premises. The predominant sectors are law firms, advertising agencies, IT and media companies, organizations and banks. There are 214 customers in the

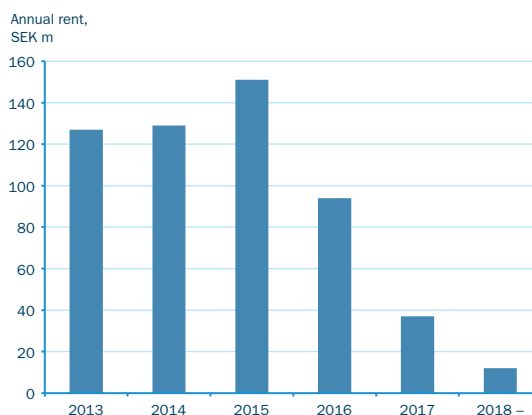
Property holdings

| | 2012 | 2011 |
|-----------------------------------|---------|---------|
| Number of properties | 9 | 9 |
| Rentable floor space, sq. m. | 149,713 | 149,676 |
| – of which offices | 45,812 | 45,953 |
| – of which stores and restaurants | 44,520 | 44,551 |
| Annual rent, SEK m | 606 | 580 |
| Rental vacancy level, % | 2.8 | 2.8 |
| Floor space vacancy level, % | 4.6 | 4.3 |

New leases and renegotiations

| | 2012 | 2011 |
|---------------------------------|--------|--------|
| New leases, sq. m. | 2,800 | 6,900 |
| New leases, annual rent, SEK m | 15 | 32 |
| Renegotiated leases, sq. m. | 24,600 | 13,100 |
| Renegotiated annual rent, SEK m | 135 | 99 |

Lease term structure



Business Area. The ten largest customers lease 30,000 square metres (30,000), representing annual rent revenue of SEK 223 million (208).

The store tenants largely represent strong, well-known brands with very strict stipulations about establishing operations in attractive marketplaces. In the NK department stores, a large number of the very strongest international and Swedish brands are represented.

AB Nordiska Kompaniet

The wholly owned subsidiary AB Nordiska Kompaniet owns the NK properties in Stockholm and Gothenburg as well as the NK brand. NK is included as two management areas in the Stockholm City West Business Area.

The NK brand

NK has reinforced and developed its value since 1902 and it is now one of Sweden's strongest and most well-known brands among both Swedish and international consumers. The principal task of preserving and implementing the long-term build-up of the brand is the basis of NK's ability to support retailing in the department stores, generating increased rent revenue and raising the value of the properties. This success is founded on close co-operation between the property owner and the proprietors through a proprietors' association. Co-operation is developed

further by having the right mix of proprietors, a lively and attractive marketplace and continuous marketing directed at the right target groups.

Hufvudstaden and the proprietors' association work together to formulate annual marketing plans to reinforce NK as a brand and a marketplace.

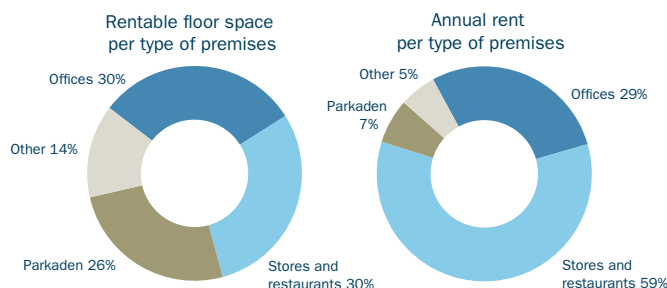
Retailing market

The retail trade as a whole reported growth in consumption during 2012. According to the Retail Survey Index, DHI, sales increased in terms of price within the durable goods sector by 1.1 per cent. Clothing sales fell by 1.9 per cent. Despite the downturn in the clothing sector, sales at the NK department stores were higher than the re-

cord-breaking year of 2010 with an increase of 1.4 per cent on the previous year. Total revenue amounted to approximately SEK 2,850 million (2,810).

Parking operations

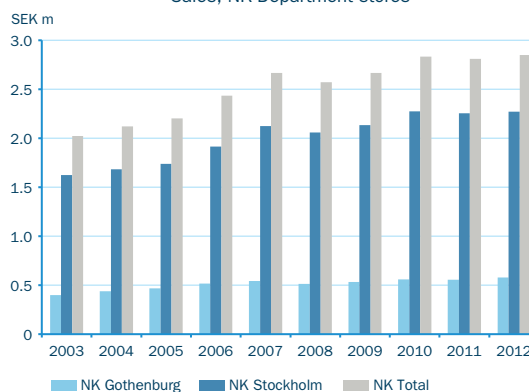
The wholly owned subsidiary Parkaden AB runs parking operations in two Hufvudstaden properties in Stockholm: Parkaden, the multi-storey car park on Regeringsgatan, opposite the NK department store, which has 800 parking spaces, and Continentalgaraget in the Orgelpipan 7 property near the Central Station, with 454 parking spaces. Parkaden, one of the safest parking amenity in Stockholm, is an important service amenity for customers in the Hufvudstaden market areas.



NK Department stores

| | 2012 | 2011 |
|----------------------------------|--------|--------|
| NK Stockholm | | |
| Rentable retailing space, sq. m. | 24,020 | 24,046 |
| Rentable storage space, sq. m. | 3,493 | 3,498 |
| Number of departments | 99 | 106 |
| Number of restaurants | 8 | 8 |
| Sales, including VAT, SEK m | 2,270 | 2,254 |
| NK Gothenburg | | |
| Rentable retailing space, sq. m. | 9,928 | 9,936 |
| Rentable storage space, sq. m. | 1,301 | 1,278 |
| Number of departments | 48 | 50 |
| Number of restaurants | 2 | 2 |
| Sales, including VAT, SEK m | 578 | 556 |

Sales, NK Department stores



NORDISKA KOMPANIET

Stockholm





Gothenburg Business Area

Property holdings

At the year-end, the Gothenburg Business Area comprised 4 (4) properties, located in the very heart of the Gothenburg CBD. The property Nordstaden 8:26 was acquired in November and complements Hufvudstaden's existing holdings. Following the acquisition, we own two properties in Nordstan, bringing the number of properties in the Business Area to five. Completion will take place on March 7, 2013.

The largest building in the Gothenburg Business Area is the Femman shopping precinct, which is in turn part of the Nordstan shopping centre. Nordstan receives around 37 million visitors each year and around 11 million visit Femman. Annual revenue was approximately SEK 4 billion, of which Femman accounts for around SEK 840 million. Following the acquisition, Hufvudstaden will be one of the two largest individual owners in the Nordstan Co-operative Association, which owns and manages the Nordstan multi-storey car park as well as the square and pedestrianized streets.

The Femman building houses around 60 stores, cafes and restaurants on three

floors. The largest retailing tenants are H&M, Nilson Group, KappAhl, Femmans Sport and Dressmann.

Largest tenants

| Office | Sq. m. |
|-------------------------------------|--------|
| Swedish Customs | 9,100 |
| Advokatfirman Vinge | 3,750 |
| Alektum Inkasso | 2,550 |
| Intrum Justitia | 2,500 |
| Confederation of Swedish Enterprise | 2,350 |

| Retail | Sq. m. |
|---------------|--------|
| H&M | 1,850 |
| Nilson Group | 1,450 |
| Chilli | 1,450 |
| KappAhl | 1,450 |
| Femmans Sport | 1,350 |

Acquisitions

In 2012, the property Nordstaden 8:26, located in the Nordstan shopping centre, was acquired for SEK 1,265 million. The property fits very well into existing holdings, as we already own the Femman shopping precinct in Nordstan. The acquisition will reinforce Hufvudstaden's position as one of the leading,

long-term property owners in Gothenburg. The property has development potential, as Nordstan is one of the leading shopping centres in Northern Europe with attractive retail stores, parking and modern offices in the best possible commercial location. The rentable floor space in the newly acquired property is approximately 20,700 square metres, comprising 11,400 square metres of office space, 8,900 square metres of stores and restaurants and 400 square metres of storage space. Major tenants include the Swedish Social Insurance Agency, the Second Swedish National Pension Fund, KappAhl, Esprit and Cassels.

Development of the holdings

The extension of the Femman building during 2012 has been largely completed and is now almost fully let. Hufvudstaden has created around 5,100 square metres of modern, flexible office space with an outstanding view over central Gothenburg. The new offices have been given a modern design with a high-quality interior. To create attractive environments, the entrances and stairwells in the property are being upgraded. The project has also included

Property holdings

| | 2012 | 2011 |
|-----------------------------------|--------|--------|
| Number of properties | 4 | 4 |
| Rentable floor space, sq. m. | 66,408 | 64,551 |
| – of which offices | 38,265 | 36,647 |
| – of which stores and restaurants | 22,236 | 22,162 |
| Annual rent, SEK m | 191 | 180 |
| Rental vacancy level, % | 5.6 | 8.0 |
| Floor space vacancy level, % | 7.8 | 11.5 |

New leases and renegotiations

| | 2012 | 2011 |
|---------------------------------|--------|-------|
| New leases, sq. m. | 5,800 | 2,500 |
| New leases, annual rent, SEK m | 13 | 10 |
| Renegotiated leases, sq. m. | 15,700 | 7,700 |
| Renegotiated annual rent, SEK m | 39 | 21 |

new, energy-efficient technical systems for the whole property, such as ventilation, lighting and lifts. Active energy conservation work has resulted in a reduction in the total energy consumption for the whole Femman building, corrected for a normal year, by around 30 per cent. An application for Green-Building certification was submitted in autumn 2012.

Apart from Advokatfirman Vinge, which moved into the property in 2011, leases for the newly created office space have also been signed with Carat, Lindex and SPP.

Following the extension, a planned move by tenants took place within Femman and from the Inom Vallgraven 12:10 property to the Femman building.

In 2012, ongoing adaptation of office premises was carried out for a number of tenants in conjunction with a lease extension or the signing of a new lease. The premises have been modernized and adapted to satisfy their needs. Tenants include Alektum Inkasso, the Confederation of Swedish Enterprise, the Swedish Trade Federation and Intrum Justitia. During the year, a lease agreement was also renegotiated with Swedish Customs.

Following the acquisition in 2011 of the Inom Vallgraven 12:2 property, located at Södra Hamngatan 47, Hufvudstaden now owns the whole of the Härbärgat block. This presents the opportunity to adopt a comprehensive approach to the block and in time develop it into an even more attractive marketplace for offices and stores in the best city location in Gothenburg. In 2012, Hufvudstaden received a positive planning decision from the City of Gothenburg, which means that detailed planning work for the block can probably commence in 2014.

Rental market

The rental market for office premises during the year developed positively with a fall in the level of vacant space and a slight rise in rent levels. The market rent for office space in prime locations was between SEK 2,000 and 2,600 per square metre per year, excluding the property tax supplement. Top rents for modern offices are above this level. In the case of stores, the rent trend continued to be good. Prime location premises attracted rents of between SEK 6,000 and 13,000 per square metre per year, excluding the property tax supplement.

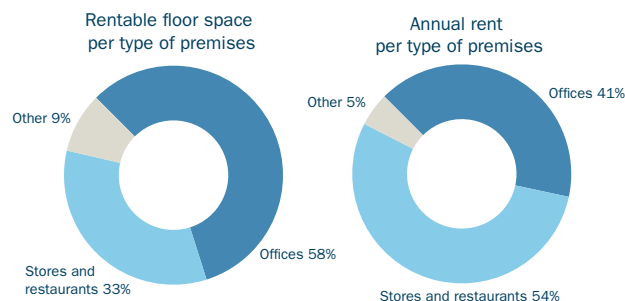
Customers

The Business Area's office customers are principally companies that appreciate centrally located, high-quality premises. The predominant sectors are law firms, accountants, the media, public authorities and organizations. The store customers appreciate our attractive, centrally located market and commercial locations. There are 137 customers in the Business Area. The ten largest customers lease 29,000 square metres (26,000), representing annual rent revenue of SEK 69 million (63).

Brands within the Business Area

Femman. The Femman shopping precinct is one of the strongest brands in retailing in western Sweden and represents a wide range within the clothing and other non-food sectors.

Nordstan. Nordstan is one of Northern Europe's largest indoor centres. Hufvudstaden is one of the two largest individual partners in the Nordstan Co-operative Association with a share of approximately 30 per cent. Following the acquisition of the Nordstaden 8:26 property, the share will rise to around 40 per cent.





NORDISKA KOMPANIET

Gothenburg

NORDSTAN

Femman, Gothenburg



Administration Report

The Board of Directors and the President hereby present the Annual Report and the consolidated accounts for Hufvudstaden AB (publ), company registration number 556012-8240, NK 100, SE-111 77 Stockholm, visiting address Regeringsgatan 38, Stockholm.

Hufvudstaden is listed in the large cap list at NASDAQ OMX Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group.

It is proposed that the Income Statements and Balance Sheets included in the Annual Report be adopted at the Annual General Meeting to be held on March 21, 2013.

CORPORATE GOVERNANCE REPORT

Provisions and Articles of Association

Hufvudstaden is a Swedish publically listed company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, and the rules of NASDAQ OMX Stockholm for issuers, the Swedish Corporate Governance Code (the Code), as well as other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership and is intended to act as guidance in self-governance within Swedish industry, see www.bolagsstyrning.se. It is based on the principle of comply or explain, which means that companies can deviate from one or more rules in the Code if there is justification and an explanation and if the solution chosen can be presented.

Hufvudstaden complies with the Code with a deviation with regard to the Election Committee. The deviation from the Code is explained in more detail below.

Shares and shareholders

Hufvudstaden's share capital at the year-end amounted to SEK 1,056,359,665, divided into 211,271,933 shares, giving a par value of SEK 5 per share. Of the

shares, 202,996,869 are series A shares, carrying one vote per share, and 8,275,064 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder



is LE Lundbergföretagen AB, with a total of 45.3 per cent of outstanding shares and 88.1 per cent of the votes. Apart from LE Lundbergföretagen AB, there is no shareholder in the Company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the Company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request that their series C shares be converted into series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules. There is no pension fund or any other undertaking to the personnel with regard to shareholdings.

Buy-back of Company shares

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares with the aim of giving the Board the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. The mandate was renewed at the 2012 Annual General Meeting. As of

December 31, 2012, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of shares. The whole block was acquired in 2003 at an average price of SEK 27.30 per share. No shares were bought back during the year or after the reporting period (up to and including February 14, 2013).

Annual General Meeting

A shareholder's right to decide in matters related to Hufvudstaden is exercised at the Annual General Meeting. Shareholders who are registered in the shareholders' register on the record date and who have notified their intention to attend the meeting within the specified time, are entitled to attend and vote at the Annual General Meeting, either in person or by proxy. Shareholders who have their shares registered with nominees must, in order to exercise their right to vote at the Annual General Meeting, have their shares re-registered temporarily in their own name as stipulated in the summons to the meeting. Decisions at the meeting are normally reached through a simple majority. In certain matters, however, the Swedish Companies Act stipulates that a proposal must be approved by a higher proportion of the votes represented and cast at the meeting.

Individual shareholders who wish to have a matter taken up at the meeting can make a request to the Hufvudstaden Board of Directors at a separate address, which is published on the Company's website, well in advance of the issuing of a summons to the meeting.

The Annual General Meeting must be held in Stockholm within six months of the end of the financial year. The Annual General Meeting makes decisions in a range of matters, including adoption of the Income Statements and Balance Sheets; dividend; discharge of the members of the Board of Directors and the President from liability; election of members of the Board of Directors, the Chairman of the Board and auditors, as well as remuneration to the Board of Directors and auditors; principles for remuneration to senior executives and

other important matters. Notice of a general meeting shall be issued in the form of announcements in Post- och Inrikes Tidningar and on the Company's website. Notification that the summons has been sent out is published in Dagens Nyheter.

The 2012 Annual General Meeting was held on March 22, 2012. A total of 320 shareholders, representing 115,978,263 series A shares and 8,260,714 series C shares, were present and they represented 942,049,663 votes, equivalent to 92 per cent of the total number of outstanding votes. Present at the meeting were the Board of Directors, the members of the executive management and the auditor. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual General Meeting to adopt the Income Statement and the Balance Sheet as well as the Consolidated Income Statement and the Consolidated Balance Sheet and to allocate the unappropriated earnings in such a way that SEK 2.45 per share was paid to the shareholders as a dividend. At the meeting, discharge from liability was granted to the members of the Board of Directors and the President and a decision was reached on the fee to the members of the Board of Directors and the auditors. In addition, all members of the Board of Directors were re-elected and the auditors were newly elected for the period up to the end of the next Annual General Meeting. Finally, a decision was reached at the meeting on guidelines for remuneration to senior executives and authorization for the Board of Directors to decide on the acquisition and transfer the Company's own series A shares.

The 2013 Annual General Meeting will be held in Stockholm on March 21, 2013.

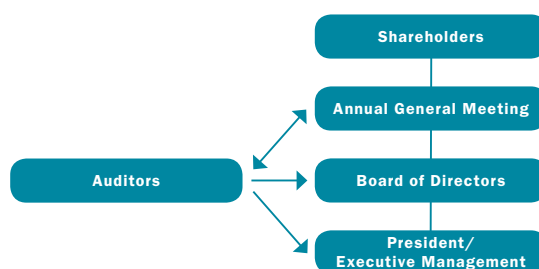
Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise, in addition to the members appointed according to law by a body other than the general meeting, a minimum of five and a maximum of ten members. Members are elected at a general meeting of the shareholders for the period up to the end of the first Annual General Meeting to be held after the year in which the members of

the Board of Directors were appointed. In the light of the concentrated ownership structure, there is no formally appointed Election Committee. The main shareholder proposes a person to chair the meeting, a Board of Directors, a Chairman of the Board and Board fees as well as auditors and auditors' fees. Other shareholders have the opportunity to submit nominations to the Chairman of the Board at the address stated on the Company's website. Proposals are made public no later than in conjunction with the summons to the Annual General Meeting.

As a basis for its proposal prior to the

Hufvudstaden's control structure



2013 Annual General Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate, among other things using applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

The election procedure at Hufvudstaden is a deviation from the Code.

Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members who are elected at the Annual General Meeting for a period of one year. The only member of the executive management on the Board is the President and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder LE Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 84–85. An external lawyer is engaged to act as secretary to the Board.

Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsi-

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

- Continuous follow-up and assessment of the Company's financial situation and business development.
- Continuous evaluation of the Company's operative management and the work of the President.
- Ensuring that there is satisfactory control of the Company's compliance with laws and other regulations and the continuous evaluation of the Company's systems for internal control and risk management.
- Adopting the Company's ethical guidelines.

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

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to follow the Group's operations and development on an ongoing basis. The Chairman of the Board consults with the President on strategic matters and represents the Company in ownership matters and pass on any views from the shareholders to the Board.

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The Board also evaluates the work of the President although without the person in question being present and approve more material assignments carried out by the President outside the Company.

The work of the Board of Directors

During the 2012 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. Economic and financial reports and operational reports from the Business Areas are presented at each Board meeting. In addition, key matters of a principle nature or of major financial significance are taken up at each ordinary meeting. During the year, the work of the Board of Directors has been directed specifically at strategy discussions, issues pertaining to the economic climate and financing as well as investments. Other matters dealt with during the year were property acquisitions in Gothenburg, the expansion of Femman in Nordstan, the planning of development of the Härbärg block in Gothenburg and the initiation of the MTN programmes. Company officials attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2011 was approved and the Board meeting in August in conjunction with the examination of the Company's six-monthly report.

Audit

According to the Articles of Association, the Company must have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the 2012 Annual General Meeting, KPMG AB was elected as the auditing company for a period of one year. George Pettersson is lead auditor. George Pettersson's other major assignments include LE Lundbergföretagen AB, Holmen AB, Sandvik AB and Skanska AB.

The Board meets the auditor twice a year, once in the absence of the President. On these occasions, the auditor presents a

report and there is a discussion about the audit orientation and observations. Internal routines and control systems are examined continuously during the year. A final examination of the annual accounts and the Annual Report take place in January–February. The six-monthly report is examined on a general basis. The fee to the auditors, including the fee for advisory services, is reported in Note 9.

Audit Committee

The Board has examined the matter of establishment of an Audit Committee but has chosen not to appoint such a committee and will instead handle matters that rest with such a committee within the framework of the ordinary work of the Board of Directors. The full expertise of the Board can be utilized and the meetings can be made more efficient. This means that the whole of the Board of Directors perform the duties that rest with an Audit Committee.

Executive management

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President as well as the instructions issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to reach well-informed decisions.

In addition to the President, the executive management comprises the three business area heads, as well as the Head of Finance, the Head of Property Development and the Head of Human Resources. The executive management meets approximately once a month to discuss current issues. For information about individual members, see pages 86–87.

be made more efficient. This means that the whole of the Board of Directors, apart from the President, perform the duties that rest with a Remuneration Committee, including following up and evaluating current programmes and programmes concluded during the year for variable remuneration to executives. The Board of Directors also follows and evaluates the application of the guidelines governing remuneration to executives, as decided at the general meeting of the shareholders, and with regard to Company remuneration structures and remuneration levels for executives.

Remuneration

Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2012 it was decided that remuneration for Board work for 2012, totalling SEK 1,575,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. The Chairman received SEK 350,000 and the other seven non-employed members received SEK 175,000 each.

