



HUFVUDSTADEN

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HUFVUDSTADEN
Year-End Report 2019

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- **Gross profit from property management rose by 5 per cent to SEK 1,373 million (1,302). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 1,896 million (1,797), an increase of 6 per cent.**
- **Profit after tax for the year was SEK 3,146 million (4,320), equivalent to SEK 15.25 per share (20.94). The decrease can be attributed mainly to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax.**
- **The Board of Directors proposes an increase in the dividend for the 19th year in succession to SEK 3,90 per share (3.70).**
- **The fair value of the property holdings was SEK 47.7 billion (44.1), resulting in a net asset value of SEK 185 per share (171). The unrealized change in the value of the property holdings for the year was SEK 2,727 million (3,621).**
- **The equity ratio was 62 per cent (64), the net loan-to-value ratio was 16 per cent (14), and the interest coverage ratio multiple was 11.4 (10.5).**
- **The rental vacancy level at the year-end was 5.0 per cent (2.6). Excluding current development projects, the rental vacancy level was 1.7 per cent (1.3).**

Operating events during the fourth quarter

The local plan has been approved for an extension and redevelopment project for the Inom Vallgraven 12 block in Gothenburg.

At NK Stockholm around 10 new departments were opened during the fourth quarter, including Burberry, Haga Schweizeri, and the aperitif bar Positano.

The training concept Fightbox will open in the Kåkenhusen 40 property in Stockholm.

The eyewear brand Chimi will open a new flagship store at Kungsgatan 6 in Stockholm.

Performance measures

SEK m	Jan-Dec 2019	Jan-Dec 2018
Net revenue, property management	1,896	1,797
Gross profit, property management	1,373	1,302
Unrealized changes in value, investment properties	2,727	3,621
Operating profit	4,087	4,940
Profit for the period	3,146	4,320
Fair value, properties, SEK bn	47.7	44.1
Net loan-to-value ratio, properties, %	15.5	14.2
Interest coverage ratio, multiple	11.4	10.5
Rental vacancy level, excl. projects (EPRA vacancy rate), %	1.7	1.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	5.49	5.16
Current net asset value (EPRA NNNAV) per share, SEK	185.00	171.00

GROUP

RESULTS

Property management

Net revenue from property management during the year amounted to SEK 1,896.4 million (1,797.1). Gross profit was SEK 1,373.0 million (1,301.8). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax increased as a result of a new property taxation assessment, and the cost has mainly been passed on to the tenants. Application of IFRS 16 has had a positive impact on gross profit of SEK 22.2 million (0.0), attributable mainly to ground rents being reported as a financial expense.

The turnover-based rent supplement is reported during the fourth quarter and amounted to SEK 11.1 million (12.1), of which the NK properties accounted for SEK 8.9 million (9.3). Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

The property management results for each business area are reported on page 9.

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 84.8 million (85.8). The decrease can be attributed to reduced revenue from short-term parking. Expenses totalled SEK -52.5 million (-51.1) and gross profit totalled SEK 32.3 million (34.7).

Other profit and loss items

Central administration totalled SEK -49.2 million (-43.5). Unrealized changes in the value of investment properties totalled SEK 2,726.9 million (3,620.8) and changes in interest derivatives totalled SEK 3.7 million (26.6). For further information, see page 4.

Financial income and expense

Net financial income and expense amounted to SEK -118.7 million (-120.5). The change according to IFRS 16 affected net financial income and expense by SEK -22.4 million (0.0). The decrease in financial expense related to borrowing can be attributed to a lower average rate of interest on loans. For further information, see page 5.

Tax

The Group's tax for the year was SEK -821.6 million (-500.2), of which SEK -142.3 million (-147.1) was actual tax, and SEK -679.3 million (-353.1) was deferred tax. The increase can be attributed to the deferred tax recalculation the previous year as a result of a reduction in corporation tax.

