

# Q4

HUFVUDSTADEN  
Year-End Report 2012



# HUFVUDSTADEN

## Year-End Report 2012

- Gross profit from property management increased by 13 per cent and amounted to SEK 1,065 million (945), due mainly to higher rents and additional net operating income arising from property acquisitions and investments.
- Profit after tax for the year was SEK 1,939 million (1,435), equivalent to SEK 9.40 per share (6.96). The increase can be attributed to non-recurring revenue due to lower deferred tax following a reduction in corporation tax.
- The Board proposes an increase in the dividend to SEK 2.60 per share (2.45).
- The fair value of the property holdings at the year-end was set at SEK 23.1 billion (22.3), giving a net asset value of SEK 84 per share (76).
- The equity ratio was 59 per cent (55), the net loan-to-value ratio was 18 per cent (18) and the interest coverage ratio multiple was 6.4 (7.0).
- Consolidated net revenue amounted to SEK 1,542 million (1,437), an increase of 7 per cent.
- The rental vacancy level at the year-end was 3.7 per cent (3.9).
- In November, the property Nordstaden 8:26 in Gothenburg was acquired for approximately SEK 1.3 billion with a completion date in March 2013.

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### GROUP

### RESULTS

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

Net rents from property management during the year amounted to SEK 1,472.0 million (1,369.4), an increase of 7 per cent. The increase is due to higher gross rents in conjunction with renegotiations and new leases, as well as index-linked increases. Revenue from the property Kåkenhusen 38 acquired in December 2011, and additional floor space in Femmanhuset in Gothenburg has also contributed to the increase. The cost of vacant space has also decreased and the level of vacant space fell from 3.9 per cent to 3.7 per cent during the year.

The turnover-based rent supplement at the NK properties totalled SEK 8.8 million (9.0).

Gross profit for the year amounted to SEK 1,064.9 million (944.9). The increase can be attributed to higher net revenue and lower operating and maintenance costs.

The lower operating costs can be explained mainly by lower energy costs due to favourable

weather conditions and a lower electricity price. Maintenance for the previous year was charged with costs for the evacuation of store tenants.

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

#### Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue amounted to SEK 69.7 million (67.9), expenses amounted to SEK 49.4 million (48.2) and gross profit amounted to SEK 20.3 million (19.7).

#### Other profit and loss items

Central administration totalled SEK -34.1 million (-31.7). Changes in the value of investment properties totalled SEK 620.6 million (1,244.9) and changes in interest derivatives totalled SEK -25.4 million (-99.2).

#### Financial income and expense

Net financial income and expense amounted to SEK -160.7 million (-122.3). The net cost has risen

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<sup>1</sup> The acquired properties Kåkenhusen 38 and Inom Vallgraven 12:2 are included from the middle of December 2011. The sold property Inom Vallgraven 20:4 is included up to the middle of December 2011.

following an increase in lending in conjunction with property acquisitions and project investments.

#### Tax

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

#### Profit for the year

The consolidated profit after tax amounted to SEK 1,939.4 million (1,435.3). The increase in profit can be attributed to a decrease in deferred tax following a reduction in corporation tax.

#### ACQUISITIONS AND INVESTMENTS

In November, the property Nordstaden 8:26 in Gothenburg was acquired and the purchase sum was SEK 1,265 million. The total rentable floor space is approximately 20,700 square metres and the completion date is in March 2013. New investment in properties and equipment during the period totalled SEK 187.0 million (947.5).

#### PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as of December 31, 2012 is estimated at SEK 23,058 million (22,251). The increase can be attributed to unrealized changes in value and investments in the property holdings. Rentable floor space totalled 367,000 square metres (365,500).

The rental vacancy level 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).

#### Property value and net asset value

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

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

In the light of the above, the unrealized change in value of the property holdings during 2012 was SEK 620.6 million (1,243.9). The total value of property holdings as of December 31, 2012 was SEK 23.1 billion, including investments made during the year. The unrealized increase in value can be attributed mainly to increased rents. The average yield requirement for the property holdings at the above valuation point was 4.8 per cent (4.8).

#### Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The assessment was made using a valuation based on the location price method, known as the net capitali-

zation method. The method means that the market's yield requirement is put in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. The yield requirement can vary between different regions and different sub-areas within the regions. The net operating income of the properties is based on market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Account is also taken of the type of property, the technical standard, the building construction and major investment needs. For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for equivalent properties where the land is freehold.