Executive management

Guidelines for salaries, bonuses and other remuneration to the Company's executives are decided at the Annual General Meeting. It was decided at the meeting that the same guidelines should be applied for 2012 as previously with a slightly adjusted bonus ceiling, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited, profit-related bonus scheme as described below. The Company has no incentive schemes related to share price. These guidelines have been followed since the 2012 Annual General Meeting and a proposal that the same guidelines be applied in 2013 will be presented to the Annual General Meeting. The report by the Board of Directors covering the evaluation of variable remuneration programmes for the executive management, the application of guidelines for remuneration to executives and current company remuneration structures and remuneration levels for executives will be published on the Company's website, www.hufvudstaden.se, no later than two weeks prior to the 2013 Annual General Meeting. The au-

Remuneration Committee

The Board of Directors has examined the question of setting up a Remuneration Committee but has opted not to set up such a committee and will instead handle the matter within the framework of the normal work of the Board of Directors. The full expertise of the Board can be utilized and the meetings can

| Name | Function | Attendance 2012 ¹⁾ | Independent in relation to the Company | Independent in relation to the owners |
|--------------------|-----------|----------------------------------|--|---|
| Fredrik Lundberg | Chairman | 7 | Yes | No |
| Claes Boustedt | | 7 | Yes | No |
| Bengt Braun | | 7 | Yes | Yes |
| Peter Egardt | | 7 | Yes | Yes |
| Louise Lindh | | 6 | Yes | No |
| Hans Mertzig | | 7 | Yes | Yes |
| Sten Peterson | | 7 | Yes | No |
| Anna-Greta Sjöberg | | 7 | Yes | Yes |
| Ivo Stopner | President | 7 | No (employee) | Yes |

¹⁾ Seven Board meetings were held during the year, of which five were after the Annual General Meeting.

ditor's statement on whether guidelines for remuneration to executives, which were adopted at the Annual General Meeting in 2012, have been followed, is available on the Company's website www.hufvudstaden.se no later than three weeks prior to the Annual General Meeting and will be attached to the documents distributed at the Annual General Meeting. The statement is also available from the Company on request.

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

For further information regarding salaries and remuneration as well as guidelines for remuneration to executives, as adopted at the 2012 Annual General Meeting, see Note 8.

Bonus

Other permanent employees in the Group were included in a bonus scheme during the year. The bonus payment criteria are 'operating results' and 'customer satisfaction'. In the case of managers with responsibility for personnel, there is also a personal assessment with individual objectives.

In the case of both bonus schemes, a decision is made one year at a time and is subject to a ceiling. A bonus is only payable if the Company reports a positive result with no consideration given to unrealized changes in value. In 2012, the bonus cost for all employees was SEK 3.5 million (0.6) or an average of SEK 24,000 per employee. For the executive management, including the President, the average was SEK 198,000 per person. The bonus is not pensionable.

Internal control and risk management

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

Control environment

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

Risk assessment

Based on ongoing discussions and meetings in the organization, the Hufvudstaden executive management identify, analyse and decide on the Company's material risk areas, whereupon the Board of Directors confirms these. The executive management is responsible for the handling of the risk of error in the financial statements. The Board of Directors examines the outcome of the Company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects and handling of tax matters.

Control measures

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventive nature, i.e. measures aimed at avoiding losses or errors in the reporting, and of an identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the Company's result, and which have carefully formulated control measures, are property valuation, maintenance, redevelopment, interest payments and letting. Controls are carried out, among other things, using deviation analyses and quarterly meetings between the business area, group management and controller function.

Information and communication

In-house information and external communication are governed on a general level by, among other things, an information policy. Internal communication to and from the Board and executive management takes place by the management holding regular information meetings, both for the whole Company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through the intranet, all employees have access to up-to-date information. Internal policies, guidelines, instructions and equivalent documents that control and support operations are published on the intranet. Feedback on internal control work takes place at quarterly management team and board meetings.

Follow-up

The Hufvudstaden executive management evaluates on an ongoing basis internal control of financial reporting, particularly through its own analyses, questioning and familiarization with the work of the controller function. To follow up identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including the executive management's comments on operations, the Board receives the executive management's comments on how operations and internal control are working and whether identified risks ought to be changed. The Company's auditor attends Board meetings on two occasions each year and reports his observations regarding the Company's internal routines and control systems. The members of the Board then have the opportunity to ask questions. Each year, an examination is made of material risk areas, whereupon the Board adopts a position on risks in the financial reporting system and evaluates the internal controls.

Internal audit statement

The Hufvudstaden executive management has systematically examined and structured the internal documentation of the in-house control system. Nothing has emerged to indicate that the control system is not functioning in the manner intended. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.



NORRLANDSGATAN

Stockholm



BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

OPERATIONS

Business concept

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

Key events during the financial year

The Swedish economy developed positively at the beginning of the year. Growth and employment were relatively strong compared with many other countries in Europe. During the spring, there was increasing uncertainty and wavering government finances in countries in southern Europe required support from the European Central Bank. Swedish companies were hit by the fall in demand and during the autumn, this led to cutbacks in production and a rise in redundancies. The Swedish Central Bank reduced the key rate on a couple of occasions and Parliament decided on a series of finance policy stimulation measures, including a reduction in corporation tax.

The deterioration in the economy has not affected the city regions to the same extent as other parts of the country. Several infrastructure projects have commenced and further measures are planned to commence in both Stockholm and Gothenburg. The level of employment has continued to be high and coupled with an increase in tourism this has contributed to a good level of demand in the retail trade.

In Stockholm, demand on the rental market was good during the first half of the year and rent levels were stable. After the summer, the market was more wary and the letting process took longer. The availability of high-quality premises, however, was limited in the Stockholm CBD, which meant that vacant space could be kept at a low level. In Gothenburg, the rental market has developed positively and rents have increased slightly. Hufvudstaden's extension of Femman has almost reached completion and large sections have been let at good rent levels with long leases.

In November, the Company acquired the property Nordstaden 8:26 in Gothenburg with completion in March 2013. The property is a good complement to

our existing Femman office and shopping precinct in Nordstan and at the same time it reinforces our presence in the Gothenburg CBD. Work on developing the Härbärg block has continued and at the end of the year, a positive decision was received from the City of Gothenburg regarding future detailed planning work. Total sales at NK broke a new record and new international brands have acquired retailing space in the department stores. The Bibliotekstan brand was reinforced during the year, among other things through the establishment of Ralph Lauren and Burberry. A lease agreement has been signed with the French cosmetics company Sephora. The outcome of renegotiation of rents resulted in an increase of 10 per cent, of which office space achieved a slightly higher outcome.

During the year, Hufvudstaden invested in a large number of projects. The financial position has not been affected to any great extent and continues to be strong. The equity ratio was 59 per cent and the net loan-to-value ratio was 18 per cent. Cash flow is stable and the interest coverage multiple was 6.4. The Company has established an MTN programme with a framework of SEK 2 billion as an alternative to bank financing. In December, the first bond loan was issued totalling SEK 500 million with a term of five years. The commercial paper programme that was set up the previous year was expanded from SEK 1 billion to SEK 2 billion and had an outstanding volume of SEK 600 million.

The deterioration in the economy and greater lending restraint among the banks with regard to property financing has not diminished interest in the property market. The transaction volume increased slightly compared with the previous year and totalled SEK 110 billion. Yield requirements for the central areas of Stockholm and Gothenburg have remained stable or on a slightly lower level compared to the previous year and at the same time rent levels have increased slightly. On the whole, this means that the Company's property holdings have increased in value.

Property holdings

At the end of the year, Hufvudstaden owned 30 properties (30). The rentable floor space was 284,300 square metres

in Stockholm and 82,800 square metres in Gothenburg, making a total of 367,100 square metres.

During the year, one acquisition took place in Gothenburg. The property comprises approximately 20,700 square metres and with completion in March 2013.

The total rental vacancy level in the Group as of December 31, 2012 was 3.7 per cent (3.9) and the floor space vacancy level was 5.4 per cent (5.9). In Stockholm, the rental vacancy level was 3.6 per cent and in Gothenburg 4.3 per cent.

During the year, 57,300 square metres (42,200) were renegotiated at a total value of SEK 249 million per year and new leases were signed for 15,400 square metres (22,000).

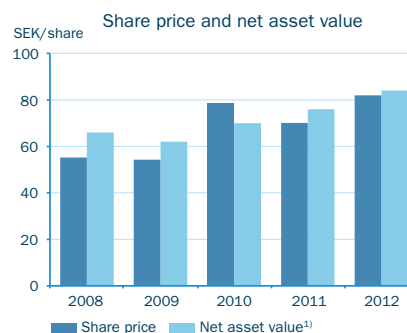
Property value and net asset value

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as of December 31, 2012. To assure the valuation, external valuations were commissioned from three valuation companies. The external valuations made at the turn of the year were equivalent to 33 per cent of the fair value and the equivalent proportion for the whole of 2012 was 56 per cent.

The fair value of the property holdings as of December 31, 2012 was set at SEK 23.1 billion (22.3).

Valuation method

A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place based on a valuation made according to a variant of the location price method, known as the net capitalization method, where the market yield requirement is set against the net operating income of the properties.



1) Calculated using 5% deferred tax for 2012 and 10% in previous years

Sensitivity analysis, property valuation

| | Change +/- | Impact on profit before tax, +/- |
|----------------------|------------------------|-------------------------------------|
| Rental revenue | SEK 100/sq. m. | SEK 770 million |
| Property costs | SEK 50/sq. m. | SEK 385 million |
| Rental vacancy level | 1.0 percentage points | SEK 310 million |
| Yield requirement | 0.25 percentage points | SEK 1,200 million |

A presentation of the valuation method and assumptions can be found in Note 17 Investment properties.

Net asset value

The assessed fair value of the property holdings as of December 31, 2012 was SEK 23.1 billion. Based on the valuation of the property holdings, the net asset value was SEK 17.3 billion or SEK 84 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 of the properties 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. From 31-12-2012 he assumed tax rate for costing purposes was adjusted from 10 per cent to 5 per cent following a government decision to reduce corporation tax to 22 per cent along with a change in market practice. If the percent-

Net asset value, December 31, 2012

| | SEK billion |
|---------------------------------------|-------------|
| Reported equity | 13.9 |
| Reversal of reported deferred tax | 4.4 |
| Net asset value before tax | 18.3 |
| Calculated deferred tax of 5 per cent | -1.0 |
| Net asset value after tax | 17.3 |
| Net asset value per share | SEK 84 |

age for deferred tax according to the Balance Sheet (22 per cent) had been used in the calculation, the net asset value would have been SEK 13.9 billion or SEK 67 per share. If the tax rate were assumed to be 0 per cent, the net asset value would be SEK 18.3 billion or SEK 89 per share.

Opportunities and risks

There is uncertainty on the financial markets with regard to economic devel-

opment. This has resulted in a more restrictive and more regulated credit market. There has therefore been a considerable focus on the risk areas in the Company's operations. The Company's financial risks are reviewed on a continuous basis. Hufvudstaden's financing potential has been guaranteed through long-term loan assurances. The framework is SEK 4,000 million, of which SEK 1,500 million was unutilized. The Company has satisfactory margins in relation to the lenders' restrictions (covenants) regarding the loan agreements. Loans that will fall due during 2013 amount to SEK 950 million, see Note 25. The interest risk has been handled by hedging the interest level for SEK 3,550 million of the total borrowing of SEK 4,700 million. The fixed interest period was 47 months and the average annual equivalent rate was 2.1 per cent. The Company's financing alternatives have been broadened by establishing an MTN programme with a framework of SEK 2 billion. The programme covers long-term financing from 1–15 years. The short-term commercial paper programme that was started the previous year has been expanded to SEK 2 billion. To minimize bad debts, a credit assessment of new customers is made as well as continuous monitoring of accounts receivable and rent receivables.

Hufvudstaden's potential to influence profits in current operations in the short term is limited. Revenue is governed by relatively long leases – normally three to five years – and operating costs are difficult to change in the short term without sacrificing service and quality. Hufvudstaden's profitability and operations are affected mainly by macro-economic factors, such as the business climate, interest rates, regional development in Stockholm and Gothenburg as well as political decisions. Long forward planning and clear strategies are vital if a property company is to handle opportunities and risks successfully. The Company has identified material risks and uncertainty factors as described below.

Changes in value in the property holdings

Changes in the fair value of the properties due to fluctuations in the economy and other factors represent both a risk and an opportunity. However, the risk

is limited by the concentration of the properties in the most attractive commercial locations.

Rent trend

The rent trend involves both risks and opportunities. The risk, however, is limited by Hufvudstaden's concentration on properties in the most attractive commercial locations. The rent levels for vacant office premises are affected quickly in the event of a strengthening or weakening of the economy. Rents for central retailing locations are more stable. The rent level for occupied premises with leases of three years or longer is linked to the consumer price index. Rent changes take place when the leases are renegotiated.

Property tax

Property tax increases constitute a risk although this risk is limited as a significant proportion of the property tax is passed on to Hufvudstaden's tenants.

Rent losses on vacant premises

In the event of a slowdown in the economy, the risk of an increase in vacant space is greater for Hufvudstaden's office premises than for retail premises. There should always be some vacant space in order to offer the tenants potential for expansion, to permit redevelopment to take place and to test the market's willingness to accept higher rent levels.

Lease term

A long average lease term is an advantage when market rents are falling and a disadvantage when they are rising. Excessively frequent relocation and vacation of premises give rise to considerable adaptation costs for premises. These costs cannot always be compensated for by increased rents. Normally, Hufvudstaden seeks to sign leases with a long lease term.

Turnover-based rent

Turnover-based rent is mainly applied at the NK department stores. Hufvudstaden is striving to increase the proportion of lease agreements with turnover-based rent as they offer upward potential while at the same time the guaranteed minimum rent in turnover-based leases limits the risk of a fall in rents.

Operation and maintenance

Hufvudstaden is working actively to optimize the properties' energy consumption and in doing so reduce operating costs. Energy procurement takes place regularly through forward agreements to reduce sensitivity to fluctuations in energy prices.

Hufvudstaden's property holdings are well maintained. The Company is very focused in the way it works with follow-up and control of costs in each individual property, thus reducing the risk of unforeseen cost increases.

Concentration on central Stockholm and central Gothenburg

The concentration of a property portfolio in a geographical market area could involve a potential increase in risk because of reduced diversification. In Hufvudstaden's case, however, the risk is limited as the assessment is that in time Stockholm and Gothenburg will be the country's strongest market areas and the most interesting growth markets.

Financial risks

Apart from its own funds, the Company's operations are also financed through loans from credit institutions. Consequently, the Group is exposed to financing, interest rate and credit risks. A presentation of the Company's finance policy and the manner in which financial risks are handled, as well as credit risks attributable to accounts receivable and rent receivables, can be found in Note 2.

Sensitivity analysis

The effects on pre-tax profit on a full-year basis, excluding changes in value, in conjunction with changes in a number of factors are reported below.

Change in pre-tax profit, excluding changes in value

| | Change +/- | Impact on profit, excluding changes in value before tax, +/- |
|-----------------------------|--------------------|--|
| Rent level | SEK 100/sq. m. | SEK 36 million |
| Vacancy level ¹⁾ | 1 percentage point | SEK 13 million |
| Operation and maintenance | 10 per cent | SEK 15 million |
| Property tax ²⁾ | 1 per cent | SEK 9 million |
| Interest rate ³⁾ | 1 percentage point | SEK 47 million |

1) Vacant floor space is estimated at SEK 3,500 per square metre.

2) Taking into account the fact that the costs are in part passed on to the tenants within the framework of the lease agreements.

3) Without taking into account the fixing of interest through derivatives. For details of the effect, including derivatives, see Note 2, page 68.

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs, property tax and interest expense, refer to the effects that would have occurred during the 2012 financial year if the changes had occurred at the beginning of 2012.

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

Non-financial result indicators

Corporate social responsibility, both internally and externally, is a prerequisite for success. Hufvudstaden contributes to the development of society by assuming responsibility for its properties and the surrounding environment. The Company ensures that it complies with current laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are an active tool in the day-to-day work.

Environmental impact

Hufvudstaden is working actively to reduce negative environmental impact by, for example, reducing energy use and demanding the use of environmentally adapted products. Sustainability information for the Company is presented according to the Global Reporting Initiative standard. See also the Company's GRI Annex on the website www.hufvudstaden.se.

Stock market information

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

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

Key events after the year-end

No events of material significance took place after the end of the financial year.

The future

Uncertainty in the global economy has continued and the recession reached Sweden during the latter half of the year. During 2013, the prospects for the Swedish economy are a slowdown in growth and lower levels of employment. This can be expected to take place mainly during the first half of the year before recovering slightly. There are, however, substantial differences in regional growth rates. Current and planned investment in infrastructure projects in the Stockholm and Gothenburg regions will have a positive impact on our market areas. Our assessment is that demand on the rental market for the Company's high-quality, prime location premises will remain stable. Vacant office space has been stable during the year and is in the lower end of the range that can be regarded as normal for vacant space, 4–6 per cent. We believe that vacant space can be maintained on that level at the same time that vacant retail space will remain at low levels. There has been a continued high level of interest from international fashion brands in establishing operations on our marketplaces, which means that market rents are expected to remain on a good level.

Sweden's financial stability and relative strength compared to other economies throughout Europe is something that we believe will continue to have a positive effect on the property market. Transaction volumes are expected to remain on satisfactory levels with unchanged or slightly rising yields. Hufvudstaden's strong balance sheet and stable cash flow offer the opportunity for investment in new projects and property acquisitions.

Dividend and allocation of profit

The Board has proposed a dividend of SEK 2.60 per share, or a total of SEK 536.3 million. The Board of Directors' proposed allocation of unappropriated earnings is presented in full on page 82.

A statement regarding the dividend proposal, complete with reasons, can be found on the Company's website www.hufvudstaden.se, and will be enclosed with the documents at the Annual General Meeting. The statement is also available from the Company on request.



BIBLIOTEKSTAN

Norrlandsgatan/Hamngatan, Stockholm

Income Statements – Group

| SEK m | Note | 2012 | 2011 |
|--|------|----------------|----------------|
| <i>Net revenue</i> | | | |
| Property management | 4, 5 | 1,472.0 | 1,369.4 |
| Parking operations | | 69.7 | 67.9 |
| | 3 | 1,541.7 | 1,437.3 |
| <i>Property management costs</i> | | | |
| – Maintenance | | -35.5 | -46.8 |
| – Operations and administration | 6 | -227.1 | -236.1 |
| – Ground rents | | -16.3 | -15.5 |
| – Property tax | | -128.2 | -126.1 |
| Property management expenses | | -407.1 | -424.5 |
| Parking operations, costs | 3, 6 | -49.4 | -48.2 |
| Cost of operations | | -456.5 | -472.7 |
| Gross profit | | 1,085.2 | 964.6 |
| – of which Property management | 3 | 1,064.9 | 944.9 |
| – of which Parking operations | 3 | 20.3 | 19.7 |
| Central administration | | -34.1 | -31.7 |
| Operating profit before changes in value | 8–11 | 1,051.1 | 932.9 |
| <i>Changes in value</i> | 12 | | |
| – Investment properties | | 620.6 | 1,244.9 |
| – Interest derivatives | | -25.4 | -99.2 |
| Operating result | | 1,646.3 | 2,078.6 |
| <i>Financial income and expense</i> | | | |
| Financial income | 13 | 4.3 | 13.0 |
| Financial expense | 14 | -165.0 | -135.3 |
| | | -160.7 | -122.3 |
| Result before tax | | 1,485.6 | 1,956.3 |
| Tax | 16 | 453.8 | -521.0 |
| RESULT FOR THE YEAR AFTER TAX | | 1,939.4 | 1,435.3 |
| Other comprehensive income | | – | – |
| COMPREHENSIVE INCOME FOR THE YEAR | | 1,939.4 | 1,435.3 |
| Result for the year per share before and after dilution, SEK | | 9.40 | 6.96 |
| Ordinary dividend per share, SEK (proposed) | | 2.60 | 2.45 |

Comments

Property Management

Net revenue from property management during the year totalled SEK 1,472.0 million (1,369.4), equivalent to an increase of 7 per cent. The increase can be attributed to higher gross rents in conjunction with renegotiations, new leases and index-linked rises. Revenue from the acquired property in Stockholm and additional space in the Femman building in Gothenburg have also contributed to the increase. During the year, Hufvudstaden renegotiated leases equivalent to SEK 249 million in annual rental revenue. Renegotiations for both office and retail premises resulted in an average increase in rent levels of around 10 per cent (8). The cost of vacant space also decreased and the level of vacant space fell during the year from 3.9 per cent to 3.7 per cent.

The turnover-based rent supplement in the NK properties was SEK 8.8 million (9.0). Turnover at the NK department stores rose by approximately SEK 2,850 million (2,810). Apart from the turnover-based rent supplement, there are no material seasonal variations with regard to rents.

Maintenance costs amounted to SEK 35.5 million (46.8). The decrease can be attributed largely to the cost during the previous year of evacuating store tenants. Operating costs amounted to SEK 169.5 million (182.0). The lower operating costs can be attributed mainly to lower energy costs due to advantageous weather conditions and a lower electricity price. Administration

costs totalled SEK 57.6 million (54.1). Property tax increased to SEK 128.2 million (126.1). The cost of property tax has mainly been passed on to the tenants. Overall, this means that the total cost for property management amounted to SEK 407.1 million (424.5).

The gross profit for the year was SEK 1,064.9 million (944.9).

Parking operations

Parking operations comprise parking operations at Parkaden AB.

Net revenue was SEK 69.7 million (67.9). Costs amounted to SEK 49.4 million (48.2) and gross profit amounted to SEK 20.3 million (19.7).

Changes in value

Changes in the value of investment properties totalled SEK 620.6 million (1,244.9). The unrealized change in value can be attributed mainly to higher rents. In conjunction with the above valuation, the average yield requirement was 4.8 per cent (4.8).