Profit for the year

The consolidated profit after tax amounted to SEK 3,146.4 million (4,319.7). The decrease can be attributed to lower unrealized changes in the value of the property holdings and the deferred tax recalculation the previous year following the reduction in corporation tax. The application of IFRS 16 has only had a marginal impact on profit for the year. For further information, see page 6.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place on level 3 according to IFRS 13. The assessed value as at December 31, 2019 was SEK 47,681 million (44,089). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 384,200 square metres (384,500).

The rental vacancy level as at December 31, 2019 was 5.0 per cent (2.6) and the total floor space vacancy level was 6.7 per cent (4.3). The rental vacancy level, excluding current development projects (EPRA vacancy rate), totalled 1.7 per cent (1.3).

Acquisitions and investments

The total investment in properties and other non-current assets during the period was SEK 928.2 million (755.2).

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

Work continued during the period to develop NK in Stockholm with the aim of strengthening its position as a world-class department store. To date, around 35 new departments have opened, and the second floor has been transformed into a menswear floor. Burberry, Haga Schweizeri, the new NK menswear department, and the aperitif bar Positano have all opened during the fourth quarter.

The expansion and redevelopment project on the Skären 9 property in Bibliotekstan has reached the halfway stage. The roof has been completed and the new facade is in place. The law firm Vinge will lease around 75 per cent of the floor space from the turn of the year 2020/2021.

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

Major current and planned projects in the fourth quarter 2019

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

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

A new local plan for the Vildmannen 7 property in Stockholm gained legal force at the beginning of 2020 and demolition work has commenced behind the existing street facades.

At NK Gothenburg, a foundation reinforcement project on the ground floor has been completed. The total investment was SEK 148 million. The project has resulted in improved customer areas combined with a broader range of restaurants.

Property value and net asset value

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

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

In the light of the above, the assessed unrealized change in the value of the property holdings for 2019 was SEK 2,726.9 million (3,620.8). The total value of the property holdings as at December 31, 2019 was SEK 47.7 billion, including investments made during the year. The unrealized increase in value can be attributed to rising rents and slightly lower yield requirements.

The yield requirement has on average fallen by 7 points compared to the third quarter, and in conjunction with the above valuation it stood at 3.6 per cent (3.8).

Valuation method

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

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's subarea, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different subareas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that was 0.20 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level, and normalized operating and maintenance costs.

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

Yield requirements, property valuation

Stockholm	3.2-3.6 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.6 per cent

Sensitivity analysis

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

Hufvudstaden's property holdings are valued at SEK 47.7 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.4 billion. Below are the key factors that influence the valuation and the consequent impact on profit before tax.

Sensitivity analysis, property valuation ¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,070 m
Property costs	SEK 50/sq m	SEK 535 m
Rental vacancy level	1.0 percentage points	SEK 610 m
Yield requirement	0.25 percentage points	SEK 3,300 m

¹⁾Valuation date: December 31, 2019.

External valuation

To assure the quality of the valuation, external estimates were obtained from three independent valuation companies, Cushman & Wakefield, Forum Fastighetsekonomi, and Newsec Advice. The external valuation as at December 31, 2019 covered 11 properties, equivalent to 38 per cent of the internally assessed fair value. The corresponding figure at the mid-year point was 37 per cent. The basis for selection was that the properties should represent variations in property category, town, location, technical standard, and construction standard. The properties that underwent an external valuation as at December 31, 2019 were Grönlandet Södra 11, Hästhuvudet 13, Kåkenhusen 40 (part of), Orgelpipan 7, Packarhuset 4, Pumpstocken 10 (part of), Rännilen 11, and Rännilen 19 (part of) in Stockholm, and Inom Vallgraven 10:9 (NK Gothenburg), the block Inom Vallgraven 12 (part of) and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value for these properties of SEK 18.8 billion. Hufvudstaden's internal valuation of the same properties was SEK 18.3 billion. The internal valuations thus concur well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 40.3 billion or SEK 195 per share. The current net asset value (EPRA NNAV) was SEK 38.1 billion or SEK 185 per share following a deduction for estimated deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been set at 5 per cent.