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

Stockholm	4.5-5.1 per cent
Gothenburg	4.9-6.0 per cent
Property holdings, average	4.8 per cent

#### Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of 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, +/-
Rental revenue	SEK 100/m <sup>2</sup>	SEK 770 m
Property costs	SEK 50/m <sup>2</sup>	SEK 385 m
Rental vacancy level	1.0 percentage points	SEK 310 m
Yield requirement	0.25 percentage points	SEK 1,200 m

#### External valuation

To guarantee the valuation, external valuations were obtained from three valuation companies, Forum Fastighetsekonomi AB, Newsec Advice AB and NAI Svefa AB. The external valuations as of December 31, 2012 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 per December 31, 2012 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.

#### *Net asset value*

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. The assumed tax rate for costing purposes was adjusted at the end of December 2012 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 percentage 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.

#### **RENTAL MARKET**

Interest in modern, flexible office space in prime locations in central Stockholm was stable during the period. Vacant space in this category has continued to remain low and rents remained unchanged. In conjunction with renegotiations and new leases for office space in Stockholm's most attractive locations in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area, rents at the end of the year were noted between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets has also been high with rents ranging from SEK 13,000 to SEK 19,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg continued to be good. Market rents for modern, well-planned office premises in prime locations were between SEK 2,000 and SEK 2,600 per square metre per year, excluding the property tax supplement. Top rents are assessed to exceed this level slightly. For retail premises, the market rents were between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

The Group's renegotiations of retail and office leases have proceeded satisfactorily. In total, 57,300 square metres were renegotiated at a rental value of SEK 249 million. On average, these renegotiations resulted in a rent increase of 10 per cent (8).

#### **FINANCING STRUCTURE**

Hufvudstaden's borrowing as of December 31, 2012 amounted to SEK 4,700.0 million (4,375.0). Interest-

bearing net debt was SEK 4,202.5 million (4,028.3). The company has established a MTN-programme with a framework of SEK 2 billion as an alternative to bank financing. In December, the first bond loan of SEK 500 million was issued with a term of five years. The commercial paper programme set up the previous year was expanded from SEK 1 billion to SEK 2 billion and had an outstanding volume of SEK 600 million. During the fourth quarter, Hufvudstaden terminated all outstanding interest derivatives and at the same time entered into new interest rate hedges. Concluded hedges comprised of fixed interest agreements with higher interest rates than applied at the point of realization. The realized undervalue in the derivatives totalled SEK 186 million. The profit has not been affected as the loss was covered by a provision for unrealized changes in value. New derivative agreements were then signed. 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 annual equivalent rate was 2.1 per cent (3.8).

The fair value of interest swaps as of December 31, 2012 was SEK -23.0 million (-183.6).

#### **Capital tie-up structure, December 31, 2012**

Maturity Date	Volume, SEK m	Share, %
2013	950.0	20
2016	600.0	13
2017	2,650.0	56
2018	500.0	11
Total	4,700.0	100

#### **Fixed interest structure, December 31, 2012**

Maturity Date	Volume SEK m	Share, %	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

#### **SHARES AND SHAREHOLDERS**

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 17,499 shareholders at the year-end. The proportion of foreign ownership as of December 31, 2012 was 29.9 per cent of the total number of outstanding shares (26.5). The series A share price as of December 31, 2012 was SEK 81.95 and market capitalization was SEK 17.8 billion.

#### **Largest shareholders as of December 31, 2012**

	Number of shares, %	Number of votes, %
Lundbergs	44.2	87.6
State Street Bank and Trust	6.4	1.3
JP Morgan Funds	5.0	1.0
Mellon Funds	3.1	0.6
NTC Wealth	2.8	0.6
Swedbank Robur Funds	1.9	0.4
SEB Funds	1.8	0.4
BNP Paribas	1.2	0.3
AFA Insurance	1.2	0.2
Other shareholders	30.0	7.1
Outstanding shares	97.6	99.5
Company holding	2.4	0.5
All issued shares	100.0	100.0

### Shares bought back

The total number of shares held by Hufvudstaden as of December 31, 2012 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during the year or after the end of the reporting period. At the 2012 Annual General Meeting, the Board was granted renewed authorization to acquire shares of series A up to 10 per cent of all the issued shares and to assign company shares. On March 21, 2013, the Board of Directors will propose that the Annual General Meeting renews authorization to acquire and assign company shares.

### Buy-back of shares as of December 31, 2012, million shares

	Total number of shares	Company holdings	Held by other share- holders
As of January 1, 2012	211.3	5.0	206.3
Buy-back	-	-	-
As of December 31, 2012	211.3	5.0	206.3

### FOURTH QUARTER

The gross profit from property management amounted to SEK 265.3 million (252.8), an increase of 5 per cent. The change can be attributed mainly to higher rents in conjunction with renegotiations and new leases and index. Results from the acquired property and additional floor space have also contributed. Net rents amounted to SEK 378.2 million (360.7). Property management costs amounted to SEK 112.9 million (107.9).