Changes in the value of interest derivatives totalled SEK -25.4 million (-99.2). During the fourth quarter, Hufvudstaden terminated all outstanding interest derivatives and at the same time entered into new interest rate hedges. The realized undervalue in interest derivatives was SEK -186.0 million, which was counteracted by the dissolution of provisions for unrealized changes in value of SEK 183.6 million. Unrealized changes in value for new interest derivatives totalled SEK -23.0

million. This can be attributed to lower market interest rates for long fixed interest rate periods. Hufvudstaden uses interest derivatives to reduce the impact on profit of changes in interest levels by achieving fixed interest periods that take into account the lease renewal structure. Changes in the fair value of derivatives are therefore reported together with the changes in the value of investment properties. See also Interest risk section in Note 2.

Financial items

Financial income was SEK 4.3 million (13.0). Financial expense amounted to SEK -165.0 million (-135.3). Interest expense rose due to increased borrowing.

Tax

The Group's tax expense was SEK 453.8 million (-521.0), of which SEK -176.2 million (-140.8) was actual tax and SEK 630.0 million (-380.2) was deferred tax. The positive amount can be explained mainly by recalculation of deferred tax from 26.3 per cent to 22 per cent following a reduction in corporation tax with effect from 2013. The total non-current effect of the reduction in corporation tax was SEK 887.6 million.

Result for the year

The result for the year was SEK 1,939.4 million (1,435.3). The increase in profit can be attributed to a decrease in deferred tax resulting from the reduction in corporation tax.



Balance Sheets – Group

| SEK m | Note | 31-12-2012 | 31-12-2011 |
|---|------|-----------------|-----------------|
| ASSETS | | | |
| Fixed assets | | | |
| Investment properties | 17 | 23,057.5 | 22,251.2 |
| Tangible fixed assets | 18 | 4.3 | 5.6 |
| Non-current receivables | 20 | 6.7 | 6.1 |
| Total fixed assets | | 23,068.5 | 22,262.9 |
| Current assets | | | |
| Accounts receivable | 21 | 11.2 | 8.7 |
| Prepaid tax | | 49.9 | 22.7 |
| Other receivables | | 1.0 | 25.8 |
| Prepaid expense and accrued income | 22 | 25.0 | 28.2 |
| Current investments | | 150.0 | 320.0 |
| Cash and cash equivalents | 23 | 347.5 | 26.7 |
| Total current assets | | 584.6 | 432.1 |
| TOTAL ASSETS | | 23,653.1 | 22,695.0 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 1,056.4 | 1,056.4 |
| Other contributed capital | | 628.1 | 628.1 |
| Profit brought forward, including result for the year | | 12,236.4 | 10,802.4 |
| Total equity | 24 | 13,920.9 | 12,486.9 |
| <i>Non-current liabilities</i> | | | |
| Non-current interest-bearing liabilities | 25 | 3,150.0 | 4,125.0 |
| Deferred tax liabilities | 26 | 4,541.3 | 5,171.4 |
| Other non-current liabilities | | 34.5 | 187.9 |
| Other provisions | 27 | 8.4 | 7.7 |
| Total non-current liabilities | | 7,734.2 | 9,492.0 |
| <i>Current liabilities</i> | | | |
| Current interest-bearing liabilities | 25 | 1,550.0 | 250.0 |
| Accounts payable | | 78.5 | 67.2 |
| Other liabilities | 28 | 82.7 | 86.9 |
| Accrued expenses and prepaid income | 30 | 286.8 | 312.0 |
| Total current liabilities | | 1,998.0 | 716.1 |
| Total liabilities | | 9,732.2 | 10,208.1 |
| TOTAL EQUITY AND LIABILITIES | | 23,653.1 | 22,695.0 |

Comments

Investment properties

The properties' carrying amount in the Group was SEK 23,057.5 million (22,251.2). The increase in the properties' fair value can be attributed to unrealized changes in value totalling SEK 620.6 million (1,243.9) and investments in the property holdings during the year totalling SEK 185.7 million (945.1). Investment properties in the Group are reported at fair value according to IAS 40, which means that impairment is not permitted. The valuation method is described in Note 17, Investment properties. The properties' fiscal residual value was SEK 3.5 billion.

Cash and cash equivalents

Cash and cash equivalents, the sum of cash and bank holdings as well as current

investments, amounted to SEK 497.5 million (346.7). Rent payments take place mainly at the turn of the quarter, whereupon a temporary surplus could arise. This surplus liquidity is normally used for amortization of loans or is invested in short-term instruments with high liquidity and low risk. As of December 31, 2012, current investments of this nature amounted to SEK 150.0 million (320.0). There are no limits on the right of use of cash and cash equivalents. In addition to cash and cash equivalents, there are unutilized overdraft facilities of SEK 40 million (40).

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 3,600.0 million (4,375.0). During the year, Hufvud-

staden issued commercial paper totalling SEK 600.0 million as well as bond loans totalling SEK 500.0 million. Borrowing totalled SEK 4,700.0 million (4,375.0). The average fixed interest period was 47 months (24), the capital tie-up period was 47 months (54) and the average annual equivalent interest cost at the year-end was 2.1 per cent (3.8). Net debt totalled SEK 4,202.5 million (4,028.3). Financial items included in net debt are listed in Note 2, page 68.

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 4,541.3 million (5,171.4). The change can be attributed to the reduction in previously deferred tax to 22 per cent and deferred tax on unrealized changes in value.



Changes in equity – Group

| SEK m | Share capital | Other contributed capital | Retained earnings, including profit for the year | Total |
|---|----------------|---------------------------|--|-----------------|
| Opening equity 1-1-2011 | 1,056.4 | 628.1 | 9,841.5 | 11,526.0 |
| Result for the year | | | 1,435.3 | 1,435.3 |
| Other comprehensive income for the year | | | | – |
| Comprehensive income for the year | | | 1,435.3 | 1,435.3 |
| Dividend | | | -474.4 | -474.4 |
| Closing equity 31-12-2011 | 1,056.4 | 628.1 | 10,802.4 | 12,486.9 |
| Opening equity 1-1-2012 | 1,056.4 | 628.1 | 10,802.4 | 12,486.9 |
| Result for the year | | | 1,939.4 | 1,939.4 |
| Other comprehensive income for the year | | | | – |
| Comprehensive income for the year | | | 1,939.4 | 1,939.4 |
| Dividend | | | -505.4 | -505.4 |
| Closing equity 31-12-2012 | 1,056.4 | 628.1 | 12,236.4 | 13,920.9 |

The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of all shares. At the Annual General Meeting on March 22, 2012, the Board of Directors was given a renewed mandate to buy back a maximum of 10 per cent of all shares with the aim of giving

the Board of Directors the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. No buy-backs took place during 2012.

During 2012, a dividend of SEK 2.45 per share was paid to the Company's

shareholders, totalling SEK 505,351,536.

The proposed dividend according to the allocation of unappropriated earnings is SEK 536.3 million. (See Definitions, page 95, Dividend)

BURBERRY



BIBLIOTEKSTAN

Biblioteksgatan, Stockholm

Cash flow statements – Group

| SEK m | 2012 | 2011 |
|--|---------------|---------------|
| Current operations | | |
| Result before tax | 1,485.6 | 1,956.3 |
| Depreciation and impairment of assets | 7.3 | 7.4 |
| Unrealized change in value, investment properties | -620.6 | -1,243.9 |
| Unrealized change in value, interest derivatives | -160.6 | 99.2 |
| Other changes | 0.7 | -0.6 |
| Income tax paid | -203.5 | -204.6 |
| Cash flow from current operations before changes in working capital | 508.9 | 613.8 |
| Cash flow from changes in working capital: | | |
| Decrease (+) / Increase (-) in operating receivables | 20.1 | -34.7 |
| Increase (+) / Decrease (-) in operating liabilities | -10.8 | -20.3 |
| Cash flow from current operations | 518.2 | 558.8 |
| Investments | | |
| Sale of investment property | – | 87.0 |
| Investment in investment properties | -185.7 | -945.1 |
| Investment in equipment | -1.3 | -2.4 |
| Acquisition of subsidiary | – | -0.1 |
| Cash flow from investments | -187.0 | -860.6 |
| Financing | | |
| Loans raised | 1,100.0 | 775.0 |
| Amortization of loans | -775.0 | – |
| Dividend paid | -505.4 | -474.4 |
| Cash flow from financing | -180.4 | 300.6 |
| Cash flow for the year | 150.8 | -1.2 |
| Cash and cash equivalents at the beginning of the year | 346.7 | 347.9 |
| Cash and cash equivalents at the year-end | 497.5 | 346.7 |
| Supplementary information, cash flow statements | | |
| Interest received | 5.1 | 3.6 |
| Interest paid | 176.3 | 131.2 |

Comments

Cash flow from current operations

Cash flow from current operations before changes in operating capital decreased by SEK 104.9 million to SEK 508.9 million (613.8). The decrease can be attributed to realized undervalues in interest derivatives totalling SEK -186.0 million (0). Changes in working capital increased cash flow by SEK 9.3 million (-55.0). Cash flow from current operations thus totalled SEK 518.2 million (558.8).

Cash flow from investments

Cash flow from investments amounted to SEK -187.0 million (-860.6). Investments in property holdings decreased by SEK 759.4 million compared to the preceding year, which can be attributed mainly to the acquisition of proper-

ties the previous year and the extension of Femman.

Cash flow from financing

Cash flow from financing decreased by SEK 481.0 million to SEK -180.4 million (300.6). Net lending increased by SEK 325 million compared to an increase of SEK 775 million the previous year. No buy-back of Company shares took place during the year.

The cash flow for the year was SEK 150.8 million (-1.2).

Cash and cash equivalents

The Group's cash and cash equivalents totalled SEK 497.5 million (346.7), of which cash and bank holdings amounted to SEK 347.5 million (26.7) and current investment of surplus liquidity was

SEK 150.0 million (320.0). Including unutilized overdraft facilities, liquidity amounted to SEK 537.5 million (386.7). All current investments have a term shorter than three months. As of December 31, 2012, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. At the year-end, SEK 1.5 billion had been unutilized. The commercial paper programme set up the previous year was expanded from SEK 1.0 billion to SEK 2.0 billion. At the year-end, SEK 600.0 million was outstanding. In December, the first bond loan was issued under the Company's MTN programme, which has a loan framework of SEK 2.0 billion. The total amount issued was SEK 500.0 million.

There are no limits on the right of use of cash and cash equivalents.



Hufvudstaden AB – Parent Company

| Income Statements | | | |
|-------------------------------------|------|--------------|--------------|
| SEK m | Note | 2012 | 2011 |
| Net revenue | | 890.9 | 828.1 |
| Operating costs | | -415.5 | -471.7 |
| Gross profit | | 475.4 | 356.4 |
| Central administration | | -34.1 | -31.7 |
| Changes in value | 12 | -25.4 | -113.9 |
| Operating profit | 6–11 | 415.9 | 210.8 |
| Profit after financial items | | | |
| Group contributions received | | 373.1 | 319.9 |
| Financial income | 13 | 3.9 | 90.7 |
| Financial expense | 14 | -161.7 | -135.3 |
| | | 215.3 | 275.3 |
| Profit after financial items | | 631.2 | 486.1 |
| Appropriations | 15 | -24.9 | -28.5 |
| Profit before tax | | 606.3 | 457.6 |
| Tax | 16 | -17.8 | -100.2 |
| PROFIT FOR THE YEAR | | 588.5 | 357.4 |

| Statement of Comprehensive Income | | | |
|--|------|--------------|--------------|
| SEK m | Note | 2012 | 2011 |
| Profit for the year | | 588.5 | 357.4 |
| Other comprehensive income | | – | – |
| COMPREHENSIVE INCOME FOR THE YEAR | | 588.5 | 357.4 |

| Balance sheets | | | |
|-------------------------------------|------|-----------------|-----------------|
| SEK m | Note | 31-12-2012 | 31-12-2011 |
| ASSETS | | | |
| Fixed assets | | | |
| Investment properties | 17 | 6,352.4 | 6,369.6 |
| Tangible fixed assets | 18 | 3.0 | 3.8 |
| | | 6,355.4 | 6,373.4 |
| <i>Financial fixed assets</i> | | | |
| Participations in Group companies | 19 | 3,091.1 | 3,091.1 |
| Other non-current receivables | 20 | 6.7 | 6.1 |
| <i>Total financial fixed assets</i> | | <i>3,097.8</i> | <i>3,097.2</i> |
| Total fixed assets | | 9,453.2 | 9,470.6 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Accounts receivable | 21 | 1.1 | 0.5 |
| Other receivables | | 3.2 | 24.9 |
| Prepaid tax | | 48.9 | 25.7 |
| Receivables from Group companies | | 680.5 | 696.1 |
| Prepaid expenses and accrued income | 22 | 19.5 | 15.7 |
| <i>Total current assets</i> | | <i>753.2</i> | <i>762.9</i> |
| Other current investments | | 150.0 | 320.0 |
| Cash and bank holdings | 23 | 347.2 | 26.4 |
| Total current assets | | 1,250.4 | 1,109.3 |
| TOTAL ASSETS | | 10,703.6 | 10,579.9 |

| Balance sheets, cont'd | | | |
|--|------|-----------------|-----------------|
| SEK m | Note | 31-12-2012 | 31-12-2011 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital (211,271,933 shares) | | 1,056.4 | 1,056.4 |
| Revaluation reserve | | 124.2 | 124.2 |
| Statutory reserve | | 798.1 | 798.1 |
| Total restricted equity | | 1,978.7 | 1,978.7 |
| <i>Non-restricted equity</i> | | | |
| Retained earnings | | 1,584.2 | 1,732.1 |
| Profit for the year | | 588.5 | 357.4 |
| Total non-restricted equity | | 2,172.7 | 2,089.5 |
| Total equity | 24 | 4,151.4 | 4,068.2 |
| <i>Untaxed reserves</i> | 29 | 609.4 | 584.5 |
| <i>Provisions</i> | | | |
| Pension provisions | 27 | 8.2 | 7.5 |
| Provisions for taxes | 26 | 937.4 | 1,078.3 |
| Total provisions | | 945.6 | 1,085.8 |
| <i>Non-current liabilities</i> | | | |
| Non-current interest-bearing liabilities | 25 | 3,150.0 | 4,125.0 |
| Liabilities to Group companies | | 0.7 | 0.7 |
| Other liabilities | | 34.3 | 187.8 |
| Total non-current liabilities | | 3,185.0 | 4,313.5 |
| <i>Current liabilities</i> | | | |
| Current interest-bearing liabilities | 25 | 1,550.0 | 250.0 |
| Accounts payable | | 42.0 | 35.9 |
| Liabilities to Group companies | | 9.7 | 9.0 |
| Other liabilities | 28 | 22.0 | 27.3 |
| Accrued expenses and prepaid income | 30 | 188.5 | 205.7 |
| Total current liabilities | | 1,812.2 | 527.9 |
| Total liabilities | | 6,552.2 | 6,511.7 |
| TOTAL EQUITY AND LIABILITIES | | 10,703.6 | 10,579.9 |

| SEK m | Note | 31-12-2012 | 31-12-2011 |
|------------------------|------|------------|------------|
| Pledged assets | 31 | 1,962.8 | 2,463.1 |
| Contingent liabilities | 31 | None | Inga |

Changes in equity

| SEK m | Share capital | Revaluation reserve | Statutory reserve | Retained earnings, including profit for the year | Total |
|---|----------------|---------------------|-------------------|--|----------------|
| Opening equity 1-1-2011 | 1,056.4 | 124.2 | 798.1 | 2,206.5 | 4,185.2 |
| Profit for the year | | | | 357.4 | 357.4 |
| Other comprehensive income for the year | | | | – | – |
| Comprehensive income for the year | | | | 357.4 | 357.4 |
| Dividend, Parent Company | | | | -474.4 | -474.4 |
| Closing equity 31-12-2011 | 1,056.4 | 124.2 | 798.1 | 2,089.5 | 4,068.2 |
| Opening equity 1-1-2012 | 1,056.4 | 124.2 | 798.1 | 2,089.5 | 4,068.2 |
| Profit for the year | | | | 588.5 | 588.5 |
| Other comprehensive income for the year | | | | – | – |
| Comprehensive income for the year | | | | 588.5 | 588.5 |
| Dividend, Parent Company | | | | -505.4 | -505.4 |
| Closing equity 31-12-2012 | 1,056.4 | 124.2 | 798.1 | 2,172.7 | 4,151.4 |

Comments

The gross profit amounted to SEK 475.4 million (356.4). The increase can be attributed mainly to higher rents and lower vacant space. Net revenue was SEK 890.9 million (828.1).

Net financial income and expense was SEK 215.3 million (275.3). The profit for the year includes group contributions from subsidiaries totalling SEK 373.1 million (319.9).

Cash and cash equivalents at the year-end totalled SEK 497.2 million (346.4). Investment in properties and equipment during the period amounted to SEK 68.2 million (225.0). Acquisition of subsidiaries totalled SEK 0 million (266.3).

Cash flow statements

| SEK m | 2012 | 2011 |
|--|---------------|---------------|
| Current operations | | |
| Profit after financial items | 631.3 | 486.1 |
| Depreciation and impairment of assets | 87.9 | 75.0 |
| Unrealized changes in value, interest derivatives | -160.6 | 99.2 |
| Group contribution | -373.1 | -319.9 |
| Capital gain on sale of investment properties | – | 14.7 |
| Capital loss on sale of subsidiary | – | -78.0 |
| Other changes | 0.7 | 0.3 |
| Income tax paid | -181.9 | -204.6 |
| Cash flow from current operations before changes in working capital | 4.3 | 72.8 |
| Cash flow from changes in working capital: | | |
| Decrease (+) / Increase (–) in operating receivables | 403.7 | 72.4 |
| Increase (+) / Decrease (–) in operating liabilities | -8.6 | -40.4 |
| Cash flow from current operations | 399.4 | 104.8 |
| Investments | | |
| Acquisition of subsidiary | – | -266.3 |
| Sale of subsidiary | – | 78.0 |
| Disposal of investment property | – | 6.7 |
| Investment in investment properties | -67.1 | -223.1 |
| Investment in equipment | -1.1 | -1.9 |
| Cash flow from investments | -68.2 | -406.6 |
| Financing | | |
| Loans raised | 1,100.0 | 775.0 |
| Amortization of loans | -775.0 | – |
| Dividend paid | -505.4 | -474.4 |
| Cash flow from financing | -180.4 | 300.6 |
| Cash flow for the year | 150.8 | -1.2 |
| Cash and cash equivalents at the beginning of the year | 346.4 | 347.6 |
| Cash and cash equivalents at the year-end | 497.2 | 346.4 |
| Supplementary information, cash flow statements | | |
| Interest received | 4.4 | 3.0 |
| Interest paid | 173.0 | 131.1 |

Notes

Note 1. Accounting principles

General information

Hufvudstaden AB (publ) is a listed company with its registered office in Stockholm. Hufvudstaden is quoted in the large cap list on NASDAQ OMX Stockholm. The Group's principal area of business is the ownership, development and management of commercial properties. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Annual Consolidated Accounts for Hufvudstaden AB (publ) for 2012 have been approved for publication according to a decision reached by the Board on February 14, 2013. It is proposed that the Annual Report and consolidated accounts be adopted at the Annual General Meeting on March 21, 2013.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the EU. In addition, the Swedish Financial Accounting Standards Council recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, has been applied. Hufvudstaden's Income Statements are classified according to function and are adapted to the Company's operations.

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

Prerequisites in conjunction with the drawing up of the financial statements

The Group's functional currency is Swedish kronor, which is also the reporting currency for the Group and the Parent Company. Assets and liabilities are reported at the historical acquisition values, apart from certain financial assets and liabilities as well as investment properties valued at fair value. Financial assets and liabilities valued at fair value comprise derivatives and assets classified as financial assets valued at fair value in profit or loss. Valuation at fair value of investment properties and financial derivatives is the accounting principle that has greatest impact on the Group's financial statements.

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

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

Assessments and estimates

In order to prepare statements in compliance with IFRS, the executive management makes use of a number of material accounting estimates. In addition, it is required that the executive management makes certain assessments in conjunction with the application of the Group's accounting principles.

The most important sources of uncertainty in the estimates are presented below.

Investment properties

The value of a property can only be determined with certainty when payment has been received following its sale. In the final accounts, an estimate is made of the market value, which in accounting terms is known as the fair value. The fair value is determined based on a valuation according to a variant of the location price method, which is known as the net capitalization method. The method means that the market yield requirement is put in relation to the net operating income of the properties. In this valuation, assessment is made of the yield requirement of each individual property. The properties' net operating income is calculated based on the market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Hufvudstaden's internal property valuation is checked with external valuation companies, where an uncertainty range of +/- 5 per cent of the assessed fair value is given for the property level. If Hufvudstaden's valuation is outside the uncertainty range, an explanation for the deviation is given.

External changes could mean that an assumption made by the executive management needs to be reviewed. This could result in a considerable variation in the value of the property holdings, which can be seen in the sensitivity analysis in Note 17.

Amended accounting principles

No new or amended IFRS to be applied with effect from 2012 have had any impact on the consolidated financial statements.

New IFRS

A number of new and amended IFRS will only come into effect in the 2013 financial year and have not been applied in the preparation of these financial statements. These are not considered to have any major impact on Hufvudstaden's financial statements although IFRS 13 Fair value measurement, will entail an expansion in the disclosure requirements.

Classification etc.

Fixed assets and non-current liabilities in the Parent Company and Group comprise amounts that are expected to be recovered or paid after more than twelve months, calculated from the period-end. Current assets and current liabilities in the Parent Company and the Group comprise amounts that are expected to be recovered or paid within twelve months, calculated from the period-end. Fixed assets, the carrying amount of which is estimated to be recovered following their sale within one year, are classified as fixed assets held for resale and are reported according to IFRS 5.