Net asset value, December 31, 2019

	SEK m	SEK/ share
Equity according to the Balance Sheet	31,382.7	152
<i>Reversal</i>		
Deferred tax, investment properties	8,931.4	43
Non-current net asset value (EPRA NAV)	40,314.1	195
<i>Deductions</i>		
Estimated actual deferred tax 5%	-2,167.9	-10
Current net asset value (EPRA NNAV)	38,146.2	185

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be positive during the period. Vacant space has been low and in Stockholm's most attractive locations – in Bibliotekstan, at Normalmstorg/Hamngatan, and in the Hötorget area – market rents for office space have risen slightly within the range SEK 6,300-8,700 per square metre per year, excluding the property tax supplement. There has been continued interest in prime location retail premises in the same sub-markets. For retail premises in prime locations, the market rents were SEK 14,000-26,000 per square metre per year, excluding the property tax supplement.

In central submarkets in Gothenburg, the demand for modern office premises continued to be positive, with a low level of vacant space. Market rents in prime locations have risen slightly and are SEK 2,900-3,800 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are SEK 6,000-15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations for both retail and office premises has been positive. During the period, a total of 37,700 square metres were renegotiated at a rental value of SEK 211 million. On average, the renegotiations resulted in an increase in rent of approximately 13 per cent.

FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowing as at December 31, 2019 amounted to SEK 8,350 million (7,350). Interest-bearing net debt was SEK 7,404 million (6,279).

Hufvudstaden has an MTN programme totalling SEK 8,000 million, and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds was SEK 6,200 million and there was SEK 1,150 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 2.6 years (2.6), the average capital tie-up period was 3.3 years (3.9), and the average equivalent rate of interest was 1.2 per cent (1.2). To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the total borrowings, SEK 6,200 million carries a fixed rate of interest. Financial assets and liabilities are recognised at the accrued acquisition cost, which in all material respects concurs with the fair value. There is no set-off of financial assets and liabilities, and there are no agreements that permit netting.

Fixed interest structure, SEK m, December 31, 2019

Maturity, year	Credit amount	AER, % ¹⁾	Proportion, %
< 1	2,150	0.9	26
1 - 2	1,000	1.5	12
2 - 3	1,200	1.5	14
3 - 4	2,000	1.3	24
4 - 5	1,000	1.4	12
5 - 6	1,000	1.0	12
Total	8,350	1.2	100

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

Capital tie-up structure SEK m, December 31, 2019

Maturity, year	Credit Agreement	Utilized			Total	Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾		
< 1	1,500	500	-	-	500	6
1 - 2	2,000	-	1,000	150	1,150	14
2 - 3	1,700	500	1,200	-	1,700	20
3 - 4	2,000	-	2,000	-	2,000	24
4 - 5	2,000	-	1,000	1,000	2,000	24
5 - 6	1,000	-	1,000	-	1,000	12
Total	10,200	1,000	6,200	1,150	8,350	100

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

FOURTH QUARTER

Gross profit from property management amounted to SEK 344.1 million (329.9). Net revenue amounted to SEK 488.8 million (464.0), an increase of 5 per cent. The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax has increased as a result of a new property tax assessment and the cost has mainly been passed on to the tenants. The cost was SEK -144.7 million (-134.1). A provision for bonus costs for the full year was made in December.

Gross profit from parking operations was SEK 10.0 million (10.5). Net revenue was SEK 23.3 million (23.3) and costs totalled SEK -13.3 million (-12.8).

Changes in the unrealized value of investment properties amounted to SEK 1,027.0 million (1,154.1) and changes in the value of interest derivatives amounted to SEK 0.0 million (4.1). Net financial income and expense totalled SEK -29.9 million (-26.3).

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on Nasdaq Stockholm, had 27,200 shareholders at the year-end. The proportion of foreign ownership as at December 31, 2019 was 28.4 per cent of the total number of outstanding shares (28.1). The series A share price as at December 31, 2019 was SEK 185.10, and market capitalization based on the series A share price was SEK 39.1 billion.