The gross profit from parking operations amounted to SEK 6.7 million (6.6). Net revenue amounted to SEK 19.6 million (18.8) and costs amounted to SEK 12.9 million (12.2).

Changes in the value of investment properties amounted to SEK 200.8 million (371.1) and in interest derivatives SEK -18.1 million (-13.8). Net financial income and expense amounted to SEK -39.5 million (-23.8).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2011 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. In other respects, the accounting principles and computation methods are the same as those applied in the most recent Annual Report.

### PROPOSED DIVIDEND

The Board of Directors proposes an increase in the dividend to SEK 2.60 per share.

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

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

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, March 21, 2013, 4 pm at the Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2012 will be available in week 9 at the Company's office and on the Company's website. At the same time, it will be distributed to the shareholders who have notified their interest.

### FORTHCOMING INFORMATION

Annual Report 2012	March 2013
Annual General Meeting in Stockholm 2013	March 21, 2013
Interim Report, January-March 2013	May 21, 2013
Interim Report, January-June 2013	August 22, 2013
Interim Report, January-September 2013	November 7, 2013

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on February 14, 2013.

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

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

## INCOME STATEMENTS – SUMMARY

GROUP, SEK m	October- December 2012	October – December 2011	January- December 2012	January- December 2011
<b>Net revenue</b>				
Property management	378.2	360.7	1,472.0	1,369.4
Parking operations	19.6	18.8	69.7	67.9
	<b>397.8</b>	<b>379.5</b>	<b>1,541.7</b>	<b>1,437.3</b>
<b>Property management expenses</b>				
Maintenance	-11.9	-9.1	-35.5	-46.8
Operation and administration	-64.7	-63.4	-227.1	-236.1
Ground rents	-4.2	-3.8	-16.3	-15.5
Property tax	-32.1	-31.6	-128.2	-126.1
<b>Property management expenses</b>	<b>-112.9</b>	<b>-107.9</b>	<b>-407.1</b>	<b>-424.5</b>
Parking operations, expenses	-12.9	-12.2	-49.4	-48.2
<b>Operating expenses</b>	<b>-125.8</b>	<b>-120.1</b>	<b>-456.5</b>	<b>-472.7</b>
<b>Gross profit</b>	<b>272.0</b>	<b>259.4</b>	<b>1,085.2</b>	<b>964.6</b>
- of which Property management	265.3	252.8	1,064.9	944.9
- of which Parking operations	6.7	6.6	20.3	19.7
Central administration	-9.5	-8.2	-34.1	-31.7
<b>Operating profit before changes in value</b>	<b>262.5</b>	<b>251.2</b>	<b>1,051.1</b>	<b>932.9</b>
<b>Changes in value</b>				
Investment properties	200.8	371.1	620.6	1,244.9
Interest derivatives	-18.1	-13.8	-25.4	-99.2
<b>Operating profit</b>	<b>445.2</b>	<b>608.5</b>	<b>1,646.3</b>	<b>2,078.6</b>
Net financial income and expense	-39.5	-23.8	-160.7	-122.3
<b>Profit before tax</b>	<b>405.7</b>	<b>584.7</b>	<b>1,485.6</b>	<b>1,956.3</b>
Tax	740.7	-159.0	453.8	-521.0
<b>Profit after tax</b>	<b>1,146.4</b>	<b>425.7</b>	<b>1,939.4</b>	<b>1,435.3</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>1,146.4</b>	<b>425.7</b>	<b>1,939.4</b>	<b>1,435.3</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	5.56	2.06	9.40	6.96

## BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2012	December 31, 2011
Investment properties	23,057.5	22,251.2
Other non-current assets	11.0	11.7
<b>Total non-current assets</b>	<b>23,068.5</b>	<b>22,262.9</b>
Current assets	584.6	432.1
<b>Total assets</b>	<b>23,653.1</b>	<b>22,695.0</b>
Equity	13,920.9	12,486.9
Non-current interest-bearing liabilities	3,150.0	4,125.0
Deferred tax liabilities	4,541.3	5,171.4
Other non-current liabilities	34.5	187.9
Pension provisions	8.4	7.7
<b>Total non-current liabilities</b>	<b>7,734.2</b>	<b>9,492.0</b>
Current, interest-bearing liabilities	1,550.0	250.0
Other liabilities	448.0	466.1
<b>Total current liabilities</b>	<b>1,998.0</b>	<b>716.1</b>
<b>Total equity and liabilities</b>	<b>23,653.1</b>	<b>22,695.0</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-December 2012	January-December 2011
Equity, opening balance	12,486.9	11,526.0
Total comprehensive income for the year	1,939.4	1,435.3
Dividends	-505.4	-474.4
<b>Equity, closing balance</b>	<b>13,920.9</b>	<b>12,486.9</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-December 2012	January-December 2011
Result before tax	1,485.6	1,956.3
Depreciation/impairments	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
Tax paid	-203.5	-204.6
<b>Cash flow from current operations before changes in working capital</b>	<b>508.9</b>	<b>613.8</b>
Increase/decrease in operating receivables	20.1	-34.7
Increase/decrease in operating liabilities	-10.8	-20.3
<b>Cash flow from current operations</b>	<b>518.2</b>	<b>558.8</b>
Disposal of investment property	-	87.0
Investments in investment properties	-185.7	-945.1
Investments in equipment	-1.3	-2.4
Acquisition of subsidiary	-	-0.1
<b>Cash flow from investments</b>	<b>-187.0</b>	<b>-860.6</b>
Loans raised	1,100.0	775.0
Amortization of loan debt	-775.0	-
Dividend	-505.4	-474.4
<b>Cash flow from financing</b>	<b>-180.4</b>	<b>300.6</b>
<b>Cash flow for the year</b>	<b>150.8</b>	<b>-1.2</b>
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
Cash flow for the year per share, SEK	0.73	-0.01

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	December 31, 2012	December 31, 2011
<b>Pledged assets</b>		
Mortgages	1,956.2	2,457.1
Endowment insurance	6.6	6.0
<b>Total pledged assets</b>	<b>1,962.8</b>	<b>2,463.1</b>
Contingent liabilities	None	None

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

	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
GROUP, SEK m	2012	2011	2012	2011	2012	2011	2012	2011
Net revenue	677.4	607.4	604.8	578.1	189.8	183.9	1,472.0	1,369.4
Property costs	-162.1	-172.0	-189.4	-194.3	-55.6	-58.2	-407.1	-424.5
<b>Gross profit, property management</b>	<b>515.3</b>	<b>435.4</b>	<b>415.4</b>	<b>383.8</b>	<b>134.2</b>	<b>125.7</b>	<b>1,064.9</b>	<b>944.9</b>
Parking operations			20.3	19.7			20.3	19.7
Central administration							-34.1	-31.7
<b>Changes in value</b>								
Investment properties							620.6	1,244.9
Interest derivatives							-25.4	-99.2
<b>Operating profit</b>							<b>1,646.3</b>	<b>2,078.6</b>
Net financial income and expense							-160.7	-122.3
<b>Profit before tax</b>							<b>1,485.6</b>	<b>1,956.3</b>

<sup>1</sup> For comparable holdings should the net revenue and gross profit from property management for the Stockholm City East Business Area be increased by SEK 25.9 million and by SEK 18.9 million for 2011. For the Gothenburg Business Area the net revenue and gross profit from property management should be reduced by SEK 6.3 million and by SEK 4.2 million for 2011. For the Group should the net revenue and gross profit from property management be increased by SEK 19.6 million and by SEK 14.7 million for 2011.

## KEY RATIOS

GROUP	Full year 2012	Full Year 2011	Full Year 2010	Full Year 2009	Full Year 2008
<b>Property-related</b>					
Rentable floor space, 1,000 m <sup>2</sup>	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
Fair value, SEK bn	23.1	22.3	20.1	18.1	19.1
Surplus ratio, %	70.4	67.1	67.8	68.8	67.3
<b>Financial</b>					
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
<b>Data per share</b>					
Profit/loss for the year, SEK	9.40	6.96	8.40	-1.73	-2.18
Equity, SEK	67.49	60.54	55.88	49.58	53.09
Properties, fair value, SEK	111.79	107.88	97.68	87.87	92.52
Net asset value, SEK <sup>1)</sup>	84.00	76.00	70.00	62.00	66.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Oct-Dec 2012	July-Sept 2012	Apr-June 2012	Jan-Mar 2012	Oct-Dec 2011	July-Sept 2011	Apr-June 2011	Jan-Mar 2011
Net revenue, SEK m	398	381	382	381	380	350	356	352
Return on equity, %	31.0	7.7	7.6	6.5	12.4	9.6	10.3	5.8
Return on equity, adjusted, %	28.0	5.3	5.0	5.1	5.4	4.7	5.0	4.9
Equity ratio, %	58.9	55.0	54.7	54.1	55.0	55.6	55.7	54.3
Profit/share for the period, SEK	5.56	0.68	1.52	1.65	2.06	0.45	3.19	1.25
Equity per share, SEK	67.49	61.93	61.26	59.74	60.54	58.47	58.02	54.83
Net asset value per share, SEK <sup>1)</sup>	84.00	77.00	77.00	75.00	76.00	73.00	73.00	69.00
Cash flow from current operations per share, SEK	0.27	0.79	0.85	0.59	0.53	0.69	0.64	0.84

<sup>1)</sup> 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.