Consolidated accounts

The consolidated accounts cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued at fair value according to the acquisition analysis. If the acquisition does not refer to operations that are normal in conjunction with the acquisition of properties, the acquisition costs are divided among the individually identifiable assets and liabilities according to their fair value at the time of acquisition without any reporting of goodwill or deferred tax receivable/liability in conjunction with the acquisition. Untaxed reserves have been divided into a deferred tax liability and equity. Intra-Group receivables, liabilities and profits or losses that arise from intra-Group transactions have been eliminated in conjunction with the preparation of the consolidated accounts. Consolidation in conjunction with acquisitions takes place from the date on which we acquire a controlling influence and in conjunction with disposals up to the date on which the controlling influence ceases.

Reporting of income and costs

Net revenue from property management includes rental income as well as costs passed on, such as property tax and media costs. Rental income is allocated to a specific period on a linear basis over the period of the lease. Rent paid in advance is thus reported as prepaid rental income.

Income from property sales

Income from property sales is reported on the completion date. In addition, circumstances are taken into account which could affect the outcome of the deal and which are beyond the control of the seller and/or purchaser.

Intra-Group rents and costs

Intra-Group rents and costs are on market terms and are reported in their entirety as incurred.

Administration costs

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

Financial income and expense

Financial income and expense comprises interest income and interest expense, dividends from subsidiaries and unrealized and realized gains on financial investments. Interest income and interest expense are reported in the Income Statement for the period to which they refer, apart from borrowing expenses that are attributable directly to investments and where the financing cost is of material significance. Interest income attributable to accounts receivable is included in the gross profit. Interest income and interest expense are calculated according to the annual equivalent interest rate method.

Note 1 continued on page 67.

Leases

All the Group's lease agreements for the letting of premises are classified as operational lease agreements with the Group as the lessor. All rental, leasehold and tenancy agreements which the Group has entered into as lessee are classified as operational lease agreements. The cost of these is expensed on an ongoing basis.

Remuneration to employees

Remuneration to employees, such as salaries, paid holidays and social insurance costs, are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported in line with the employee performing services during the term of the programme.

As regards the Group's pension undertakings, the majority of white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and blue-collar workers are covered by the SAF-LO pension agreement. During the 2012 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in the Income Statement when they arise.

Tax

Tax is reported in the profit for the year apart from the fact that the underlying transaction is reported under other comprehensive income or under equity, whereupon the associated tax effect is reported under other comprehensive income or equity. Actual tax is the tax to be paid or received for the year in question. This also includes an adjustment of actual tax attributable to previous periods. Deferred tax is calculated according to the Balance Sheet method, using temporary differences between carrying amounts and tax values of assets and liabilities as a starting point. The amounts are calculated based on how the temporary differences are expected to be realized and on application of the tax rates and tax rules that had been decided or notified as of the year-end. In the Parent Company, untaxed reserves are reported inclusive of the deferred tax liability.

Deferred prepaid taxes recoverable in respect of deductible temporary differences and deficit deductions are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

The Group classifies financial assets as follows: Financial assets valued at fair value in profit or loss, Loan receivables and Accounts receivable. The financial liabilities are classified as follows: Financial liabilities valued at fair value in profit or loss or Other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

A financial instrument is valued initially at the fair value with a supplement for transaction costs, with the exception of the 'financial asset' and 'financial liability' categories valued at fair value in profit or loss, which are reported at the fair value excluding transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to an agreement. An account receivable is recorded in the Balance Sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists even if an invoice has not yet been received. A financial asset (or part thereof) is removed from the Balance Sheet when the rights in the agreement are realized or fall due, or when the Company transfers in all material respects the risks and benefits that are linked to ownership. A financial liability (or part thereof) is removed from the Balance Sheet when the obligation in the agreement is performed or is extinguished in some other manner.

A financial asset and a financial liability are set off and reported as a net amount in the Balance Sheet only when there is a legal right to set off the amounts and when there is an intention to settle the items at a net amount or at the same time realize the asset and settle the liability. Hufvudstaden has not identified any embedded derivatives that should be separated from their host contracts and reported separately.

Financial assets and liabilities valued at fair value in profit or loss

This category comprises two sub-groups: financial assets and liabilities, which comprise a holding for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term, and other financial assets and liabilities which the Company has initially chosen to place in this category (according to what is known as the Fair Value Option). Derivatives are classified as being held for trading purposes if they are not identified as hedges. Financial assets in this category are valued continuously at fair value with changes in value reported in the Income Statement.

This category includes interest derivatives.

Loan receivables and accounts receivable

Receivables are valued at the accrued acquisition value. The accrued acquisition value is determined based on the annual equivalent rate of interest calculated at the time of acquisition. The expected term of the account receivable is short and consequently the value is reported at the nominal amount without discounting. Accounts receivable and loan receivables are reported at the amounts at which they are expected to be paid, i.e. following a deduction for doubtful receivables.

Cash and bank holdings are reported at the nominal value. The overdraft facility is related to loan liabilities under current liabilities.

Receivables with a remaining term of more than 12 months are reported at the accrued acquisition value.

This category includes rent receivables, customer receivables, cash and bank holdings loan receivables and other receivables.

Other financial liabilities

All loans are reported at the accrued acquisition value, which means that the value is adjusted by any discounts or premiums in conjunction with the raising or repayment of the loan as well as costs in conjunction with raising the loan, capitalized over the term of the loan. The period allocation is calculated based on the annual equivalent rate of interest for the loan. Any profit or loss that arises when the loan is repaid is reported in the Income Statement.

Liabilities are reported initially at fair value and thereafter at the accrued acquisition value. This category includes loans as well as other financial liabilities, such as accounts payable.

Derivatives

Derivatives are reported in the Balance Sheet on the contract date and are valued at fair value, both initially and in conjunction with subsequent revaluations. The Group uses derivatives of financial instruments to reduce interest risks. Borrowing at a variable rate of interest is switched to fixed interest loans through interest swap contracts. The Group reports interest swap contracts as financial instruments valued at fair value in profit or loss.

Impairment of financial instruments

At each period-end, the Group assesses whether there are any objective grounds for impairment of a financial asset. A provision for a decrease in value of accounts receivable is made when there are objective grounds for the Group not being able to receive all the amounts that have fallen due according to the original terms and conditions of the receivables. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or undergo a financial reconstruction and payments will not be made or will be delayed (fallen due more than 60 days) are regarded as indicators that there could be a need for impairment of a receivable. The size of the provision comprises the difference between the carrying amount of the asset and the current value of assessed future cash flows, discounted using the original annual equivalent rate of interest. Changes in value are reported in the Income Statement on a separate line and paid interest and accrued interest are reported as a financial expense.

Tangible fixed assets

Tangible fixed assets are reported as an asset in the Balance Sheet if it is probable that there will be future financial benefits for the Company. Tangible fixed assets are valued at cost with a deduction for accumulated depreciation and any impairments. If an investment is made, borrowing costs that are directly attributable are expensed in those cases where the financing cost is of material significance.

Depreciation, Property management

Depreciation of tangible fixed assets used in administration is included in Property management administration.

Depreciation, Parking operations

Depreciation of tangible fixed assets is included in the cost of Parking operations.

Depreciation principles

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

Investment properties

Investment properties are properties that are held for the purposes of securing rental income and/or an increase in value. Initially, investment properties are reported as an acquisition expense, which includes expenses directly attributable to the acquisition. After the initial report, investment properties are reported in the Balance Sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations normally take place each quarter. To assure the valuation, external valuations are made by external valuation companies at least once a year. The external valuations normally cover 20–30 per cent

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

Both unrealized and realized changes in value are reported in the Income Statement. Changes in value are reported net.

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

The loan charges attributable to the construction of what are termed qualified assets are capitalized as part of the acquisition value of the qualified asset. In the Group, this mainly involves construction or major redevelopment projects related to investment properties. Calculation of loan charges is based on the financing requirements of the project and the Group's borrowing cost.

Impairments

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

Share capital

Acquisition of Company shares is reported as a reduction in equity. The sum received from the disposal of Company shares is reported as an increase in equity.

Profit per share

Calculation of the profit per share is based on the consolidated profit for the year and on the weighted average number of shares during the year.

Fixed assets held for resale and discontinued operations

Assets that are to be disposed of are classified as assets held for resale. Operations that are to be disposed of are classified as assets, liabilities and result from discontinued operations.

Provisions

Provisions are reported in the Balance Sheet when there is a legal or informal obligation arising from an event and when it is likely that the obligation will be fulfilled and the amount can be calculated reliably. If the effect of the time when the future payment is deemed to be material, the value of the provision is determined by calculating the current value of the expected future cash flow using a discounting factor (before tax) that reflects the market's current valuation of the time value and any risks that are attributable to the obligation. A provision for a deferred tax liability is not subject to discounting.

Contingent liabilities

A contingent liability is reported when there is a possible undertaking that arises from events that have occurred and the occurrence of which is only confirmed by one or more uncertain future events or when there is an undertaking that is not reported as a liability or provision due to the fact that it is not probable that an outflow of resources will be required.

Statements of Cash Flows

The Statements of Cash Flows have been prepared according to the indirect method.

Segment reporting

From an accounting point of view, a segment is an identifiable part of the Group that provides services that are exposed to risks and opportunities that are different from other segments. The Group's operations are divided into two segments, Property Management and Parking Operations. This division is in compliance with the manner in which operations are followed up internally.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

Group contributions received are reported under Financial items and group contributions granted are reported under Investment in shares in subsidiaries.

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

Investment properties

The Parent Company's investment properties are valued at cost with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, cost of title deeds and value-enhancing improvements. Hufvudstaden only capitalizes charges that generate a permanent increase in the value of the properties. Development costs of a maintenance nature are charged to profit. Loan charges are not capitalized in the Parent Company.

Valuation of investment properties and tangible fixed assets

The carrying amount of investment properties and tangible fixed assets is examined with regard to possible impairment requirements when events or a change in conditions indicate a possibility that the carrying amount might not be recovered. If there are such indications, and if the carrying amount exceeds the expected recoverable amount, the assets are impaired to the recoverable amount. The recoverable amount is equivalent to the maximum of the net realizable value and the value in use. The net realizable value is set through comparison with the sale of similar objects. The value in use comprises the current value of the expected future cash flows according to a discounting factor before tax, which reflects the market's current estimate of the time value and the risks associated with the asset.

For assets that do not generate independent cash flows to a predominant extent, the recoverable amount is set for the cash-generating unit to which the asset belongs. Any impairment is reported in the Income Statement. Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount. Reported revaluations of investment properties have been made at the fair value with a deduction for deferred tax.

Information about the properties' fair values as of the year-end can be found in Note 17.

Depreciation – investment properties

The Parent Company's depreciation according to plan is based on the original acquisition values, adjusted where applicable for revaluations and impairments and the estimated useful life. The estimated useful life for buildings is 50–100 years and for building equipment 5 years.

Depreciation of properties with mixed operations has been calculated through a weighing up of each floor space category's percentage for depreciation. For a property with a dominant (75 per cent) category, the percentage for the category in question is applied to the whole property. The revaluation is depreciated over the underlying asset's remaining depreciation period. Percentages for depreciation are reported in Note 17.

Note 2. Financial risks

Hufvudstaden is mainly exposed to financing risks and interest risks. The Group endeavours to have a credit portfolio with a diverse credit renewal structure that facilitates possible amortizations. No loans are raised in foreign currency and consequently the Group is not exposed to a currency exchange risk. Borrowing

normally takes place with short fixed interest periods and interest swaps are used to achieve the desired fixed interest structure. Derivatives are only used for the purposes of minimizing the risk and should be linked to an underlying exposure. At present, the Group has derivatives reported in the category financial assets and liabilities valued at fair value in profit or loss. Hedge accounting is not applied.

Note 2 continued on page 69.

Hufvudstaden's finance function is a Group function charged with central responsibility for financing and liquidity planning. The work is governed by the Finance policy decided by the Board of Directors, which aims to secure the Group's financing requirements at the lowest possible cost and risk. Within the finance function, there are instructions, systems and rules of procedure to achieve good internal control and follow-up of operations. Major financing solutions and derivative transactions should be approved by the Chairman of the Board and the Board is informed at each Board meeting about financial issues.

Hufvudstaden's aim is to use surplus liquidity to amortize existing loans. Surplus liquidity not used for amortization may only be invested in instruments with high liquidity and low risk. Information regarding borrowing, loan frameworks and terms and conditions can be found in Note 25.

Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. The aim is to have financing from at least three of the major banks and a loan portfolio with a spread of due dates and long terms. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company must have loan assurances that cover the rescheduling of loans and investments. In addition, the Company has a commercial paper programme and an MTN programme. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. The executive management prepares rolling forecasts for the Group's liquidity on the basis of expected cash flows. Hufvudstaden's borrowings amounted to SEK 4,700 million at the year-end. The average fixed interest period was 47 months (24), the average capital tie-up period was 47 months (54) and the average interest cost 2.1 per cent (3.8). Net debt totalled SEK 4,202.5 million compared to SEK 4,028.3 million at the end of 2011. As of December 31, 2012, the Group had non-current loan assurances of SEK 4 billion, of which SEK 1.5 billion was unutilized, a commercial paper programme of SEK 2 billion, of which SEK 1.4 billion was unutilized, as well as an MTN programme of SEK 2 billion, of which SEK 1.5 billion was unutilized. The Company has satisfactory margins with regard to the lenders' restrictions (covenants) in the loan agreements.

Due date structure, interest and capital, December 31, 2012

| Year due | Interest payment, SEK m | Of which swaps, SEK m | Nominal amount, SEK m | Proportion, % |
|-----------|-------------------------|-----------------------|-----------------------|---------------|
| 2013, Q 1 | 25.8 | 2.9 | 350.0 | 7 |
| 2013, Q 2 | 23.8 | 2.9 | 600.0 | 13 |
| 2013, Q 3 | 21.8 | 2.9 | – | – |
| 2013, Q 4 | 21.8 | 2.9 | – | – |
| 2014 | 62.3 | 11.5 | – | – |
| 2015 | 62.3 | 11.5 | – | – |
| 2016 | 62.3 | 11.5 | 600.0 | 13 |
| 2017 | 59.8 | 10.7 | 2,650.0 | 56 |
| 2018 | 9.4 | 6.5 | 500.0 | 11 |
| 2019 | 1.3 | 1.3 | – | – |
| Total | 350.6 | 64.6 | 4,700.0 | 100 |

In addition to the above, there are other liabilities, which also include accounts payable, which normally fall due within 30 days, as well as derivatives with a negative value of SEK 23.0 million.

Interest risk

The interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income/expense. Hufvudstaden's financing sources are primarily equity, cash flow from current operations, the raising of loans and loan assurances. Investment of surplus liquidity is made in financial instruments with a short fixed interest period, thus limiting the Group's exposure to an interest risk in investments.

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's finance policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest structure for the net debt should normally be 12–48 months. Loans are normally raised at a variable rate of interest and derivatives are used to achieve the desired fixed interest structure. As of December 31, 2012, the Group's fixed interest period was 47 months. A change in the interest level of +/- 1 percentage point, assuming an unchanged loan volume and fixed interest period according to current derivative

agreements, would affect Hufvudstaden's interest expense in 2013 to the amount of +/- SEK 9 million (14). At the same time, the change in interest would mean a change in value in interest derivatives to the amount of SEK 168 million (98) in the result.

Fixed interest structure, December 31, 2013 (Including effect of interest derivatives)

| Year due | Volume, SEK m | Proportion, % | Average AER, % |
|----------|---------------|---------------|----------------|
| 2013 | 1,150.0 | 24 | 1.9 |
| 2016 | 500.0 | 11 | 2.1 |
| 2017 | 1,500.0 | 32 | 1.8 |
| 2018 | 1,300.0 | 28 | 2.4 |
| 2019 | 250.0 | 5 | 2.1 |
| Total | 4,700.0 | 100 | 2.1 |

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and collateral does not cover the Group's claims. The aim is to minimize the credit risk through advance rent payments and only entering into credit transactions with large financing institutions. A credit risk can be mainly attributed to outstanding accounts receivable/rent receivables, cash and cash equivalents as well as financial derivative agreements with positive values, which as of the year-end had a collective carrying value of SEK 355.4 million, which means that the Group has limited exposure to credit risks.

Losses on accounts receivable/rent receivables occur when tenants are put into receivership or for other reasons they are unable to meet their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks, the financial position of the Group's customers is checked in terms of their credit rating by obtaining information from different credit information companies. In accordance with Hufvudstaden's credit policy, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rent receivables are invoiced in advance.

The Group's ten largest tenants represent 24 per cent of the total contracted rent and the single largest customer accounts for 8 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited. Exposure regarding financial derivative agreements is limited by the Group policy of only entering into such agreements with major financial institutions with a very good rating and with whom the Company has a long-term relationship. In addition, there are general agreements with these institutions regarding the set-off of different derivative agreements, which further reduces the credit risk exposure.

Concentration of credit risk, December 31, 2012¹⁾²⁾

| Annual rent, SEK k | Number of customers | Total annual rent, SEK k | Proportion, % |
|--------------------|---------------------|--------------------------|---------------|
| 0 – 99 | 84 | 3,575 | 0.3 |
| 100 – 499 | 110 | 31,256 | 2.2 |
| 500 – 999 | 144 | 106,782 | 7.7 |
| 1,000 – 2,499 | 154 | 239,239 | 17.2 |
| 2,500 – 4,999 | 75 | 267,957 | 19.2 |
| 5,000 – 9,999 | 40 | 261,068 | 18.8 |
| 10,000 – | 22 | 481,251 | 34.6 |
| Total | 629 | 1,391,128 | 100 |

1) Excluding vacant floor space and space (storage and office) for Hufvudstaden's own use.

2) Annual rent as of 31-12-2012.

Fair value

The fair value of financial instruments traded on an active market (such as financial assets held for resale) is based on listed market prices on the reporting date. The listed price used is the current purchase price. The fair value of financial instruments not traded on an active market is set with the aid of valuation techniques. Fair values are set by discounting future payment flows to the current market rate of interest for similar instruments. For financial instruments such as accounts receivable, accounts payable and so on, which are reported at the accrued acquisition value with a deduction for possible impairment, the fair value is considered to be in line with the carrying value as these instruments have a very short term. Interest-bearing liabilities mainly have a three-month fixed interest period whereupon the fair value is considered to concur essentially with the carrying value.

Note 2 continued on page 70.

Continuation, Note 2.

| Information regarding fair values, financial instruments | | | | | | | | | |
|---|---|-------|--|-------|-------------------|---------|---------------------|-------|-----------------------|
| SEK m | Items valued at fair value through profit or loss | | Accounts receivable and loan receivables | | Other liabilities | | Non-financial items | | Total carrying amount |
| | Derivatives | | | | | | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 2011 |
| GROUP | | | | | | | | | |
| Financial instruments included in the financial net liability | | | | | | | | | |
| Non-current receivables | | | 6.7 | 6.1 | | | | | 6.7 6.1 |
| Current receivables | | | 33.0 | 51.1 | | | 4.2 | 11.6 | 37.2 62.7 |
| Cash and cash equivalents | | | 497.5 | 346.7 | | | | | 497.5 346.7 |
| Non-current liabilities | 23.0 | 179.1 | | | 3,169.9 | 4,141.5 | | | 3,192.9 4,320.6 |
| Current liabilities | | 4.5 | | | 1,759.3 | 462.4 | 238.7 | 249.2 | 1,998.0 716.1 |
| PARENT COMPANY | | | | | | | | | |
| Financial instruments included in the financial net liability | | | | | | | | | |
| Non-current receivables | | | 6.7 | 6.1 | | | | | 6.7 6.1 |
| Current receivables | | | 219.1 | 37.1 | | | 2.5 | 4.0 | 221.6 41.1 |
| Cash and cash equivalents | | | 497.2 | 346.4 | | | | | 497.2 346.4 |
| Non-current liabilities | 23.0 | 179.1 | | | 3,169.5 | 4,140.8 | | | 3,192.5 4,319.9 |
| Current liabilities | | 4.5 | | | 1,669.6 | 373.2 | 132.9 | 141.2 | 1,802.5 518.9 |

The fair value concurs with the carrying value. The fair value of all instruments valued at fair value in the Balance Sheet is attributable to level 2 in IFRS 7, i.e. the value has been calculated based on official market listings.

Note 3. Segment information

The Group's operations are divided into two segments, Property Management and Parking Operations. The Property Management segment is divided into business areas that follow the operative control of the Company's business, which mainly follows the geographical division of the rental market into sub-markets. In the Parent Company, there is only the Property Management segment. The following presentation shows income and costs, assets and investments for the different business areas for 2012 and the comparison year 2011.