Largest shareholder groups, December 31, 2019

	Number of shares, %	Number of votes, %
L E Lundbergföretagen	44.2	87.6
State Street Bank and Trust	6.0	1.2
JP Morgan Funds	5.1	1.0
Citibank	4.3	0.9
BNY Mellon Funds	3.7	0.7
AMF Funds	3.3	0.7
Fourth Swedish National Pension Fund	3.3	0.7
BNP Paribas	2.4	0.5
Länsförsäkringar	1.7	0.4
Other shareholders	23.6	5.8
Outstanding shares	97.6	99.5
Company holdings	2.4	0.5
Total number of issued shares	100.0	100.0

Shares bought back

The total number of shares held by Hufvudstaden as at December 31, 2019 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buybacks were made during or after the end of the reporting period. At the 2019 Annual General Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares, and to assign own shares held by Hufvudstaden. The Board of Directors will present a proposal at the Annual Meeting on March 19, 2020 that authorization to acquire and assign company shares be renewed.

Buyback of shares as at December 31, 2019, million shares

	Total number of shares	Company holdings	Held by other shareholders
As at January 1, 2019	211.3	5.0	206.3
Buy-back	-	-	-
As at December 31, 2019	211.3	5.0	206.3

Delisting of Hufvudstaden's series C shares

At the request of Nasdaq Stockholm, Hufvudstaden applied for delisting of the Company's series C shares. Nasdaq Stockholm subsequently approved the application. Series C shares were delisted at the end of January 2020.

EVENTS AFTER THE PERIOD END

The President, Ivo Stopner, will continue to be on leave of absence due to illness until March 31, 2020. The Company's Vice President Bo Wikare will continue to cover the President's duties until Ivo Stopner takes up his position again, which is expected to be on April 1, 2020.

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Group has not identified any material risks and uncertainties other than those described in the 2018 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards. This year-end report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Annual

Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the year-end report. Apart from the application of IFRS 16, see below, the accounting principles and computation basis are the same as those applied in the most recent Annual Report.

New standards and interpretations

Hufvudstaden has applied IFRS 16 Leases since January 1, 2019 and has selected the simplified transition method and does not apply the standard retroactively. Reported rights of use have been assigned the same value as the reported lease liability as at January 1, 2019. In its capacity as lessee, Hufvudstaden as identified site leasehold agreements as being the single most material lease category. The lease liability as at January 1 was SEK 788 million, of which SEK 676 million referred to site leasehold agreements.

According to IFRS 16, site leaseholds are regarded as perpetual leases, recognized at fair value, and will therefore not be depreciated. The value of the right of use asset remains the same until the next renegotiation of each ground rent. The leasing liability is not amortized, and the value remains unchanged until each ground rent is renegotiated. Ground rents are reported in their entirety as a financial expense, which differs from the previous application according to IAS 17 Leases, where they are reported as operating expenses charged to gross profit and loss.

Other leases identified by Hufvudstaden within the framework of the definition of leases according to IFRS 16, are mainly external premises, office equipment and similar. These leases are reported as right of use assets and are equivalent to leasing liabilities as at January 1, 2019. Right of use assets are depreciated over the term of the lease. The leasing liabilities accrue interest and are amortized over the term of the lease. Hufvudstaden continuously analyses the valuation of the lease liability based on changes or additional leases. In its capacity as lessor, Hufvudstaden has noted that the application of IFRS 16 has not had any material impact on the Consolidated Financial Statements.

In accordance with the simplified transition method, the comparison figures for 2018 have not been recalculated. This has meant that the comparability of certain income statement and balance sheet items and performance measures have been affected. In the tables below, income statement and performance measures for 2019 have been reported excluding the effects of the application of IFRS 16.