## PARENT COMPANY

### RESULT AND POSITION

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

Net financial income/expense was SEK 215.3 million (275.3). 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. Concluded hedges comprised fixed interest agreements with higher interest rates than applied at the point of realization. The realized undervalue in the derivatives totalled SEK 186.0 million. The profit has not been affected as the loss was covered by a provision for unrealized changes in value. New derivative agreements were then signed. The profit for the year included group contributions from subsidiaries totalling SEK 373.1 million (319.9).

Cash and cash equivalents at the period-end amounted to SEK 497.2 million (346.4). Investments in

properties and equipment during the period totalled SEK 68.2 million (225.0).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is exposed mainly to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2011 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

Apart from the dividend, there were no material transactions with associated parties during the period.

### ACCOUNTING PRINCIPLES

The Parent Company applies the same accounting principles as in the most recent annual report.



## INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	October - December 2012	October - December 2011	January - December 2012	January - December 2011
Net revenue	225.9	213.6	890.9	828.1
Operating expenses	-119.1	-81.4	-415.5	-471.7
<b>Gross profit</b>	<b>106.8</b>	<b>132.2</b>	<b>475.4</b>	<b>356.4</b>
Central administration	-9.4	-8.2	-34.1	-31.7
Capital loss on sale of property	-	-14.7	-	-14.7
Changes in value, interest derivatives	-18.1	-13.8	-25.4	-99.2
<b>Operating profit</b>	<b>79.3</b>	<b>95.5</b>	<b>415.9</b>	<b>210.8</b>
Group contribution	373.1	319.9	373.1	319.9
Other net financial income and expense	-39.8	53.8	-157.8	-44.6
<b>Profit after financial items</b>	<b>412.6</b>	<b>469.2</b>	<b>631.2</b>	<b>486.1</b>
Appropriations	-24.9	-28.5	-24.9	-28.5
<b>Profit before tax</b>	<b>387.7</b>	<b>440.7</b>	<b>606.3</b>	<b>457.6</b>
Tax	41.0	-92.4	-17.8	-100.2
<b>Profit for the period</b>	<b>428.7</b>	<b>348.3</b>	<b>588.5</b>	<b>357.4</b>
<b>Statement of comprehensive income, SEK m</b>				
Profit for the period	428.7	348.3	588.5	357.4
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>428.7</b>	<b>348.3</b>	<b>588.5</b>	<b>357.4</b>

## BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	December 31, 2012	December 31, 2011
Investment properties	6,352.4	6,369.6
Other non-current assets	3,100.8	3,101.0
Total non-current assets	9,453.2	9,470.6
Current assets	1,250.4	1,109.3
<b>Total assets</b>	<b>10,703.6</b>	<b>10,579.9</b>
Restricted equity	1,978.7	1,978.7
Non-restricted equity	2,172.7	2,089.5
Total equity	4,151.4	4,068.2
Untaxed reserves	609.4	584.5
Appropriations	945.6	1,085.8
Non-current liabilities	3,185.0	4,313.5
Current liabilities	1,812.2	527.9
Total liabilities	6,552.2	6,511.7
<b>Total equity and liabilities</b>	<b>10,703.6</b>	<b>10,579.9</b>

Stockholm, February 14, 2013

Fredrik Lundberg  
Chairman

Claes Boustedt  
Board Member

Bengt Braun  
Board Member

Peter Egardt  
Board Member

Louise Lindh  
Board Member

Hans Mertzig  
Board Member

Sten Peterson  
Board Member

Anna-Greta Sjöberg  
Board Member

Ivo Stopner  
Board Member  
and President

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

## DEFINITIONS AND GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

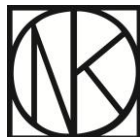
**Return on equity, adjusted.** Profit after tax, excluding changes in value, in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

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

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

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

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



# HUFVUDSTADEN

## Hufvudstaden

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

## Vision

Hufvudstaden will 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 will offer successful companies high-quality office and retailing premises in attractive marketplaces.

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

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

## Strategies to achieve the objectives

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

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

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

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

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