Property management

| SEK m | Stockholm City East Business Area | | Stockholm City West Business Area | | Gothenburg Business Area | | Total | |
|---|-----------------------------------|----------|-----------------------------------|---------|--------------------------|---------|----------|----------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| GROUP | | | | | | | | |
| Income and costs ¹⁾ | | | | | | | | |
| Net revenue | 677.4 | 607.4 | 604.8 | 578.1 | 189.8 | 183.9 | 1,472.0 | 1,369.4 |
| (of which turnover-based rent supplement) | (0.6) | (1.0) | (8.8) | (9.0) | (–) | (–) | (9.4) | (10.0) |
| Maintenance | -22.1 | -33.2 | -10.9 | -11.4 | -2.5 | -2.2 | -35.5 | -46.8 |
| Operations and administration | -72.9 | -74.4 | -118.7 | -123.8 | -35.5 | -37.9 | -227.1 | -236.1 |
| Ground rent | -0.3 | -0.2 | -16.0 | -15.3 | – | – | -16.3 | -15.5 |
| Property tax | -66.8 | -64.2 | -43.8 | -43.8 | -17.6 | -18.1 | -128.2 | -126.1 |
| Gross profit, property management | 515.3 | 435.4 | 415.4 | 383.8 | 134.2 | 125.7 | 1,064.9 | 944.9 |
| Parking operations | | | 20.3 | 19.7 | | | 20.3 | 19.7 |
| Central administration | | | | | | | -34.1 | -31.7 |
| Changes in value | | | | | | | | |
| Investment properties | | | | | | | 620.6 | 1,244.9 |
| Interest derivatives | | | | | | | -25.4 | -99.2 |
| Operating profit | | | | | | | 1,646.3 | 2,078.6 |
| Financial income and expense | | | | | | | -160.7 | -122.3 |
| Profit before tax | | | | | | | 1,485.6 | 1,956.3 |
| Assets | | | | | | | | |
| Investment properties | 11,759.1 | 11,451.4 | 8,456.2 | 8,155.8 | 2,842.2 | 2,644.0 | 23,057.5 | 22,251.2 |
| Rent receivables | -0.2 | 0.2 | 1.0 | 1.1 | -0.2 | -0.2 | 0.6 | 1.1 |
| Investments | | | | | | | | |
| Investment properties and equipment | 56.8 | 630.9 | 52.6 | 42.4 | 77.6 | 274.2 | 187.0 | 947.5 |

1) For comparable holdings, see Business areas in figures, page 90.

Note 3 continued on page 71.

Continuation, Note 3.

| | | |
|--|-------------|-------------|
| Parking Operations | | |
| The Parking Operations segment includes parking operations at Parkaden AB. | | |
| SEK m | 2012 | 2011 |
| GROUP | | |
| Net revenue | 69.7 | 67.9 |
| Rental costs | -40.8 | -39.9 |
| Operations and administration | -8.1 | -7.6 |
| Depreciation | -0.5 | -0.7 |
| Gross profit | 20.3 | 19.7 |
| Total assets amounted to SEK 3.4 million (10.8). | | |

| Note 4. Profit trend – summary | | | | | | | | | | |
|---------------------------------------|----------------|-------------|-----------------|-------------|------------------|-------------|----------------|-------------|----------------|-------------|
| SEK m | Jan–Mar | | Apr–June | | July–Sept | | Oct–Dec | | Jan–Dec | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| GROUP | | | | | | | | | | |
| <i>Property management</i> | | | | | | | | | | |
| Net revenue | 363.2 | 334.8 | 364.9 | 339.0 | 365.7 | 334.9 | 378.2 | 360.7 | 1,472.0 | 1,369.4 |
| Maintenance | -5.8 | -8.6 | -11.4 | -7.0 | -6.4 | -22.1 | -11.9 | -9.1 | -35.5 | -46.8 |
| Operations and administration | -58.0 | -66.2 | -53.7 | -56.1 | -50.7 | -50.4 | -64.7 | -63.4 | -227.1 | -236.1 |
| Other costs | -35.9 | -35.3 | -36.1 | -35.5 | -36.2 | -35.4 | -36.3 | -35.4 | -144.5 | -141.6 |
| Property management costs | -99.7 | -110.1 | -101.2 | -98.6 | -93.3 | -107.9 | -112.9 | -107.9 | -407.1 | -424.5 |
| Other operations, net | 5.2 | 4.9 | 5.0 | 4.6 | 3.4 | 3.6 | 6.7 | 6.6 | 20.3 | 19.7 |
| Gross result | 268.7 | 229.6 | 268.7 | 245.0 | 275.8 | 230.6 | 272.0 | 259.4 | 1,085.2 | 964.6 |
| Central administration | -7.8 | -7.6 | -8.6 | -7.9 | -8.2 | -8.0 | -9.5 | -8.2 | -34.1 | -31.7 |
| <i>Changes in value</i> | | | | | | | | | | |
| Investment properties | 194.7 | 116.6 | 225.1 | 723.9 | – | 33.3 | 200.8 | 371.1 | 620.6 | 1,244.9 |
| Interest derivatives | 47.9 | 43.0 | -15.3 | -32.1 | -39.9 | -96.3 | -18.1 | -13.8 | -25.4 | -99.2 |
| Financial income and expense | -39.7 | -31.8 | -42.6 | -34.3 | -38.9 | -32.4 | -39.5 | -23.8 | -160.7 | -122.3 |
| Tax | -123.2 | -92.5 | -114.2 | -235.6 | -49.5 | -33.9 | 740.7 | -159.0 | 453.8 | -521.0 |
| Result for the period after tax | 340.6 | 257.3 | 313.1 | 659.0 | 139.3 | 93.3 | 1,146.4 | 425.7 | 1,939.4 | 1,435.3 |

| Note 5. Operational lease agreements – Group as lessor | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| The Group has commercial lease agreements for the investment property holdings, which comprise offices, stores, warehouses and other non-residential premises. The remaining term is between 1 and 12 years. | | | | | | | |
| <i>Renewal structure¹⁾²⁾³⁾</i> | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018– | Total |
| <i>Number of agreements</i> | | | | | | | |
| Offices | 66 | 80 | 84 | 44 | 29 | 24 | 327 |
| Stores | 79 | 92 | 109 | 58 | 20 | 6 | 364 |
| Other | 361 | 290 | 150 | 87 | 37 | 33 | 958 |
| Total | 506 | 462 | 343 | 189 | 86 | 63 | 1,649 |
| Proportion, % | 30.7 | 28.0 | 20.8 | 11.5 | 5.2 | 3.8 | 100.0 |
| <i>Annual rent, SEK m</i> | | | | | | | |
| Offices | 87.2 | 139.3 | 119.5 | 84.5 | 81.6 | 194.8 | 706.9 |
| Stores | 109.0 | 147.0 | 176.0 | 143.1 | 35.9 | 17.6 | 628.6 |
| Other | 21.7 | 31.7 | 30.5 | 15.3 | 4.1 | 1.9 | 105.2 |
| Total | 217.9 | 318.0 | 326.0 | 242.9 | 121.6 | 214.3 | 1,440.7 |
| Proportion, % | 15.1 | 22.1 | 22.6 | 16.9 | 8.4 | 14.9 | 100.0 |
| 1) Including leases signed for future occupancy/commencement, whereupon the corresponding present floor space is excluded. | | | | | | | |
| 2) Excluding vacant floor space and floor space (storage and office) for Hufvudstaden's use. | | | | | | | |
| 3) Excluding residential leases. | | | | | | | |

Note 6. Depreciation, tangible fixed assets and investment properties

| SEK m | Group | | Parent Company | |
|---------------------------------------|-----------------|-----------------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| <i>Depreciation per type of asset</i> | | | | |
| Investment properties | – ¹⁾ | – ¹⁾ | 84.3 | 72.8 |
| Tangible fixed assets | 2.6 | 3.3 | 1.8 | 2.5 |
| Total | 2.6 | 3.3 | 86.1 | 75.3 |
| <i>Depreciation per function</i> | | | | |
| Property management | 2.0 | 2.6 | 86.1 | 75.3 |
| Parking operations | 0.5 | 0.7 | – | – |
| Total | 2.6 | 3.3 | 86.1 | 75.3 |

1) Investment properties in the Group are reported at fair value and consequently there is no depreciation.

Note 7. Average number of employees

| Average number of employees | 2012 | | 2011 | |
|----------------------------------|-----------------|----|-----------------|-----|
| | Of which men, % | | Of which men, % | |
| Parent Company | 92 | 61 | 91 | 57 |
| of which executives | 7 | 86 | 7 | 86 |
| <i>Wholly owned subsidiaries</i> | | | | |
| Parkaden AB | 2 | 67 | 2 | 100 |
| Total, Group | 94 | 61 | 93 | 58 |
| of which executives | 7 | 86 | 7 | 86 |

Of the Group's 27 managers (27), 9 are women (10) or 33 per cent (37). The Board of the Parent Company comprised 7 men (7) and 2 women (2). In the Group, there is one other male member of the Board (1 man). The Group only has employees in Sweden.

Note 8. Salaries and remuneration

| SEK k | Group | | | | Parent Company | | | |
|---|--------|----------------|--------|----------------|----------------------|----------------|----------------------|----------------|
| | 2012 | Of which bonus | 2011 | Of which bonus | 2012 | Of which bonus | 2011 | Of which bonus |
| <i>Salaries and other remuneration</i> | | | | | | | | |
| Fee to the Chairman of the Board | 350 | | 350 | | 350 | | 350 | |
| Fee to other Board members | 1,245 | | 1,245 | | 1,225 | | 1,225 | |
| Payment and benefits, President | 4,179 | 411 | 3,839 | 75 | 4,179 | 411 | 3,839 | 75 |
| Payment and benefits, other executives | 8,723 | 974 | 7,996 | 220 | 8,723 | 974 | 7,996 | 220 |
| Payment and benefits, other employees | 42,908 | 2,124 | 38,609 | 275 | 41,810 | 2,094 | 37,560 | 275 |
| Total | 57,405 | 3,509 | 52,039 | 570 | 56,287 ¹⁾ | 3,479 | 50,970 ¹⁾ | 570 |
| <i>National insurance expenses, including special employer's contribution</i> | | | | | | | | |
| Chairman of the Board | 110 | | 110 | | 110 | | 110 | |
| Other Board members | 308 | | 348 | | 301 | | 342 | |
| President | 1,622 | | 1,507 | | 1,622 | | 1,507 | |
| Other executives | 3,126 | | 2,884 | | 3,126 | | 2,884 | |
| Other employees | 14,409 | | 13,070 | | 14,096 | | 12,769 | |
| Total | 19,575 | | 17,919 | | 19,255 | | 17,612 | |
| <i>Pension expenses</i> | | | | | | | | |
| President | 1,350 | | 1,245 | | 1,350 | | 1,245 | |
| Other executives | 1,651 | | 1,573 | | 1,651 | | 1,573 | |
| Other employees | 5,154 | | 4,775 | | 5,086 | | 4,699 | |
| Total | 8,155 | | 7,593 | | 8,087 | | 7,517 | |

1) Salaries and other remuneration also include non-monetary benefits.

Note 8 continued on page 73.

A director's fee was paid during the year to the Chairman of the Board Fredrik Lundberg to the amount of SEK 350,000 and to Board members Claes Boustedt, Bengt Braun, Peter Egardt, Hans Mertzig, Sten Peterson, Anna-Greta Sjöberg and Louise Lindh to the amount of SEK 175,000 each. President Ivo Stopner does not receive any payment for his work on the Board. Within the Group, there is also Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 20,000.

Guidelines for salary, bonus and other remuneration to senior executives are decided at the Annual General Meeting. For 2012, the meeting decided that the following guidelines should be applied.

Salary conditions for senior executives shall be formulated in line with the market plus an incentive element in the form of a bonus, which is only payable if the Company reports a positive result without consideration given to unrealized changes in value. Such a bonus shall be decided for one year on each occasion, shall be linked to predetermined, quantifiable criteria, and shall be subject to a ceiling. The bonus part, which shall not be pensionable, aims to provide the management with a special incentive to work to achieve positive results for the Company and thus support the interests of the shareholders.

Payment to both the President and other senior executives shall comprise a fixed permanent salary with the possibility of a bonus, which is paid in the manner stated subject to achievement of objectives for the Company and for the individual.

The bonus for the President can amount to a maximum of three months' salary per year and for other executives a maximum of the higher of three months' salary or SEK 250,000 per person per year. The bonus payable to the current number of senior executives, at the present salary level, can amount to a maximum of SEK 2.7 million.

The retirement age for the President is 65 years, although with the right for the President or the Company to decide on retirement with a full pension from the age of 60. Pensions for members of the Group management, including the President, are covered by the ITP plan and are defined benefit schemes. In addition, there is a defined contribution pension for the President for the part of the salary not covered by the ITP plan.

If the President and other executives are given notice of termination of employment by the Company, the total fixed salary during the period of notice plus severance pay shall not exceed an amount equivalent to the fixed salary for two years. In the case of notice of termination of employment being given by the President or other senior executives, the period of notice shall be a maximum

of six months, without any right to severance pay. In all cases, any payment received from a new employer shall be offset.

These guidelines shall cover the persons who during the time the guidelines apply are part of the Group management. The guidelines apply to agreements entered into following a decision at the Annual General Meeting and in those cases where changes are made in existing agreements after this point in time.

The Board of Directors shall be entitled to deviate from the guidelines if in an individual case there are particular reasons for doing so. These guidelines were followed during 2012 and a proposal that the same guidelines be applied for the period from the Annual General Meeting for 2013 will be presented at the Annual General Meeting.

Pensions for Group employees, including the President, are covered by the ITP plan and are defined benefit pensions. Alecta's surplus in the form of the collective consolidation level as of December had not at the time of the signing of this Annual Report been published and consequently this cannot be given. Alecta's most recent official consolidation level, as of October, amounted to approximately 127 per cent. (December 2011: 113 per cent). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

For the President and senior executives there was a bonus scheme in place during the year based on result, customer satisfaction and personal objectives as described above. Other permanent employees in the Group were also covered by a bonus scheme during the year. The bonus criteria were 'operating result' and 'customer satisfaction'. For managers with human resource responsibility there was also a personal assessment and individual objectives. The bonus payable was a maximum of half a month's salary, although subject to a minimum of SEK 15,000 for full-time employees. For managers, the bonus was a maximum of one month's salary.

The bonus schemes are subject to a decision, are valid for one year on each occasion and include a ceiling. A bonus is only payable if the Company reports a positive result without taking into account unrealized changes in value. The bonus is not pensionable.

In the final accounts, a provision has been made for a bonus for profit targets and customer satisfaction. For personal objectives, a provision is made equivalent to 75 per cent of the maximum outcome. The bonus outcome for 2012 has been charged with a cost for 2011 of SEK 93,067.

Note 9. Fees and cost reimbursements to auditors

| SEK m | 2012 | Group 2011 | Parent Company 2012 | 2011 |
|-------------------|------|---------------|------------------------|------|
| KPMG AB | | | | |
| Audit work | 1.0 | 0.9 | 1.0 | 0.9 |
| Other assignments | 0.1 | 0.2 | 0.1 | 0.2 |
| Total | 1.1 | 1.1 | 1.1 | 1.1 |

Note 10. Operational lease agreements – Group as the Lessee

| Annual charges, SEK m | 2012 | Group 2011 | Parent Company 2012 | 2011 |
|-----------------------|------|---------------|------------------------|------|
| – 1 years | 3.5 | 2.7 | – | – |
| 1 year – 5 years | 17.0 | 16.4 | 8.1 | 8.1 |
| 5 years – | 0.6 | 0.3 | 0.3 | 0.3 |

Agreements entered into refer to site leasehold agreements, tenant charges and rental agreements with an external landlord.

Note 11. Operating costs per cost category

| SEK m | 2012 | Group 2011 | Parent Company 2012 | 2011 |
|------------------------------|-------|---------------|------------------------|-------|
| Maintenance | 34.4 | 46.3 | 113.6 | 173.8 |
| Operation and administration | 222.6 | 234.6 | 70.8 | 82.8 |
| Ground rent | 16.2 | 15.5 | 8.1 | 8.1 |
| Property tax | 128.2 | 126.1 | 85.6 | 86.1 |
| Depreciation | 2.6 | 3.3 | 86.1 | 75.3 |
| Personnel costs | 87.5 | 79.4 | 85.9 | 77.9 |
| Total | 491.5 | 505.2 | 450.1 | 504.0 |

Note 12. Changes in value

| SEK m | 2012 | Group 2011 | Parent Company 2012 | 2011 |
|--|--------|---------------|------------------------|--------|
| Realized changes in value in investment properties | – | 1.0 | – | -14.7 |
| Unrealized changes in value in investment properties | 620.6 | 1,243.9 | | |
| Unrealized changes in value in interest derivatives | 160.6 | -99.2 | 160.6 | -99.2 |
| Realized changes in value in interest derivatives | -186.0 | – | -186.0 | – |
| Total | 595.2 | 1,145.7 | -25.4 | -113.9 |

Note 13. Financial income

| SEK m | 2012 | Group 2011 | Parent Company 2012 | 2011 |
|---|------|---------------|------------------------|------|
| Purchase sum etc. on sale of subsidiary | – | 10.2 | – | 88.3 |
| Interest income on bank holdings | 3.0 | 0.6 | 2.8 | 0.3 |
| Interest income on current investments | 1.2 | 2.1 | 1.1 | 2.1 |
| Interest income, other | 0.1 | 0.1 | – | – |
| Total | 4.3 | 13.0 | 3.9 | 90.7 |

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

| Note 14. Financial expense | | | | |
|--|--------------|--------------|-----------------------|--------------|
| | | Group | Parent Company | |
| SEK m | 2012 | 2011 | 2012 | 2011 |
| Interest expense to credit institutions | 114.0 | 101.6 | 114.0 | 101.6 |
| Interest expense, swaps | 42.4 | 39.5 | 42.4 | 39.5 |
| Interest expense, other | 8.6 | -5.8 | 5.3 | -5.8 |
| Total | 165.0 | 135.3 | 161.7 | 135.3 |
| Of the financial expense, SEK 122.6 million (95.8) refers to financial instruments not valued at fair value. | | | | |

| Note 15. Appropriations | | | |
|---|--|-----------------------|--------------|
| | | Parent Company | |
| SEK m | | 2012 | 2011 |
| Change in accumulated additional depreciation | | 8.1 | 4.5 |
| Change in tax allocation reserve | | -33.0 | -33.0 |
| Total | | -24.9 | -28.5 |

| Note 16. Income taxes | | | | |
|--|----------------|----------------|-----------------------|---------------|
| | | Group | Parent Company | |
| SEK m | 2012 | 2011 | 2012 | 2011 |
| <i>Actual tax expense</i> | | | | |
| Tax expense for the year | -118.6 | -128.6 | -117.9 | -128.3 |
| Tax attributable to previous years | -57.6 | -12.2 | -40.8 | -12.0 |
| <i>Deferred tax expense/tax income</i> | | | | |
| Difference between fiscal and accounting depreciation of properties | -51.5 | -86.6 | -1.6 | 13.4 |
| Unrealized changes in value, investment properties | -163.0 | -312.2 | - | - |
| Unrealized change in value, interest derivatives | -42.2 | 26.1 | -42.2 | 26.1 |
| Effect, pension provision | 1.5 | 0.6 | 1.5 | 0.6 |
| Effect, allocation to untaxed reserves | -2.4 | -8.1 | - | - |
| Recalculation, deferred tax 22% | 887.6 | - | 183.2 | - |
| Total tax | 453.8 | -521.0 | -17.8 | -100.2 |
| Result before tax | 1,485.6 | 1,956.3 | 606.3 | 457.6 |
| Tax according to the current tax rate 26.3% | -390.7 | -514.5 | -159.5 | -120.3 |
| Tax attributable to previous years | -57.6 | -12.2 | -40.8 | -12.0 |
| Revaluation of deferred tax attributable to previous years | 15.8 | 11.4 | - | 11.4 |
| Non-taxable income in conjunction with the disposal of a subsidiary | - | - | - | 23.9 |
| Non-taxable income | 0.1 | 0.1 | 0.1 | 0.0 |
| Non-deductible expenses | -1.6 | -0.6 | -0.6 | -0.6 |
| Utilization of previous deficit deductions | 0.4 | - | - | - |
| Standard income, tax allocation reserve | -1.6 | -2.6 | -1.6 | -2.6 |
| Other | 1.4 | -2.6 | 1.4 | - |
| Recalculation, deferred tax 22% | 887.6 | - | 183.2 | - |
| Total tax | 453.8 | -521.0 | -17.8 | -100.2 |
| In the Group, there was a deficit deduction of SEK 1.4 million. There were no deficit deductions in the Parent Company as of the year-end. | | | | |

Continuation, Note 16.

The Supreme Administrative Court has ruled against the subsidiary Stockholm City AB regarding the matter of a division between direct deduction and capitalization as a building. This ruling does not have any impact on profit and only involves a shift between deferred tax and actual tax of SEK 16 million.

The Swedish Tax Agency has also decided to change the division between direct deduction and capitalization in conjunction with the completed foundation reinforcement project at Hufvudstaden AB. The amount is estimated at SEK 40 million but does not have any impact on total reported tax expense for the Group and only involves a shift between current and deferred tax. The decision will be appealed.

| Note 17. Investment properties | | |
|--|-------------------------|----------|
| GROUP | | |
| Investment properties were reported according to the fair value method. | | |
| SEK m | 2012 | 2011 |
| Investment properties, Group | 23,057.5 | 22,251.2 |
| Information about changes in the carrying amounts of investment properties | | |
| | Investment properties | |
| | Owned for the full year | |
| SEK m | | |
| 2012 | | |
| Opening fair value | | 22,251.2 |
| Investment in properties | | 185.7 |
| Unrealized change in value | | 620.6 |
| Closing fair value | | 23,057.5 |

| Investment properties | | | |
|--------------------------------|------------------|-------------|----------|
| Owned for the full year | | | |
| | Purchased | Sold | |
| 2011 | | | |
| Opening fair value | - | 76.9 | 20,071.4 |
| Acquisition value | 542.5 | - | - |
| Investment in properties | - | 2.7 | 399.9 |
| Disposal | - | -86.1 | - |
| Unrealized change in value | - | 6.5 | 1,237.4 |
| Closing fair value | 542.5 | - | 21,708.7 |

All properties generated rental income during the year, apart from a property in Gothenburg, which only comprises an undeveloped plot. For income and costs attributable to investment properties, reference can be made to Note 3.

All properties are owned by the Group and are classified as investment properties and cover the items Buildings, Building Equipment and Land and Development in Progress in the Balance Sheet. Fair value is based on an internal valuation.