Other new and amended standards that came into effect in 2019 have not had any material impact on the Consolidated Financial Statements.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	Jan-Dec 2019 (incl. IFRS 16)	Jan-Dec 2019 (excl. IFRS 16)
Net revenue	1,981.2	1,981.2
Operating expenses	-575.9	-598.1
Gross profit	1,405.3	1,383.1
Central administration	-49.2	-49.2
Operating profit before changes in value	1,356.1	1,333.9
Changes in value	2,730.6	2,730.8
Operating profit	4,086.7	4,064.7
Financial income and expense	-118.7	-96.3
Profit before tax	3,968.0	3,968.4
Tax	-821.6	-821.7
Profit after tax	3,146.4	3,146.7
Total comprehensive income for the period	3,146.4	3,146.7

PERFORMANCE MEASURES

GROUP	Dec 31, 2019 (incl. IFRS 16)	Dec 31, 2019 (excl. IFRS 16)
Surplus ratio, %	70.9	69.8
Net debt, SEK m	7,404	6,644
Net loan-to-value ratio, properties, %	15.5	13.9
Equity ratio, %	62	63
Interest coverage ratio, multiple	11.4	13.8
Debt/equity ratio, multiple	0.2	0.2

PROPOSED DIVIDEND

The Board of Directors proposes that the dividend be increased to SEK 3.90 per share (3.70). The proposal means that the ordinary dividend has been increased for the 19th year in succession.

PROPOSAL REGARDING ELECTION OF THE BOARD OF DIRECTORS AND AUDITORS

The Company's main shareholders have notified the Company of their intention to present a proposal at the Annual General Meeting that the current members of the Board of Directors, Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Lundberg, Fredrik Persson, Sten Peterson, Anna-Greta Sjöberg and Ivo Stopner be re-elected, and that Fredrik Lundberg be re-elected as Chairman of the Board. It is proposed that KPMG AB be elected as the auditing company with Joakim Thilstedt as lead auditor.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3.30pm on Thursday, March 19, 2020 at Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2019 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 those shareholders who have made a request to that effect.

FORTHCOMING INFORMATION

Annual Report 2019	February 2020
Annual General Meeting in Stockholm 2020	March 19, 2020
Interim Report, January-March 2020	May 7, 2020
Half-year Report, January-June 2020	August 26, 2020
Interim Report, January-September 2020	November 5, 2020

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on February 13, 2020.

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

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

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	October- December 2019	October- December 2018	January- December 2019	January December 2018
Net revenue¹⁾				
Property management	488.8	464.0	1,896.4	1,797.1
Parking operations	23.3	23.3	84.8	85.8
	512.1	487.3	1,981.2	1,882.9
Property management expenses				
Maintenance	-8.6	-5.4	-28.9	-24.5
Operation and administration	-82.8	-81.7	-287.0	-283.1
Ground rents	-	-5.5	-	-21.8
Property tax	-50.2	-41.5	-200.7	-165.9
Depreciation rights of use assets	-3.1	-	-6.8	-
Property management expenses	-144.7	-134.1	-523.4	-495.3
Parking operations, expenses	-13.3	-12.8	-52.5	-51.1
Operating expenses	-158.0	-146.9	-575.9	-546.4
Gross profit	354.1	340.4	1,405.3	1,336.5
- of which Property management	344.1	329.9	1,373.0	1,301.8
- of which Parking operations	10.0	10.5	32.3	34.7
Central administration	-15.6	-13.8	-49.2	-43.5
Operating profit before changes in value	338.5	326.6	1,356.1	1,293.0
Changes in value, investment properties	1,027.0	1,154.1	2,726.9	3,620.8
Changes in value, interest derivatives	-	4.1	3.7	26.6
Operating profit	1,365.5	1,484.8	4,086.7	4,940.4
Financial income and expense ²⁾	-29.9	-26.3	-118.7	-120.5
Profit before tax	1,335.6	1,458.5	3,968.0	4,819.9
Tax	-233.9	-276.2	-821.6	-500.2
Profit after tax	1,101.7	1,182.3	3,146.4	4,319.7
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,101.7	1,182.3	3,146.4	4,319.7
Average number of outstanding shares following buybacks 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	5.34	5.73	15.25	20.94

¹⁾ Service revenue totalled SEK 86.8 million, equivalent to 4% of the total net revenue for Jan-Dec 2019. The figure for Jan-Dec 2018 was SEK 77.7 million, equivalent to 4%.

²⁾ The figure for Jan-Dec 2019 includes SEK -22.4 million, which is attributable mainly to ground rents according to IFRS 16.

BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2019	December 31, 2018
Investment properties	47,680.6	44,088.5
Right of use assets	760.0	-
Other non-current assets	101.1	37.1
Total non-current assets	48,541.7	44,125.6
Current assets	1,799.9	1,249.6
Total assets	50,341.6	45,375.2
Equity	31,382.7	28,999.5
Non-current interest-bearing liabilities	6,700.0	5,700.0
Deferred tax liabilities	8,972.3	8,293.0
Non-current leasing liabilities	719.0	-
Other non-current liabilities	61.0	50.1
Other provisions	25.7	19.6
Total non-current liabilities	16,478.0	14,062.7
Current interest-bearing liabilities	1,650.0	1,650.0
Current leasing liabilities	41.4	-
Other liabilities	789.5	663.0
Total current liabilities	2,480.9	2,313.0
Total equity and liabilities	50,341.6	45,375.2

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-December 2019	January-December 2018
Equity, opening balance	28,999.5	25,401.7
Total comprehensive income for the period	3,146.4	4,319.7
Dividend	-763.2	-721.9
Equity, closing balance	31,382.7	28,999.5

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-December 2019	January-December 2018
Profit before tax	3,968.0	4,819.9
Depreciation/impairments	52.8	8.6
Changes in value, investment properties	-2,726.9	-3,620.8
Changes in value, interest derivatives	-3.7	-26.6
Other changes	6.0	3.4
Income tax paid	-138.0	-162.2
Cash flow from current operations before changes in working capital	1,158.2	1,022.3
Increase/decrease in operating receivables	72.1	-37.4
Increase/decrease in operating liabilities	136.8	18.0
Cash flow from current operations	1,367.1	1,002.9
Investments in properties	-865.2	-737.7
Investments in other non-current assets	-63.0	-17.5
Cash flow from investments	-928.2	-755.2
Loans raised	5,350.0	7,100.0
Amortization of loan debt	-4,350.0	-5,950.0
Amortization of leasing debt	-40.3	-
Dividend paid	-763.2	-721.9
Cash flow from financing	196.5	428.1
Cash flow for the period	635.4	675.8
Cash and cash equivalents at the beginning of the period	1,070.7	394.9
Cash and cash equivalents at the period end	1,706.1	1,070.7
Cash flow from current operations per share, SEK	6.63	4.86
Cash flow for the period per share, SEK	3.08	3.28

SEGMENT REPORT – SUMMARY

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

Group, SEK m	Business Area Stockholm		Business Area NK		Business Area Gothenburg		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Property management:								
Net revenue	1,056.4	1,003.5	487.9	465.6	352.1	328.0	1,896.4	1,797.1
Property costs	-244.9	-231.7	-174.5	-170.9	-104.0	-92.7	-523.4	-495.3
Gross profit property management	811.5	771.8	313.4	294.7	248.1	235.3	1,373.0	1,301.8
Gross profit Parking operations			32.3	34.7			32.3	34.7
Central administration							-49.2	-43.5
Changes in value:								
Investment properties							2,726.9	3,620.8
Interest derivatives							3.7	26.6
Operating profit							4,086.7	4,940.4
Financial income and expense							-118.7	-120.5
Profit before tax							3,968.0	4,819.9