The investment amount includes capitalized loan charges totalling SEK 0 million (7.0). The loan charge has been calculated based on a rate of interest of 3.7 per cent.

Valuation method

Valuation of the property holdings was done by assessing the fair value of each individual property. The assessment took place through the application of a valuation according to a variant of the location price method, known as the net capitalization method. The method means that the market yield requirements are put in relation to the net operating income of the properties.

The assessment of the yield requirements is based on information gathered on the market return on investment requirements for purchases and sales of comparable properties in similar locations. If few or no deals were concluded in the property's sub-area, transactions in the adjoining area are analysed. Deals not concluded also provide guidance on the market yield requirements. Account has also been taken of the property type, technical standard and building construction. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with valuation and consulting companies. Hufvudstaden's average yield requirement since 2007 has varied between 4.6 per cent and 5.3 per cent and as of December 31, 2012, the figure was 4.8 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.25 percentage points higher.

Note 17 continued on page 75.

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

Revenue has been reduced to take into account an assessed, long-term rental vacancy level. The vacancy level is based on the true outcome of the property holdings over a business cycle and the expected rental situation for the individual property. In the valuation, an average vacancy level of 5 per cent has been estimated. The actual vacancy level during the period 2003–2012 varied between 3 and 8 per cent and as of December 31, 2012, the figure was 3.7 per cent.

A deduction has been made of standard costs for operation and maintenance, excluding costs passed on and part of the property administration. These are based on the actual outcome and are adjusted for non-permanent deviations. The average cost per square metre over the most recent five-year period has been in the range SEK 400–450 and the estimated cost in the valuation as of December 31, 2012 was on the same level.

The following information has been used in the valuation:

| | Rental revenue, SEK m | Net operat- ing profit, SEK m | Direct yield require- ment, % |
|--|-----------------------------|-------------------------------------|-------------------------------------|
| Stockholm, commercial ¹⁾ | | | 4.5–5.1 |
| Gothenburg, commercial ¹⁾ | | | 4.9–6.0 |
| Property holdings, Group ²⁾ | 1,509.5 | 1,103.1 | 4.8 |

1) Office and retailing properties.

2) Average, all properties.

External valuation

To guarantee the valuation, external valuations were obtained from three valuation companies, Newsec Advice AB, NAI Svefa AB and Forum Fastighetsekonomi AB. The external valuations cover ten properties and are equivalent to 33 per cent of the internally assessed fair value. The corresponding figure for the whole of 2012 was 56 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 were Grönlandet Södra 11, Hästskon 10, Järnplåten 28, Kvasten 9, Orgelpipan 7, Pumpstocken 10 (part of), Rännilen 18, Skären 9 in Stockholm, and Nordstaden 8:24 and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 8.0 billion. Hufvudstaden's internal valuation of the same properties was SEK 7.6 billion. The internal valuations thus concur well with the external valuations.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of valuation. The price, however, can only be set when a transaction has been completed. In conjunction with a property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 23.1 billion with a degree of uncertainty of +/- 5 per cent and consequently this 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, +/- |
|----------------------|------------------------|----------------------------------|
| Rent revenue | SEK 100 per sq. m | SEK 770 m |
| Property costs | SEK 50 per sq. m | SEK 385 m |
| Rental vacancy level | 1.0 percentage points | SEK 310 m |
| Yield requirement | 0.25 percentage points | SEK 1,200 m |

Tax values, investment properties, Group

| SEK m | 2012 | 2011 |
|-----------------------|----------|----------|
| Tax values, buildings | 7,226.8 | 7,226.8 |
| Tax values, land | 5,637.8 | 5,637.8 |
| | 12,864.6 | 12,864.6 |

PARENT COMPANY

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

| SEK m | 2012 | 2011 |
|---------------------------------------|---------|---------|
| Investment properties, Parent Company | 6,352.4 | 6,369.6 |

Investment properties, excluding land

| SEK m | 2012 | 2011 |
|--|---------|---------|
| Opening acquisition values | 2,495.9 | 2,281.8 |
| Investments for the year | 67.1 | 222.9 |
| Sales for the year | – | -8.8 |
| Closing acquisition values | 2,563.0 | 2,495.9 |
| Opening depreciation | -756.3 | -700.1 |
| Depreciation for the year | -70.5 | -58.9 |
| Sales for the year | – | 2.7 |
| Closing depreciation | -826.8 | -756.3 |
| Opening revaluations according to the adopted Balance Sheet for the preceding year | 1,118.7 | 1,147.0 |
| Depreciation for the year | -13.8 | -13.8 |
| Sales for the year | – | -14.5 |
| Closing revaluations | 1,104.9 | 1,118.7 |
| Closing residual value according to plan | 2,841.1 | 2,858.3 |

Land

| SEK m | 2012 | 2011 |
|--|---------|---------|
| Opening acquisition value | 469.9 | 470.3 |
| Sales for the year | – | -0.4 |
| Closing acquisition value | 469.9 | 469.9 |
| Opening value, revaluations | 3,041.4 | 3,041.6 |
| Sales for the year | – | -0.2 |
| Closing value, revaluations | 3,041.4 | 3,041.4 |
| Closing residual value according to plan | 3,511.3 | 3,511.3 |

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

- Buildings: Offices 1 per cent
- Buildings: Department stores, multi-storey car parks, hotels, restaurants 2 per cent
- Building equipment: 5–10 per cent
- Land improvements: 3.75–5 per cent

Information about the fair value of investment properties

| SEK m | 2012 | 2011 |
|---------------------------------------|----------|----------|
| Investment properties, Parent Company | 14,019.5 | 13,846.6 |

In the valuation of the Parent Company's properties at fair value, the same valuation method is used as for the Group.

The following information has been used in the valuation:

| | Rent revenue, SEK m | Net operat- ing profit, SEK m | Direct yield require- ment, % |
|---|---------------------------|-------------------------------------|-------------------------------------|
| Stockholm, commercial ¹⁾ | | | 4.5–5.1 |
| Gothenburg, commercial ¹⁾ | | | 4.9–6.0 |
| Property holdings, Parent Company ²⁾ | 917.5 | 673.2 | 4.7 |

1) Office and retail properties.

2) Average, all properties.

Tax values, investment properties, Parent Company

| SEK m | 2012 | 2011 |
|-----------------------|---------|---------|
| Tax values, buildings | 4,504.3 | 4,504.3 |
| Tax values, land | 4,085.8 | 4,085.8 |
| | 8,590.1 | 8,590.1 |

Note 18. Tangible fixed assets

| SEK m | Group | | Parent Company | |
|--|-------|-------|----------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Opening acquisition value | 30.9 | 30.0 | 17.9 | 17.6 |
| Investments for the year | 1.4 | 2.5 | 1.1 | 1.9 |
| Disposals | -1.2 | -1.6 | -1.0 | -1.6 |
| Closing acquisition value | 31.1 | 30.9 | 18.0 | 17.9 |
| Opening depreciation | -25.3 | -23.6 | -14.1 | -13.2 |
| Depreciation for the year | -2.6 | -3.3 | -1.8 | -2.5 |
| Disposals | 1.1 | 1.6 | 0.9 | 1.6 |
| Closing accumulated depreciation | -26.8 | -25.3 | -15.0 | -14.1 |
| Closing residual value according to plan | 4.3 | 5.6 | 3.0 | 3.8 |

Note 19. Participation in Group Companies

| | Company reg. no. | Reg. office | Capital (votes), % | Number | Nominal value, SEK 1,000 | Carrying amount 2012, SEK m |
|--|---------------------|-------------|-----------------------|------------|-----------------------------|--------------------------------|
| PARENT COMPANY | | | | | | |
| <i>Shares in subsidiaries</i> | | | | | | |
| AB Citypalatset | 556034-7246 | Stockholm | 100 | 1,200 | 120 | 1,111.1 |
| Fastighetsaktiebolaget Medusa | 556018-7238 | Stockholm | 100 | 300 | 300 | 32.3 |
| Aktiebolaget Hamngatssgaraget | 556068-6601 | Stockholm | 100 | 3,000 | 300 | 231.2 |
| AB Nordiska Kompaniet | 556008-6281 | Stockholm | 100 | 19,460,666 | 97,303 | 1,449.3 |
| Parkaden AB | 556085-3599 | Stockholm | 100 | 5,000 | 500 | 0.6 |
| Fastighets AB Kåkenhusen | 556834-3460 | Stockholm | 100 | 50,000 | 50 | 203.0 |
| Inom Vallgraven Fastighets AB | 556722-5643 | Stockholm | 100 | 1,000 | 100 | 63.3 |
| | | | | | | 3,090.8 |
| <i>Shares in dormant companies</i> | | | | | | |
| Aktiebolaget Cityparkering | 556020-7440 | Stockholm | 100 | 200 | 100 | 0.0 |
| Fastighets AB Hufvudstaden | 556014-4411 | Stockholm | 100 | 500 | 250 | 0.2 |
| Förvaltnings AB Birger Jarl | 556209-4614 | Stockholm | 100 | 200 | 100 | 0.0 |
| Förvaltnings AB Norrmalmstorg nr. 1 | 556019-5405 | Stockholm | 100 | 150 | 150 | 0.0 |
| Huvudstaden Fastighetsförvaltning AB | 556556-7038 | Stockholm | 100 | 200 | 100 | 0.1 |
| | | | | | | 0.3 |
| Parent Company, Total | | | | | | 3,091.1 |
| OTHER GROUP COMPANIES | | | | | | |
| <i>Owned by AB Citypalatset</i> | | | | | | |
| Fastighetsaktiebolaget Stockholms City | 556019-4358 | Stockholm | 100 | 7,776 | 7,776 | 239.5 |
| <i>Owned by Fastighetsaktiebolaget Stockholms City</i> | | | | | | |
| Hotel Stockholm Aktiebolag | 556031-4303 | Stockholm | 100 | 10,000 | 1,000 | 3.4 |
| <i>Owned by AB Nordiska Kompaniet</i> | | | | | | |
| NK Cityfastigheter AB | 556023-1267 | Stockholm | 100 | 1,680 | 168 | 0.4 |
| NK Concession Aktiebolag | 556313-8733 | Stockholm | 100 | 1,000 | 100 | 0.1 |
| | | | | | | 0.5 |
| Other Group companies, total | | | | | | 243.4 |

No changes in the level of ownership have taken place compared to the previous year.

Change in Parent Company's holdings in Group companies

| SEK m | Parent Company | |
|-------------------------|----------------|---------|
| | 2012 | 2011 |
| Opening carrying amount | 3,091.1 | 2,824.8 |
| Change for the year | 0.0 | 266.3 |
| Closing carrying amount | 3,091.1 | 3,091.1 |

The Group has no foreign subsidiaries.

Note 20. Other non-current receivables

| SEK m | Group | | Parent Company | |
|-------------------------|-------|------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Opening carrying amount | 6.1 | 5.9 | 6.1 | 5.9 |
| Change for the year | 0.6 | 0.2 | 0.6 | 0.2 |
| Closing carrying amount | 6.7 | 6.1 | 6.7 | 6.1 |

Note 21. Accounts receivable

| SEK m | Group | | Parent Company | |
|---------------------|-------|------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Accounts receivable | 10.6 | 7.6 | 0.8 | 0.5 |
| Rent receivables | 0.6 | 1.1 | 0.3 | – |
| Total | 11.2 | 8.7 | 1.1 | 0.5 |

Accounts receivable and rent receivables are reported at the accrued acquisition value, which normally means the nominal value.

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 4.8 million (4.1). Accounts receivable that have fallen due, but which have not been impaired, amounted to SEK 3.6 million (2.0).

Note 22. Prepaid expenses and accrued income

| SEK m | Group | | Parent Company | |
|-------------------------|-------|------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Accrued rent revenue | 15.1 | 14.3 | 11.3 | 9.4 |
| Prepaid expenses | 8.1 | 11.6 | 6.4 | 4.0 |
| Accrued interest income | 1.8 | 2.3 | 1.8 | 2.3 |
| Total | 25.0 | 28.2 | 19.5 | 15.7 |

Note 23. Cash and bank holdings

| SEK m | Group | | Parent Company | |
|---------------|-------|------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Bank balances | 347.5 | 26.7 | 347.2 | 26.4 |
| Total | 347.5 | 26.7 | 347.2 | 26.4 |

The Company receives interest on bank balances at a variable rate of interest based on the banks' daily investment rate.

Note 24. Equity**GROUP****Other capital contributed**

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

Retained earnings, including profit for the year

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

Dividend

In 2012, a dividend was paid of SEK 2.45 per share or a total of SEK 505,351,536.

Asset management

The Company's capital is defined as the Group's reported equity. The Company's financial aims are to have good dividend growth and an equity ratio of at least 40 per cent.

Share capital

| SEK m | 2012 | 2011 |
|---------------------------------------|---------|---------|
| <i>Breakdown of share series</i> | | |
| A 202,996,869 shares, par value SEK 5 | 1,015.0 | 1,015.0 |
| C 8,275,064 shares, par value SEK 5 | 41.4 | 41.4 |
| Total | 1,056.4 | 1,056.4 |

Hufvudstaden AB (publ) has two share series, series A and series C. Both share series are registered on NASDAQ OMX Stockholm. Series A carry one vote per share. Series C carry 100 votes per share. All shares carry the same right to a proportion of the Company's assets and liabilities.

Shareholders are entitled to request conversion of series C shares into series A shares. No such conversion took place during the year.

Hufvudstaden's own holding is 5,006,000 series A shares. No buy-back of shares took place during the year. The average number of outstanding shares was 206,265,933, which is unchanged compared to the preceding year.

There are no instruments that mean that a dilution of the number of shares can take place.

Hufvudstaden's aim is to increase profit on current operations and to have a well-consolidated Balance Sheet with an equity ratio of at least 40 per cent over time. The shareholders should have good dividend growth over time and the dividend should constitute more than half of the net profit from current operations unless investments or the Company's financial position generally justify a deviation.

Parent Company**Restricted funds**

Restricted funds may not be reduced through a dividend.

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

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

Non-restricted equity

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

Note 25. Interest-bearing liabilities

| SEK m | Group | | Parent Company | |
|--------------------------------|---------|---------|----------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| <i>Non-current liabilities</i> | | | | |
| Bank loans | 2,650.0 | 4,125.0 | 2,650.0 | 4,125.0 |
| Bond loans | 500.0 | – | 500.0 | – |
| Total | 3,150.0 | 4,125.0 | 3,150.0 | 4,125.0 |
| <i>Current liabilities</i> | | | | |
| Bank loans | 950.0 | 250.0 | 950.0 | 250.0 |
| Commercial paper loans | 600.0 | – | 600.0 | – |
| Total | 1,550.0 | 250.0 | 1,550.0 | 250.0 |
| Credit facility granted | 40.0 | 40.0 | 40.0 | 40.0 |
| Loan assurances | 1,500.0 | 575.0 | 1,500.0 | 575.0 |

As of December 31, 2012, Hufvudstaden had non-current loan assurances of SEK 4.0 billion. The loan assurances are subject to undertakings regarding the equity ratio and interest coverage ratio. At the year-end, SEK 2.5 billion was unutilized.

Information regarding maturity, loan terms and annual equivalent rate of interest.

Borrowing 31-12-2012**Group and Parent Company**

| Year due | Fixed interest, % ¹⁾ | Nominal amount, SEK m | | |
|----------|---------------------------------|-----------------------|-------|------------------|
| | | Bank loans | Bonds | Commercial paper |
| 2013 | 1.7 | 950.0 | – | – |
| 2014 | – | – | – | – |
| 2015 | – | – | – | – |
| 2016 | 3.0 | – | – | 600.0 |
| 2017 | 1.6 | 2,650.0 | – | – |
| 2018 | 2.9 | – | 500.0 | – |
| Total | | 3,600.0 | 500.0 | 600.0 |

1) Interest terms are three months Stibor with a supplement for an interest margin. Interest is paid quarterly. All loans are in SEK.

Loans raised are normally secured by means of a property mortgage and supplemented in many cases with a guarantee regarding the equity ratio and interest coverage level. Bond loans and commercial paper loans are not secured.

Interest swaps 31-12-2012**Group and Parent Company**

| Year due | Average AER | | Nominal amount, SEK m | Fair value, SEK m |
|----------|-------------------|------------------------------------|-----------------------|-------------------|
| | Fixed interest, % | Variable interest, % ¹⁾ | | |
| 2013 | – | – | – | – |
| 2014 | – | – | – | – |
| 2015 | – | – | – | – |
| 2016 | 1.5 | 1.3 | 500.0 | -2.2 |
| 2017 | 1.6 | 1.3 | 1,500.0 | -8.5 |
| 2018 | 1.7 | 1.3 | 1,300.0 | -9.9 |
| 2019 | 1.9 | 1.3 | 250.0 | -2.4 |
| Total | | | 3,550.0 | -23.0 |

1) Interest terms are three months Stibor. Interest is paid quarterly. Swap contracts are denominated in SEK.

For a presentation of the finance policy, risks and interest exposure, see Note 2.

Note 26. Deferred tax liability

| SEK m | Group | | Parent Company | |
|-----------------------|---------|---------|----------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Investment properties | 4,388.3 | 5,031.3 | 944.3 | 1,127.2 |
| Interest derivatives | -5.1 | -48.3 | -5.1 | -48.3 |
| Untaxed reserves | 159.9 | 189.0 | – | – |
| Pension provision | -1.8 | -0.6 | -1.8 | -0.6 |
| Total | 4,541.3 | 5,171.4 | 937.4 | 1,078.3 |

As of the year-end 2012, there was a deficit deduction in the Group of SEK 1.4 million (0).

Change in deferred tax

| SEK m | Balance as of January 1 | Reported within profit or loss | Adjustment in conjunction with acquisition/disposal | Balance as of December 31 |
|-----------------------|-------------------------|--------------------------------|---|---------------------------|
| GROUP | | | | |
| 2012 | | | | |
| Investment properties | 5,031.3 | -643.0 | – | 4,388.3 |
| Interest derivatives | -48.3 | 43.2 | – | -5.1 |
| Untaxed reserves | 189.0 | -29.1 | – | 159.9 |
| Pension provision | -0.6 | -1.2 | – | -1.8 |
| | 5,171.4 | -630.1 | – | 4,541.3 |
| 2011 | | | | |
| Investment properties | 4,630.1 | 398.8 | 2.4 | 5,031.3 |
| Interest derivatives | -22.2 | -26.1 | – | -48.3 |
| Untaxed reserves | 180.9 | 8.1 | – | 189.0 |
| Pension provision | – | -0.6 | – | -0.6 |
| | 4,788.8 | 380.2 | 2.4 | 5,171.4 |

Continuation, Note 26.

| SEK m | Balance as of January 1 | Reported within profit or loss | Balance as of December 31 |
|-----------------------|----------------------------|-----------------------------------|------------------------------|
| PARENT COMPANY | | | |
| 2012 | | | |
| Investment properties | 1,127.2 | -182.9 | 944.3 |
| Interest derivatives | -48.3 | 43.2 | -5.1 |
| Pension provision | -0.6 | -1.2 | -1.8 |
| | 1,078.3 | -140.9 | 937.4 |
| 2011 | | | |
| Investment properties | 1,140.6 | -13.4 | 1,127.2 |
| Interest derivatives | -22.2 | -26.1 | -48.3 |
| Pension provision | - | -0.6 | -0.6 |
| | 1,118.4 | -40.1 | 1,078.3 |

Note 27. Other provisions

A provision has been made in the Balance Sheet for a pension liability in respect of endowment insurance for the President as well as former employees of the Company.

Note 28. Other liabilities

| SEK m | Group | | Parent Company | |
|----------------|-------|------|----------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| VAT settlement | 43.1 | 49.5 | 17.0 | 22.5 |
| Other | 39.6 | 37.4 | 5.0 | 4.8 |
| Total | 82.7 | 86.9 | 22.0 | 27.3 |

Note 29. Untaxed reserves

| SEK m | Parent Company | |
|--|----------------|-------|
| | 2012 | 2011 |
| Accumulated depreciation in excess of plan | | |
| Opening balance | 73.5 | 78.0 |
| Depreciation for the year | -8.1 | -4.5 |
| Closing balance | 65.4 | 73.5 |
| Tax allocation reserves | 544.0 | 511.0 |
| Total | 544.0 | 511.0 |
| Total untaxed reserves | 609.4 | 584.5 |

Note 30. Accrued expenses and prepaid income

| SEK m | Group | | Parent Company | |
|--------------------------|-------|-------|----------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| Accrued interest expense | 7.1 | 15.0 | 7.1 | 15.0 |
| Advance rent payments | 238.7 | 249.2 | 132.9 | 141.2 |
| Other accrued expenses | 41.0 | 47.8 | 48.5 | 49.5 |
| Total | 286.8 | 312.0 | 188.5 | 205.7 |

Note 31. Pledged assets and contingent liabilities

| SEK m | Group | | Parent Company | |
|---|---------|---------|----------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Property mortgages for liabilities at credit institutions | 1,956.2 | 2,457.1 | 1,956.2 | 2,457.1 |
| (of which mortgages on subsidiaries' properties) | - | - | (905) | (955) |
| Other non-current receivables | 6.6 | 6.0 | 6.6 | 6.0 |
| Total | 1,962.8 | 2,463.1 | 1,962.8 | 2,463.1 |

Pledged assets for own liabilities include mortgages which Hufvudstaden has lodged as collateral for loans on its own properties. Mortgages not used to raise loans are filed with the Company.

Note 32. Affiliations

Hufvudstaden AB is under the controlling influence of LE Lundbergföretagen and Fredrik Lundberg. No material transactions have taken place with LE Lundbergföretagen. Fredrik Lundberg's director's fee for 2012 was SEK 350,000. Details of payments to Board members and senior executives can be found in Note 8.