PERFORMANCE MEASURES¹⁾

GROUP	Full year 2019	Full year 2018
Property-related		
Rentable floor space, 1,000 m ²	384.2	384.5
Rental vacancy level, %	5.0	2.6
Floor space vacancy level, %	6.7	4.3
Fair value, SEK bn	47.7	44.1
Financial		
Return on equity, %	10.4	14.1
Return on capital employed, %	10.7	14.7
Equity ratio, %	62	64
Interest coverage ratio, multiple	11.4	10.5
Debt/equity ratio, multiple	0.2	0.2
Net loan-to-value ratio, properties, %	15.5	14.2
Surplus ratio, %	70.9	71.0
Data per share		
Profit/loss for the period, SEK	15.25	20.94
Equity, SEK	152.15	140.59
Properties, fair value, SEK	231.16	213.75
Number of outstanding shares, 1,000	206,266	206,266
Number of issued shares, 1,000	211,272	211,272
EPRA		
Result from property management after nominal tax (EPRA Earnings), SEK m	1,132	1,064
Result from property management after nominal tax (EPRA EPS) per share, SEK	5.49	5.16
Non-current net asset value (EPRA NAV), SEK m	40,314.1	37,215.9
Non-current net asset value (EPRA NAV) per share, SEK	195.00	181.00
Current net asset value (EPRA NNNAV), SEK m	38,146.2	35,218.8
Current net asset value (EPRA NNNAV) per share, SEK	185.00	171.00
EPRA Vacancy rate, %	1.7	1.3

¹⁾ The application of IFRS 16 has affected the comparability of certain income statement and balance sheet items and performance measures between the periods. For comparable measures, see tables on page 6.

PERFORMANCE MEASURES PER QUARTER

GROUP	Oct-Dec 2019	Jul-Sept 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sept 2018	Apr-Jun 2018	Jan-Mar 2018
Share price, series A share, SEK	185.10	178.20	157.90	161.30	136.90	135.20	128.30	123.90
Net revenue, SEK m	512	489	487	493	487	465	464	467
Return on equity, %	10.9	7.8	6.4	4.1	14.7	10.7	9.4	5.3
Return on equity, adjusted, %	3.8	3.2	3.0	3.2	4.1	3.4	3.3	3.5
Equity ratio, %	62	62	62	62	64	63	63	61
Surplus ratio, %	69.1	72.3	71.2	71.2	69.9	71.1	71.4	71.6
Profit per share for the period, SEK	5.34	2.73	4.76	2.42	5.73	2.73	9.13	3.35
Equity per share, SEK	152.15	146.81	144.07	139.31	140.59	134.86	132.13	123.00
Result from property management after nom. tax (EPRA EPS) per share, SEK	1.38	1.38	1.39	1.34	1.36	1.26	1.28	1.27
Net asset value (EPRA NNNAV) per share, SEK	185.00	179.00	176.00	170.00	171.00	164.00	161.00	153.00
Cash flow per share from current operations, SEK	1.98	2.23	1.37	1.04	1.69	1.08	1.40	0.69

ALTERNATIVE PERFORMANCE MEASURES

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

SEK m	Full year 2019	Full year 2018
Net asset value (EPRA NNAV) see page 4.		
Net debt		
Non-current interest-bearing liabilities	6,700	5,700
Non-current leasing liabilities	719	-
Current interest-bearing liabilities	1,650	1,650
Current leasing liabilities	41	-
Cash and bank holdings	-1,706	-1,071
Net debt	7,404	6,279
Equity ratio		
Equity	31,383	29,000
Total assets	50,342	45,375
Equity ratio, %	62	64
Net loan-to-value ratio, properties		
Interest-bearing liabilities	9,110	7,350
Interest-bearing assets	-1,706	-1,071
Total	7,404	6,279
Carrying amount, properties	47,681	44,089
Net loan-to-value ratio, properties, %	15.5	14.2
Interest coverage ratio		
Profit before tax	3,968	4,820
Reversal of changes in value	-2,731	-3,647
Interest expense	119	123
Total	1,356	1,296
Interest expense	119	123
Interest coverage ratio, multiple	11.4	10.5
Result from property management after nominal tax (EPRA Earnings)		
Operating profit before changes in value	1,356	1,293
Financial income and expense	-119	-120
Result from property management	1,237	1,173
Current tax, result from property management	-105	-109
Result from property management after nominal tax (EPRA Earnings)	1,132	1,064
Number of outstanding shares, million	206.3	206.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	5.49	5.16

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 1,282.7 million (1,210.8). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, and indexation. Property tax has increased as a result of a new property tax assessment and the cost has mainly been passed on to the tenants. Maintenance costs have increased, mainly as a result of major development projects. Operating costs totalled SEK -802.7 million (-656.5). Gross profit was SEK 480.0 million (554.3). Net financial income and expense was SEK 66.6 million (37.8). Net financial income and expense includes group contributions from subsidiaries amounting to SEK 162.9 million (158.2).

Cash and cash equivalents at the year-end amounted to SEK 1,681.2 million (1,060.0). Investment in properties, intangible fixed assets and equipment was SEK 273.1 million (143.1).

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is mainly exposed to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2018 Annual Report.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

ACCOUNTING PRINCIPLES

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

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	October-December 2019	October-December 2018	January-December 2019	January-December 2018
Net revenue ¹⁾	328.6	315.2	1,282.7	1,210.8
Operating expenses	-224.8	-187.7	-802.7	-656.5
Gross profit	103.8	127.5	480.0	554.3
Central administration	-15.6	-13.8	-49.2	-43.5
Changes in value, interest derivatives	-	4.1	3.7	26.6
Operating profit	88.2	117.8	434.5	537.4
Group contributions received	162.9	158.2	162.9	158.2
Other financial income and expense	-24.4	-26.2	-96.3	-120.4
Profit after financial items	226.7	249.8	501.1	575.2
Appropriations	174.5	136.4	174.5	136.4
Profit before tax	401.2	386.2	675.6	711.6
Tax	-61.8	-58.6	-145.0	-96.5
Profit for the period	339.4	327.6	530.6	615.1
Statement of comprehensive income, SEK m				
Profit for the period	339.4	327.6	530.6	615.1
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	339.4	327.6	530.6	615.1

¹⁾ Service revenue totalled SEK 43.7 million, equivalent to 3% of the total net revenue for Jan-Dec 2019. The figure for Jan-Dec 2018 was SEK 38.7 million, equivalent to 3%.

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	December 31, 2019	December 31, 2018
Investment properties	8,066.7	7,980.7
Other non-current assets	2,914.7	2,908.4
Total non-current assets	10,981.4	10,889.1
Current assets	2,353.3	1,711.0
Total assets	13,334.7	12,600.1
Restricted equity	1,978.7	1,978.7
Non-restricted equity	1,359.9	1,592.5
Total equity	3,338.6	3,571.2
Untaxed reserves	161.6	340.5
Provisions	896.7	887.8
Non-current liabilities	6,754.4	5,745.1
Current liabilities	2,183.4	2,055.5
Total equity and liabilities	13,334.7	12,600.1

Stockholm, February 13, 2020

Fredrik Lundberg
Chairman

Claes Boustedt
Board Member

Peter Egardt
Board Member

Liv Forhaug
Board Member

Louise Lindh
Board Member

Fredrik Persson
Board Member

Sten Peterson
Board Member

Anna-Greta Sjöberg
Board Member

Ivo Stopner
President
Board Member

Bo Wikare
Acting President

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

DEFINITIONS AND GLOSSARY

Finance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

seasonal variations that normally arise in the Company's operations and with the exception of changes in value.

Return on equity. Profit after tax in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of

Return on equity, adjusted. Profit after tax, excluding changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without 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.

Shares

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

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

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

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

Properties

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

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

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

Fair value. The estimated market value of the properties.

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

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

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

Property tax supplement. Property tax payments received from tenants.

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

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

Vision

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

Business concept

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

Financial objectives

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

Operating objectives

Hufvudstaden will:

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

Strategies to achieve the objectives

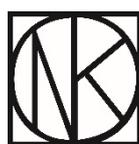
Customer focus. Hufvudstaden will work in close cooperation with its customers and contribute continuously to improving their business potential and competitiveness.

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

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

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

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



BIBLIOTEKSTAN



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GÖTEBORG

nordstan



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

Company registration number: 556012-8240

Registered office: Stockholm



HUFVUDSTADEN