In addition to the affiliations that have been stated for the Group, the Parent Company also has affiliations, which means that it has a controlling influence over its subsidiaries, see Note 19.

Note 33. Events after the year-end

No events of material significance occurred after the end of the financial year.



BIBLIOTEKSTAN

Norrmalmstorg, Stockholm

BIBLIOTEKSTAN

Mäster Samuelsgatan, Stockholm



Proposed distribution of unappropriated earnings

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

A statement giving reasons for the proposed distribution of earnings is available on the Company's website, www.hufvudstaden.se or from the Company on request.

| | | |
|------------------------------|-----|---------------------------|
| Retained earnings | SEK | 1,584,147,101 |
| Profit for the year | SEK | 588,520,146 |
| | SEK | 2,172,667,247 |
| Dividend to the shareholders | | |
| SEK 2.60 per share | SEK | 536,291,426 ¹⁾ |
| To be carried forward | SEK | 1,636,375,821 |
| | SEK | 2,172,667,247 |

1) See Definitions, page 95, Dividend.

The Board of Directors and the President hereby certify that to the best of their knowledge the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and the Council (EC) dated July 19, 2002 regarding the application of international accounting standards. The Annual Report and the Consolidated Accounts provide a true and fair picture of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and for the Group provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes material risks and uncertainties facing the Parent Company and the companies that form part of the Group.

Stockholm, February 14, 2013

Fredrik Lundberg
Chairman

Claes Boustedt

Bengt Braun

Peter Egardt

Louise Lindh

Hans Mertzig

Sten Peterson

Anna-Greta Sjöberg

Ivo Stopner
President

Our audit report was submitted on February 18, 2013

KPMG AB

George Pettersson
Authorized Public Accountant

Auditor's Report

To the annual meeting of the shareholders of Hufvudstaden AB (publ), company registration number 556012-8240.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and the consolidated accounts of Hufvudstaden AB (publ) for 2012. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 46–82.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and of their financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been prepared. The Board of Directors' Report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the Income Statement and Balance Sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the President of Hufvudstaden AB (publ) for 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for

the proposal for appropriations of the Company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the President is liable to the Company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm February 18, 2013

KPMG AB

George Pettersson
Authorized Public Accountant

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder LE Lundbergföretagen. The

President is also a member of the Board of Directors. Other executives in the Company take part in Board meetings to present specific points. During the 2012 financial year, the Board of Directors held seven meetings, of which one was a

statutory meeting. The work of the Board of Directors complies with the rules of procedure adopted by the Board, governing the undertakings of the President and the Board and the allocation of duties between the Board and the President.



Fredrik Lundberg

*Born 1951. MSc, MBA,
Honorary PhD in Economics,
Honorary PhD in Engineering.
Chairman, Board member since 1998.
President and CEO
of LE Lundbergföretagen AB.
Chairman of Holmen AB.
Deputy Chairman of Svenska Handelsbanken AB.
Board member of LE Lundbergföretagen AB,
AB Industrivärden, Sandvik AB
and Skanska AB.
Holding in Hufvudstaden: 1,659,412 shares.*



Claes Boustedt

*Born 1962. MBA.
Board member since 1998.
Vice President
of LE Lundbergföretagen AB.
President of LE Lundberg
Kapitalförvaltning AB.
Holding in Hufvudstaden: 1,000 shares.*



Bengt Braun

*Born 1946. MBA, LL.M.
Board member since 2000.
Chairman of the Board of Euro Comfort Holding
GmbH and Aleris Holding AB.
Deputy Chairman of Bonnier AB and Hjärn-
fonden. Board member of Bonnier Holding AB,
Bonnier Corporation, TV4, MTV OY and
Mertzig Asset Management AB.
Previous experience includes the position of
President and CEO of Bonnier AB.
Holding in Hufvudstaden: 3,750 shares.*

Auditors

KPMG AB with George Pettersson born 1964, Authorized Public Accountant, as lead auditor.



Peter Egardt

Born 1949. BA.

Board member since 2003.

County Governor, County of Uppsala.

*Chairman of the Swedish National Space Board
and the Swedish National College of Defence.*

Member of the Board of

Governors of the Bank of Sweden.

*Previous experience includes the position
of President of the Stockholm*

*Chamber of Commerce and the Association
of Swedish Chambers of Commerce.*

Holding in Hufvudstaden: 16,000 shares.



Louise Lindh

Born 1979. MBA.

Board member since 2007.

Vice President, Fastighets AB LE Lundberg.

Member of the Board of

*LE Lundbergföretagen AB, Holmen AB
and Fastighets AB LE Lundberg.*

Holding in Hufvudstaden: 29,166 shares.



Hans Mertzig

Born 1941. Economist.

Board member since 2000.

President of Mertzig Asset Management AB.

*Previous experience includes the position
of asset manager at Ramsbury AB
and the KK Foundation.*

Holding in Hufvudstaden: –



Sten Peterson

Born 1956. MSc.

Board member since 2006.

President of Byggnads AB Karlsson & Wingsjö.

Member of the Board of

LE Lundbergföretagen AB,

Fastighets AB LE Lundberg

and Byggnads AB Karlsson & Wingsjö.

Holding in Hufvudstaden: 2,000 shares.



Anna-Greta Sjöberg

Born 1967. MBA.

Board member since 2006.

President of Crispa AB.

Member of the Board of Tryggstiftelsen.

*Previous experience includes the position of
Managing Director of the Royal Bank
of Scotland, Nordic Branch.*

Holding in Hufvudstaden: 3,000 shares.



Ivo Stopner

Born 1962. MSc.

President and Board member since 1999.

*Holding in Hufvudstaden: 3,300 shares
(including family).*

*Ivo Stopner and family have no material
shareholding or partnership in companies
with which the Company has significant
business relations.*

Secretary

Mattias Karlsson *born 1965. Lawyer at Mannheimer Swartling Advokatbyrå AB. Secretary to the Board since 2008.*

Senior Executives

Ivo Stopner

Born 1962. MSc. President.

Employed since 1990. Holding in Hufvudstaden: 3,300 shares (including family). Ivo Stopner and family have no material shareholding or partnership in companies with which the Company has significant business relations.

Ki Hummelgren

Born 1968. Head of Human Resources.

Employed 2008. Holding in Hufvudstaden: –

Magnus Jacobson

Born 1958. MBA. Head of Finance.

Employed 2002. Holding in Hufvudstaden: –

Sverker Källgård

Born 1968. MSc. Head of the Stockholm City West Business Area.

Employed 2005. Holding in Hufvudstaden: –

Daniel Massot

Born 1970. MSc. Head of the Gothenburg Business Area.

Employed 2009. Holding in Hufvudstaden: –

Anders Nygren

Born 1970. MSc. Head of Property Development.

Employed 2006. Holding in Hufvudstaden: –

Bo Wikare

Born 1963. MSc. Head of the Stockholm City East Business Area.

Employed 1994. Holding in Hufvudstaden: 62 shares.



Hufvudstaden executive management, NK Stockholm. From the left: Daniel Massot, Anders Nygren, Bo Wikare, Ivo Stopner, Ki Hummelgren, Magnus Jacobson and Sverker Källgården.

BIBLIOTEKSTAN

Norrmalmstorg, Stockholm



Multi-year summary – Group

| Income Statements | | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|
| SEK m | 2012 | 2011 | 2010 | 2009 | 2008 |
| <i>Net revenue</i> | | | | | |
| Property management | 1,472 | 1,369 | 1,321 | 1,305 | 1,282 |
| Parking operations | 70 | 68 | 71 | 67 | 65 |
| | 1,542 | 1,437 | 1,392 | 1,372 | 1,348 |
| <i>Operating expenses</i> | | | | | |
| Maintenance, operation and administration | -263 | -283 | -263 | -248 | -260 |
| Ground rents | -16 | -16 | -13 | -16 | -16 |
| Property tax | -128 | -126 | -124 | -117 | -119 |
| Property management | -407 | -425 | -401 | -381 | -395 |
| Parking operations | -49 | -48 | -47 | -47 | -46 |
| | -457 | -473 | -448 | -428 | -441 |
| Gross profit | 1,085 | 965 | 944 | 944 | 907 |
| – of which Property management | 1,065 | 945 | 920 | 924 | 887 |
| – of which Parking operations | 20 | 20 | 24 | 20 | 20 |
| Central administration | -34 | -32 | -31 | -29 | -32 |
| <i>Changes in value</i> | | | | | |
| Investment properties | 621 | 1,245 | 1,490 | -1,239 | -1,629 |
| Interest derivatives | -25 | -99 | 51 | -26 | -127 |
| Operating profit | 1,646 | 2,079 | 2,455 | -350 | -881 |
| Financial income and expense | -161 | -122 | -103 | -128 | -144 |
| Profit before tax | 1,486 | 1,956 | 2,352 | -478 | -1,025 |
| Tax | 454 | -521 | -619 | 121 | 576 |
| Profit for the year | 1,939 | 1,435 | 1,733 | -357 | -449 |
| Balance Sheets | | | | | |
| <i>Assets</i> | | | | | |
| Properties | 23,058 | 22,251 | 20,148 | 18,125 | 19,083 |
| Other fixed assets | 11 | 12 | 13 | 14 | 12 |
| Current assets | 585 | 432 | 378 | 461 | 489 |
| Total assets | 23,653 | 22,695 | 20,539 | 18,600 | 19,584 |
| <i>Equity and liabilities</i> | | | | | |
| Equity | 13,921 | 12,487 | 11,526 | 10,226 | 10,950 |
| Interest-bearing liabilities | 4,700 | 4,375 | 3,600 | 3,400 | 3,400 |
| Other liabilities and allocations | 5,032 | 5,833 | 5,413 | 4,974 | 5,234 |
| Total equity and liabilities | 23,653 | 22,695 | 20,539 | 18,600 | 19,584 |
| Property holdings | | | | | |
| Fair value, SEK bn | 23.1 | 22.3 | 20.1 | 18.1 | 19.1 |
| Tax assessment value, SEK bn | 12.9 | 12.9 | 12.6 | 11.8 | 11.9 |
| Rentable floor space, 1,000 sq. m. | 367 | 365 | 358 | 354 | 354 |
| Rental vacancy level, % | 3.7 | 3.9 | 5.1 | 6.2 | 5.3 |
| Floor space vacancy level, % | 5.4 | 5.9 | 6.8 | 7.4 | 5.9 |
| Investments in properties, SEK m | 186 | 945 | 533 | 281 | 182 |
| Net operating income, SEK per sq. m. ¹⁾ | 2,900 | 2,637 | 2,579 | 2,610 | 2,506 |
| Financial key ratios | | | | | |
| Gross margin, % | 70.4 | 67.1 | 67.8 | 68.8 | 67.3 |
| Return on equity, % | 14.7 | 12.0 | 15.9 | -3.4 | -3.9 |
| Return on capital employed, % | 9.3 | 13.1 | 17.2 | -2.5 | -5.8 |
| Equity ratio, % | 58.9 | 55.0 | 56.1 | 55.0 | 55.9 |
| Interest coverage ratio, multiple | 6.4 | 7.0 | 7.7 | 7.0 | 5.5 |
| Debt/equity ratio, multiple | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Net loan-to-value ratio, properties, % | 18.2 | 18.1 | 16.1 | 16.4 | 15.5 |
| Cash flow from current operations, SEK m | 518 | 559 | 691 | 664 | 696 |
| Cash flow for the year, SEK m | 150.8 | -1.2 | -77 | -14 | 153 |
| Average number of employees in the Group | 94 | 93 | 92 | 88 | 87 |
| Share data | | | | | |
| Profit for the year, SEK ²⁾ | 9.40 | 6.96 | 8.40 | -1.73 | -2.18 |
| Dividend, SEK | 2.60 ³⁾ | 2.45 | 2.30 | 2.10 | 1.90 |
| Dividend proportion, % | 27.7 | 35.2 | 27.4 | – | – |
| Equity, SEK | 67.49 | 60.54 | 55.88 | 49.58 | 53.09 |
| Fair value of properties, SEK | 111.79 | 107.88 | 97.68 | 87.87 | 92.52 |
| Cash flow from current operations, SEK | 2.51 | 2.71 | 3.35 | 3.22 | 3.38 |
| Cash flow for the year, SEK | 0.73 | -0.01 | -0.37 | -0.07 | 0.74 |
| Net asset value, SEK ⁴⁾ | 84.00 | 76.00 | 70.00 | 62.00 | 66.00 |
| Share price, series A, at the year-end, SEK | 81.95 | 70.05 | 78.55 | 54.25 | 55.25 |
| P/E ratio, multiple | 8.7 | 10.1 | 9.3 | – | – |
| Share price series A/equity, % | 121.4 | 115.7 | 140.6 | 109.4 | 104.1 |
| Direct yield, % | 3.2 | 3.5 | 2.9 | 3.9 | 3.4 |
| Number of outstanding shares at the year-end | 206,265,933 | 206,265,933 | 206,265,933 | 206,265,933 | 206,265,933 |
| Average number of outstanding shares during the year | 206,265,933 | 206,265,933 | 206,265,933 | 206,265,933 | 206,265,933 |
| Total number of issued shares at the year-end | 211,271,933 | 211,271,933 | 211,271,933 | 211,271,933 | 211,271,933 |

1) The calculation was based on the number of square metres at the year-end. Acquired properties are adjusted upwards to the value for the year.

For Definitions, see page 95.

2) No dilution effect.

3) In accordance with a proposal by the Board.

4) The estimated deferred tax used for costing purposes as of December 31, 2012 was assumed to be 5 per cent. The figure for previous periods was 10 per cent.

Business Areas in figures

| Property holdings (comparable holdings) | Stockholm City East Business Area | | | | Stockholm City West Business Area | | | | Gothenburg Business Area | | | | Property management, total | | | |
|--|--------------------------------------|---------------|----------------|---------------|--------------------------------------|--------------|----------------|---------------|-----------------------------|--------------|----------------|--------------|----------------------------|---------------|----------------|---------------|
| | 2012 | | 2011 | | 2012 | | 2011 | | 2012 | | 2011 | | 2012 | | 2011 | |
| | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | | SEK/ sq. m. | |
| | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. | SEK m | sq. m. |
| Gross rent, including charge for consumables | 705.1 | 4,669 | 676.8 | 4,474 | 625.6 | 4,179 | 601.0 | 4,015 | 205.7 | 3,098 | 187.0 | 2,896 | 1,536.4 | 4,185 | 1,464.8 | 4,008 |
| (of which property tax supplement) | 63.9 | 423 | 62.1 | 411 | 39.6 | 264 | 39.6 | 265 | 15.5 | 234 | 15.0 | 232 | 119.0 | 324 | 116.7 | 319 |
| Rent losses on vacant space | -26.2 | -174 | -42.4 | -280 | -18.0 | -120 | -20.8 | -139 | -15.5 | -233 | -8.6 | -133 | -59.7 | -163 | -71.8 | -196 |
| Bad debt losses | -1.5 | -10 | -1.1 | -7 | -2.8 | -19 | -2.1 | -14 | -0.4 | -6 | -0.8 | -12 | -4.7 | -13 | -4.0 | -11 |
| Net sales | 677.4 | 4,485 | 633.3 | 4,187 | 604.8 | 4,040 | 578.1 | 3,862 | 189.8 | 2,859 | 177.6 | 2,751 | 1,472.0 | 4,009 | 1,389.0 | 3,801 |
| Maintenance | -22.1 | -146 | -34.4 | -227 | -10.9 | -73 | -11.4 | -76 | -2.5 | -38 | -1.5 | -23 | -35.5 | -97 | -47.3 | -129 |
| Operating costs | -46.5 | -308 | -51.7 | -342 | -95.8 | -640 | -101.5 | -678 | -27.2 | -409 | -30.5 | -472 | -169.5 | -462 | -183.7 | -502 |
| Administration | -26.4 | -175 | -25.9 | -171 | -22.9 | -153 | -22.3 | -149 | -8.3 | -126 | -6.6 | -103 | -57.6 | -157 | -54.8 | -150 |
| Ground rent | -0.3 | -2 | -0.2 | -1 | -16.0 | -107 | -15.3 | -102 | - | - | - | - | -16.3 | -44 | -15.5 | -42 |
| Property tax | -66.8 | -443 | -66.8 | -442 | -43.8 | -293 | -43.8 | -293 | -17.6 | -264 | -17.5 | -271 | -128.2 | -349 | -128.1 | -351 |
| Total property expenses | -162.1 | -1,074 | -179.0 | -1,183 | -189.4 | 1,266 | -194.3 | -1,298 | -55.6 | -837 | -56.1 | -869 | -407.1 | -1,109 | -429.4 | -1,174 |
| Gross operating profit | 515.3 | 3,411 | 454.3 | 3,004 | 415.4 | 2,774 | 383.8 | 2,564 | 134.2 | 2,022 | 121.5 | 1,882 | 1,064.9 | 2,900 | 959.6 | 2,627 |

| Property data | Stockholm City East Business Area | | | | Stockholm City West Business Area | | | | Gothenburg Business Area | | | | Property management, total | | | |
|-------------------------------|--------------------------------------|--|---------|--|--------------------------------------|--|---------|--|-----------------------------|--|--------|--|----------------------------|--|---------|--|
| | 2012 | | 2011 | | 2012 | | 2011 | | 2012 | | 2011 | | 2012 | | 2011 | |
| December 31 | | | | | | | | | | | | | | | | |
| Number of properties | 17 | | 17 | | 9 | | 9 | | 4 | | 4 | | 30 | | 30 | |
| Floor space, sq. m. | 151,010 | | 151,231 | | 149,713 | | 149,676 | | 66,408 | | 64,551 | | 367,131 | | 365,458 | |
| Rental vacancy level, % | 4.0 | | 3.7 | | 2.8 | | 2.8 | | 5.6 | | 8.0 | | 3.7 | | 3.9 | |
| Floor space vacancy level, % | 5.1 | | 5.1 | | 4.6 | | 4.3 | | 7.8 | | 11.5 | | 5.4 | | 5.9 | |
| Total rentable parking spaces | 170 | | 172 | | 1,295 | | 1,295 | | 49 | | 51 | | 1,514 | | 1,518 | |

| Rentable space and annual rent | Stockholm City East Business Area | | | | Stockholm City West Business Area | | | | Gothenburg Business Area | | | | Property management, total | | | |
|--------------------------------|--------------------------------------|--|--------------------|--|--------------------------------------|--|--------------------|--|-----------------------------|--|--------------------|--|----------------------------|--|--------------------|--|
| | Area, sq. m. | | Annual rent, SEK m | | Area, sq. m. | | Annual rent, SEK m | | Area, sq. m. | | Annual rent, SEK m | | Area, sq. m. | | Annual rent, SEK m | |
| December 31, 2012 | | | | | | | | | | | | | | | | |
| Offices | 103,245 | | 471.6 | | 45,812 | | 172.5 | | 38,265 | | 78.2 | | 187,322 | | 722.3 | |
| Shops and restaurants | 35,514 | | 214.1 | | 44,520 | | 359.3 | | 22,236 | | 103.7 | | 102,270 | | 677.1 | |
| Storage and miscellaneous | 6,397 | | 12.9 | | 19,600 | | 32.4 | | 3,928 | | 7.3 | | 29,925 | | 52.6 | |
| Garages | 4,764 | | 6.2 | | 39,478 | | 41.6 | | 1,200 | | 1.4 | | 45,442 | | 49.2 | |
| Residential | 1,090 | | 1.9 | | 303 | | 0.3 | | 779 | | 0.8 | | 2,172 | | 3.0 | |
| Total | 151,010 | | 706.7 | | 149,713 | | 606.1 | | 66,408 | | 191.4 | | 367,131 | | 1,504.2 | |

| Floor space vacancy level and rental vacancy level | Stockholm City East Business Area | | | | Stockholm City West Business Area | | | | Gothenburg Business Area | | | | Property management, total | | | |
|--|--------------------------------------|--|-----------------------------|--|--------------------------------------|--|-----------------------------|--|-----------------------------|--|-----------------------------|--|----------------------------|--|-----------------------------|--|
| | Vacant floor space, sq. m. | | Rental vacancy level, SEK m | | Vacant floor space, sq. m. | | Rental vacancy level, SEK m | | Vacant floor space, sq. m. | | Rental vacancy level, SEK m | | Vacant floor space, sq. m. | | Rental vacancy level, SEK m | |
| December 31, 2012 | | | | | | | | | | | | | | | | |
| Offices | 5,324 | | 21.0 | | 2,798 | | 10.3 | | 3,467 | | 6.7 | | 11,589 | | 38.0 | |
| Shops and restaurants | 366 | | 3.3 | | 981 | | 3.7 | | 756 | | 2.9 | | 2,103 | | 9.9 | |
| Storage and miscellaneous | 1,124 | | 2.3 | | 2,814 | | 3.0 | | 756 | | 1.0 | | 4,694 | | 6.3 | |
| Garages | 490 | | 0.7 | | 270 | | 0.2 | | 175 | | 0.2 | | 935 | | 1.1 | |
| Residential | 413 | | 0.8 | | - | | - | | - | | - | | 413 | | 0.8 | |
| Total | 7,717 | | 28.1 | | 6,863 | | 17.2 | | 5,154 | | 10.8 | | 19,734 | | 56.1 | |

| | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Lease term structure ^{1) 2) 3)} December 31, 2012 | | | | | | | |
| NUMBER OF CONTRACTS | 2013 | 2014 | 2015 | 2016 | 2017 | 2018– | Total |
| Stockholm City East Business Area | | | | | | | |
| Offices | 32 | 57 | 52 | 24 | 14 | 17 | 196 |
| Stores | 7 | 24 | 26 | 33 | 5 | 4 | 99 |
| Other | 239 | 185 | 46 | 43 | 18 | 26 | 557 |
| Total | 278 | 266 | 124 | 100 | 37 | 47 | 852 |
| Proportion, % | 32.6 | 31.2 | 14.6 | 11.7 | 4.4 | 5.5 | 100.0 |
| Stockholm City West Business Area | | | | | | | |
| Offices | 25 | 15 | 19 | 14 | 6 | 3 | 82 |
| Stores | 50 | 49 | 61 | 19 | 11 | 1 | 191 |
| Other | 117 | 63 | 82 | 15 | 10 | 6 | 293 |
| Total | 192 | 127 | 162 | 48 | 27 | 10 | 566 |
| Proportion, % | 33.9 | 22.4 | 28.6 | 8.5 | 4.8 | 1.8 | 100.0 |
| Gothenburg Business Area | | | | | | | |
| Offices | 9 | 8 | 13 | 6 | 9 | 4 | 49 |
| Stores | 22 | 19 | 22 | 6 | 4 | 1 | 74 |
| Other | 5 | 42 | 22 | 29 | 9 | 1 | 108 |
| Total | 36 | 69 | 57 | 41 | 22 | 6 | 231 |
| Proportion, % | 15.6 | 29.9 | 24.7 | 17.7 | 9.5 | 2.6 | 100.0 |
| Hufvudstaden, total | | | | | | | |
| Offices | 66 | 80 | 84 | 44 | 29 | 24 | 327 |
| Stores | 79 | 92 | 109 | 58 | 20 | 6 | 364 |
| Other | 361 | 290 | 150 | 87 | 37 | 33 | 958 |
| Total | 506 | 462 | 343 | 189 | 86 | 63 | 1,649 |
| Proportion, % | 30.7 | 28.0 | 20.8 | 11.5 | 5.2 | 3.8 | 100.0 |
| ANNUAL RENT, SEK M | 2013 | 2014 | 2015 | 2016 | 2017 | 2018– | Totalt |
| Stockholm City East Business Area | | | | | | | |
| Offices | 41.9 | 115.4 | 81.5 | 35.6 | 43.0 | 152.6 | 470.0 |
| Stores | 11.1 | 24.7 | 43.5 | 86.8 | 12.6 | 15.3 | 194.0 |
| Other | 7.5 | 14.6 | 9.1 | 6.3 | 0.5 | 1.7 | 39.7 |
| Total | 60.5 | 154.7 | 134.1 | 128.7 | 56.1 | 169.6 | 703.7 |
| Proportion, % | 8.6 | 22.0 | 19.1 | 18.3 | 7.9 | 24.1 | 100.0 |
| Stockholm City West Business Area | | | | | | | |
| Offices | 42.8 | 17.1 | 27.3 | 42.1 | 18.1 | 11.2 | 158.6 |
| Stores | 70.7 | 100.7 | 106.1 | 46.2 | 16.0 | 1.1 | 340.8 |
| Other | 13.8 | 11.5 | 17.9 | 5.2 | 3.0 | 0.1 | 51.5 |
| Total | 127.3 | 129.3 | 151.3 | 93.5 | 37.1 | 12.4 | 550.9 |
| Proportion, % | 23.1 | 23.5 | 27.5 | 17.0 | 6.7 | 2.2 | 100.0 |
| Gothenburg Business Area | | | | | | | |
| Offices | 2.5 | 6.8 | 10.7 | 6.8 | 20.5 | 31.0 | 78.3 |
| Stores | 27.2 | 21.6 | 26.4 | 10.1 | 7.3 | 1.2 | 93.8 |
| Other | 0.4 | 5.6 | 3.5 | 3.8 | 0.6 | 0.1 | 14.0 |
| Total | 30.1 | 34.0 | 40.6 | 20.7 | 28.4 | 32.3 | 186.1 |
| Proportion, % | 16.2 | 18.3 | 21.8 | 11.1 | 15.3 | 17.3 | 100.0 |
| Hufvudstaden, total | | | | | | | |
| Offices | 87.2 | 139.3 | 119.5 | 84.5 | 81.6 | 194.8 | 706.9 |
| Stores | 109.0 | 147.0 | 176.0 | 143.1 | 35.9 | 17.6 | 628.6 |
| Other | 21.7 | 31.7 | 30.5 | 15.3 | 4.1 | 1.9 | 105.2 |
| Total | 217.9 | 318.0 | 326.0 | 242.9 | 121.6 | 214.3 | 1,440.7 |
| Proportion, % | 15.1 | 22.1 | 22.6 | 16.9 | 8.4 | 14.9 | 100.0 |

1) Including leases signed for future occupation/implementation, whereupon the corresponding current rent has been excluded.

2) Excluding vacant floor space and floor space (storage and offices) occupied by Hufvudstaden for its own use.

3) Excluding residential leases.

Properties

| Property designation | Address | Site area, sq. m. | Year of purchase | Year of construction/ redevelopment | Tax assessment 2010, SEK m |
|---|---|----------------------|---------------------|--|-------------------------------|
| Stockholm City East Business Area | | | | | |
| <i>Kungsgatan Management Area</i> | | | | | |
| Hästhuvudet 13 | Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4 | 1,302 | 1929/99 | 1919/32/94/2001 | 297.0 |
| Järnplåten 28 | Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39 | 1,085 | 1928/54 | 1958/95 | 302.0 |
| Kåkenhusen 38 ²⁾ | Brunnsgatan 1–3, Norrlandsgatan 31–33 | 1,146 | 2011 | 1932 | 272.0 |
| Kåkenhusen 39 | Kungsgatan 4–10, Brunnsgatan 5–9, Norrlandsgatan 29 | 3,788 | 1921 | 1926/28/30/84/85/89/91 | 575.0 |
| Oxhuvudet 18 ¹⁾ | Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39 | 4,509 | 1926 | 1931/85/89/91 | 1,013.0 |
| <i>Total</i> | | 11,830 | | | 2,459.0 |
| <i>Norrmalmstorg Management Area</i> | | | | | |
| Kvasten 2 | Norrlandsgatan 16, Jakobsbergsgatan 11 | 934 | 1966 | 1987 | 173.0 |
| Kvasten 6 ¹⁾ | Biblioteksgatan 5, Mäster Samuelsgatan 6–8 | 2,075 | 1915 | 1917/90 | 309.0 |
| Kvasten 9 | Biblioteksgatan 7, Jakobsbergsgatan 5–9 | 822 | 1955 | 1978/95 | 175.0 |
| Norrmalm 2:63 ³⁾ | Norrmalmstorg | | 1992 | 1993 | 6.0 |
| Packarhuset 4 ¹⁾⁴⁾ | Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11 | 2,195 | 2000 | 1932/2003 | 920.0 |
| Pumpstocken 10 ¹⁾ | Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3 | 2,886 | 1917/78 91/2000 | 1865/97/1901/29/84 96/97/2006 | 676.2 |
| Rännilen 8 | Birger Jarlsgatan 11, Mäster Samuelsgatan 1 | 645 | 1917 | 1900/90 | 143.0 |
| Rännilen 11 | Biblioteksgatan 8, Mäster Samuelsgatan 5 | 775 | 1958 | 1902/85 | 144.0 |
| Rännilen 18 ¹⁾ | Birger Jarlsgatan 7–9, Smålandsgatan 8–10 | 1,677 | 1963 | 1888/1986/2009 | 366.0 |
| Rännilen 19 | Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3 | 2,169 | 1931/39 2007 | 1902/42/64/90/2002 | 601.0 |
| Skåren 9 | Smålandsgatan 18-20, Norrlandsgatan 8-10 | 2,195 | 1917 | 1984/2001 | 543.0 |
| Vildmannen 7 ¹⁾ | Biblioteksgatan 9, Jakobsbergsgatan 6 | 1,290 | 1918 | 1897/1996 | 189.6 |
| <i>Total</i> | | 17,663 | | | 4,245.8 |
| Total, Stockholm City East Business Area | | 29,493 | | | 6,704.8 |
| Stockholm City West Business Area | | | | | |
| <i>NK Management Area, Stockholm</i> | | | | | |
| Hästen 19 ¹⁾ och 20 ⁵⁾ , Spektern 14 ⁵⁾ | Hamngatan 18–20, Regeringsgatan 36–40 | 8,875 | 1998 | 1915/91 | 2,057.0 |
| <i>NK Management Area, Gothenburg</i> | | | | | |
| Inom Vallgraven 10:9 ⁶⁾ | Östra Hamngatan 42, Kyrkogatan 48–54, Fredsgatan 5–7, Drottninggatan 39–45 | 4,520 | 1998 | 1964/94 | 614.0 |
| <i>Parkaden Management Area</i> | | | | | |
| Hästskon 10 ⁷⁾ | Regeringsgatan 47–55, Mäster Samuelsgatan 29–33 | 4,921 | 1977 | 1964/95 | 323.0 |
| <i>West Management Area</i> | | | | | |
| Achilles 1 ⁸⁾ | Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7 | 1,046 | 1979 | 17th,century/1974 | 143.0 |
| Grönlandet Södra 11 | Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12 | 1,662 | 1923 | 1911/91 | 208.0 |
| Kungliga Trädgården 5 | Västra Trädgårdsgatan 8 | 673 | 1984 | 1984/95 | 107.0 |
| Medusa 1 ¹⁾⁹⁾ | Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6 | 547 | 1980 | 1878/1991 | 73.1 |
| Orgelpipan 7 ¹⁰⁾ | Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5 | 6,294 | 1979 | 1964/2001 | 674.0 |
| Svärdfisken 2 ¹⁾ | Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13 | 1,853 | 1921 | 1851/1987 | 192.0 |
| <i>Total</i> | | 12,075 | | | 1,397.1 |
| Total, Stockholm City West Business Area | | 30,391 | | | 4,391.1 |
| Gothenburg Business Area | | | | | |
| Inom Vallgraven 12:8 | Drottninggatan 50–52, Södra Hamngatan 45, Fredsgatan 2–4 | 1,712 | 1967/2010 | 1875/1929/30 | 133.0 |
| Inom Vallgraven 12:10 | Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60 | 4,157 | 1967 | 1975 | 221.0 |
| Inom Vallgraven 12:2 ¹¹⁾ | Södra Hamngatan 47 | 415 | 2011 | | 15.4 |
| Nordstaden 8:24 | Postgatan 26–32, Nordstadstorget 2-8, Spannmålsgatan 19, Nils Ericssonsgatan 17 | 8,404 | 1979 | 1972 | 1,212.0 |
| Nordstaden GA:5 ¹²⁾ | Nordstadstorget and others | | | | 187.3 |
| Total, Gothenburg Business Area | | 14,688 | | | 1,768.7 |
| TOTAL | | 74,572 | | | 12,864.6 |
| Acquired property | | | | | |
| Nordstaden 8:26 ¹³⁾ | Götgatan 9–11, Köpmansgatan 28–34, Postgatan 39–43, Östra Hamngatan 26–28 | 4,274 | 2012 | 1972/2005 | 676.0 |

| Rentable space, sq. m. | | | | | | | | | |
|------------------------|--------|-------------|---------|---------|--------|-------------|-------|---------|--|
| Offices | Stores | Restaurants | Cinemas | Storage | Garage | Residential | Other | Total | |
| | | | | | | | | | |
| 4,971 | 1,866 | | | 239 | | | | 7,076 | |
| 6,407 | 1,809 | | | 1,028 | | | | 9,244 | |
| 5,581 | | 1,103 | | 4 | | | | 6,688 | |
| 11,603 | 3,338 | 548 | | 500 | | | | 15,989 | |
| 20,898 | 5,102 | | | 1,986 | 1,643 | | 5 | 29,634 | |
| | | | | | | | | | |
| 49,460 | 12,115 | 1,651 | | 3,757 | 1,643 | | 5 | 68,631 | |
| | | | | | | | | | |
| 2,845 | 800 | | | 286 | 792 | | | 4,723 | |
| 3,523 | 2,709 | 243 | | 232 | 206 | | | 6,913 | |
| 2,465 | 534 | 203 | | 256 | | | | 3,458 | |
| | 52 | 137 | | | | | | 189 | |
| 10,883 | 3,269 | 704 | | 437 | | | | 15,293 | |
| 7,769 | 3,853 | 495 | | 73 | | 192 | 1 | 12,383 | |
| | | | | | | | | | |
| 2,022 | 569 | 172 | | | | | | 2,763 | |
| 1,603 | 883 | 539 | | 2 | | | | 3,027 | |
| 5,179 | 945 | 444 | | 288 | | | | 6,856 | |
| 7,851 | 2,038 | | | 627 | 984 | | | 11,500 | |
| | | | | | | | | | |
| 7,710 | 1,642 | | | 411 | 1,139 | | | 10,902 | |
| 1,935 | 1,517 | | | 21 | | 898 | 1 | 4,372 | |
| 53,785 | 18,811 | 2,937 | | 2,633 | 3,121 | 1,090 | 2 | 82,379 | |
| 103,245 | 30,926 | 4,588 | | 6,390 | 4,764 | 1,090 | 7 | 151,010 | |
| | | | | | | | | | |
| | | | | | | | | | |
| 11,326 | 21,930 | 2,090 | | 3,493 | | | 16 | 38,855 | |
| | | | | | | | | | |
| 5,171 | 9,721 | 207 | | 1,301 | | | 2 | 16,402 | |
| | | | | | | | | | |
| | 2,696 | 515 | | 8,680 | 24,482 | | 1 | 36,374 | |
| | | | | | | | | | |
| 4,000 | 351 | | | 604 | | | | 4,955 | |
| 7,570 | 378 | 263 | | 872 | | | | 9,083 | |
| 2,775 | | | | 8 | | | | 2,783 | |
| 1,283 | 242 | 271 | | 103 | | 303 | | 2,202 | |
| 9,962 | 3,762 | 1,919 | | 2,070 | 13,889 | | 1 | 31,603 | |
| | | | | | | | | | |
| 3,725 | 175 | | 1,893 | 556 | 1,107 | | | 7,456 | |
| 29,315 | 4,908 | 2,453 | 1,893 | 4,213 | 14,996 | 303 | 1 | 58,082 | |
| 45,812 | 39,255 | 5,265 | 1,893 | 17,687 | 39,478 | 303 | 20 | 149,713 | |
| | | | | | | | | | |
| | | | | | | | | | |
| 2,117 | 1,661 | | | 473 | | 779 | | 5,030 | |
| 10,422 | 3,115 | 404 | | 1,115 | 1,200 | | | 16,256 | |
| | | | | | | | | | |
| 25,726 | 16,312 | 744 | | 2,288 | | | 52 | 45,122 | |
| | | | | | | | | | |
| | | | | | | | | | |
| 38,265 | 21,088 | 1,148 | | 3,876 | 1,200 | 779 | 52 | 66,408 | |
| 187,322 | 91,269 | 11,001 | 1,893 | 27,953 | 45,442 | 2,172 | 79 | 367,131 | |
| | | | | | | | | | |
| 11,348 | 8,753 | 150 | | 444 | | | | 20,695 | |

1) The property is classified as being of cultural and historical importance.

2) Owned by the subsidiary Fastighets AB Kåkenhusen.

3) The property is held on a lease.

4) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.

5) Owned by the subsidiary AB Nordiska Kompaniet. Hästen 20 och Spektern 14 are leaseholds. The ground rent for Hästen 20 will be the subject of negotiation after April 30, 2012. The ground rent for Spektern 14 is SEK 0.6 million and is fixed until October 1, 2015. The tax assessment value of the land is included to the amount of SEK 36.0 million.

6) Owned by the subsidiary AB Nordiska Kompaniet.

7) Owned by the subsidiary AB Hamngatgaraget. Leasehold. The ground rent is SEK 4.4 million, fixed until August 31, 2014 and adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 93.0 million.

8) The property is a listed building.

9) Owned by the subsidiary Fastighetsaktiebolaget Medusa.

10) Leasehold. The ground rent is SEK 7.9 million, fixed until November 1, 2014 and adjusted every 10 years. The tax assessment value of the land is included to the amount of SEK 284.0 million.

11) Owned by the subsidiary Inom Vallgraven Fastighets AB.

12) The property is jointly owned and includes parking operations, some leasing of premises as well as servicing and maintenance of pedestrian precincts, loading areas, cooling and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 29.6 per cent, equivalent to 25,359 square metres.

13) The property was acquired on November 30, 2012 and completion is scheduled for March 7, 2013.

BIBLIOTEKSTAN

Smålandsgatan, Stockholm



Definitions and glossary

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

Average interest on interest-bearing liabilities. Interest expense in relation to the average interest-bearing liabilities.

Average number of employees calculated on a full-time basis. The average number of persons employed during the year.

Average number of outstanding shares. The average value of the number of outstanding shares during the year.

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

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

Cash flow from current operations per share. Cash flow from current operations in relation to the average number of outstanding shares during the year.

Cash flow for the year per share. Cash flow for the year in relation to the average number of outstanding shares during the year.

CBD. Central Business District. The most central part of a city for office and retailing properties.

Central administration. The costs for Group Management and Group staff functions as well as the cost of maintaining the Company's stock exchange listing and other Company costs.

Comparable holdings. Properties disposed of during the year are excluded. Properties acquired during the year are included and the previous year is adjusted for the equivalent period.

Debt/equity ratio. Net liabilities in relation to equity at the year-end.

Direct yield. Dividend per share in relation to the share price at the year-end.

Dividend proportion. Dividend per share divided by the profit per share for the year.

Dividend. The total dividend is calculated on the total number of outstanding shares as of the date on which the annual accounts are published. The amount could change depending on any buy-back of Company shares during the period up to the record date.

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

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

Fair value. The estimated market value of the properties.

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

Floor space vacancy level. Vacant premises in square metres in relation to the total rentable floor space.

Gross rent. The contracted rent, including the estimated market rent for vacant premises.

Interest coverage ratio. Profit after financial income and expense, excluding unrealized changes in value, plus interest expense, in relation to interest expense less interest contributions.

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

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

Net liabilities. Interest-bearing liabilities minus current investments and cash and bank holdings.

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

Net operating profit. Net property management revenue less the cost of special projects, maintenance, operation and administration, ground rent and property tax.

Net profit on current operations. Profit before tax, excluding changes in value, properties and derivatives and items affecting comparability charged with 26.3 per cent standard tax.

New leases. Leases signed during the year with a new tenant other than the tenant that leased the property previously or for premises that were previously vacant.

Outstanding shares. The total number of shares reduced by the shares bought back by the Company.

P/E ratio. The share price at the year-end in relation to profit per share for the year.

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

Properties' carrying amount per share. The carrying amount of the properties in relation to the number of outstanding shares at the year-end.

Property tax supplement. Reimbursement of property tax from tenants.

Renegotiated leases. New or extended leases with existing tenants whose earlier leases came to an end during the year.

Rentable floor space. Total floor space available for renting.

Rental losses. Loss of revenue as a result of vacancies.

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.

Return on equity. Profit for the year after tax in relation to the average equity.

Share price/equity. The share price at the year-end in relation to equity per share.

Surplus ratio. The gross profit in relation to net revenue.

Special projects. Costs for the development and improvement of the property holdings. In the Income Statement, this refers to the part of the cost that has been expensed.

Tax. The Group's total tax comprises actual tax and deferred tax.

Turnover-based rent supplement. Rent in addition to the guaranteed minimum rent, based on the store's net turnover.

Yield gap. The difference between the long-term interest rate and the properties' yield.

Yield, properties. Net operating profit in relation to the fair value of the properties.

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

Annual General Meeting

The Annual General Meeting will take place at 4pm on Thursday, March 21, 2013 at the Grand Hôtel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan. Notice to attend the Annual General Meeting will be published on the Post- och Inrikes Tidningar website www.bolagsverket.se/poit and on the Company's website www.hufvudstaden.se. Notification that a summons has been issued will be published in Dagens Nyheter.

Notification

Shareholders who wish to attend the meeting must:

- be registered in the shareholders' register kept by Euroclear Sweden AB by Friday, March 15, 2013, whereupon shareholders who have their shares registered with nominees must have the shares re-registered temporarily in their own name at Euroclear Sweden AB to be entitled to attend the meeting.

Registration must be completed by March 15, 2013.

- notify Hufvudstaden by Friday March 15, 2013 at the latest, preferably before 4pm. Notification must be sent using the Company's website www.hufvudstaden.se, by e-mail at anm@hufvudstaden.se, by telephone on +46 8-762 90 00, by fax on +46 8-762 90 01, or in writing to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification must include the name, civic registration number or company registration number, daytime telephone number, the number of shares and the names of any assistants who will be attending. Shareholders attending through a representative must issue a proxy to the representative. If the proxy is issued by a legal entity, a copy of a registration certificate for the legal entity (or, if such a document does not exist, an

equivalent authorization document) must be enclosed. To facilitate admission to the meeting, the proxy and authorization documents should be received by Hufvudstaden at the above address by March 15, 2013 at the latest. A proxy form is provided on request and is available on the Company's website.

Dividend

The Board of Directors proposes that a dividend of SEK 2.60 per share, totalling SEK 536.3 million, be paid for 2012, with the record date set as March 26, 2013. Payment is expected to be made on April 2, 2013.

Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed name, address or account number, should notify Euroclear Sweden AB of the change as soon as possible through the institution at which their account is registered.

Calendar

| | |
|--------------------------------------|-------------------|
| Interim Report, Jan – Mar 2013 | May 21, 2013 |
| Interim Report, Jan – June 2013..... | August 22, 2013 |
| Interim Report Jan – Sept 2013..... | November 7, 2013 |
| Year-End Report 2013 | February 13, 2014 |
| Annual Report 2013..... | March 2014 |

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This information is also published on www.hufvudstaden.se. The Annual Report is distributed to all new shareholders and to other shareholders on request.

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