

# HUFVUDSTADEN

2002



*English*





NK, Stockholm

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## *Annual General Meeting*

The Annual General Meeting will take place at 5pm on Wednesday, March 19, 2003 at the Grand Hotel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan.

Notice to attend the Annual General Meeting will be published in the Swedish Official Gazette, Dagens Nyheter and Svenska Dagbladet.

### **Notification**

Shareholders who wish to attend the Annual General Meeting must be registered in the shareholders' register kept by VPC AB (Swedish Securities Register Centre) by Friday March 7, 2003 at the latest and must notify Hufvudstaden by 4pm on Thursday March 13, 2003 at the latest. Notification, preferably in writing, should be sent to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification can also be made by fax on +46-8-762 90 01, by e-mail at [anm@hufvudstaden.se](mailto:anm@hufvudstaden.se) or by telephone on +46-8-762 90 00.

### **Dividend**

The Board of Directors proposes that a dividend of SEK 1.10 per share, totalling SEK 232.4 million, be paid for 2002. The record date is March 24, 2003 and payment is expected to be made on March 27, 2003.

### **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 VPC AB of the change as soon as possible through the institution at which their account is registered.

## *Financial information*

Interim report, January – March 2003	May 5, 2003
Interim report, January – June 2003	August 27, 2003
Interim report, January – September 2003	October 24, 2003
Year-end report 2003	February 12, 2004
Annual Report 2003	March 2004

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

## *Hufvudstaden in brief*

### **2002**

Hufvudstaden's net sales increased to SEK 1,347.9 million (1,259.6). Net sales from property management increased by 9.0 per cent to SEK 1,236.2 million (1,134.4). Operating profit totalled SEK 640.9 million (571.5), a rise of 12.1 per cent. Profit after financial items amounted to SEK 453.2 million (380.5), an increase of 19.1 per cent. The profit per share fell to SEK 1.60 (2.29) as a result of a positive tax outcome during the previous year.

The rental vacancy level increased during the year to 9.3 per cent (3.9) and the floor space vacancy rate increased to 9.2 per cent (3.9). Excluding Norrmalmstorg 1, the rental vacancy level was 6.7 per cent.

The board proposes a dividend of SEK 1.10 per share (1.00).

Extensive refurbishment and development of the project property Norrmalmstorg 1 commenced during the year. It is estimated that the bulk of the project will be completed by the turn of the year 2003/2004.

Extensive rebuilding of the lower floor of NK Stockholm is in progress and is expected to be completed during the first half of 2003.

The rental market in Stockholm was marked by an increase in vacant space, resulting in a fall in rents. In Gothenburg, the level of vacant space and rents remained generally unchanged.

Hufvudstaden was included in the Banco Swedish Environmental Fund Top Companies list for 2003.

### **From the beginning in 1915**

1915. Fastighetsaktiebolaget Hufvudstaden was founded by, among others, Ivar Kreuger.

1919. Hufvudstaden owned 40 properties in Stockholm.

1932. In the wake of the Kreuger crash, Skandinaviska Banken became the owner of Hufvudstaden.

1933. In conjunction with the restructuring of Hufvudstaden, the company acquired a controlling interest in AB Svensk Filmindustri, which was previously owned by Ivar Kreuger. Film and cinema operations were later sold to Dagens Nyheter.

1937. Skandinaviska Banken formed the investment company Custos with the aim of taking over the bank's interests in companies it had acquired, primarily Hufvudstaden.

1938. Hufvudstaden was listed on the Stockholm Stock Exchange.

1940. At the beginning of the 1940s Hufvudstaden owned 68 properties, of which 60 were in Stockholm and eight in provincial towns.

1967. Hufvudstaden acquired interests in Gothenburg through the purchase of three properties on Drottninggatan and Södra Hamngatan.

1970. Hufvudstaden commenced its international expansion when, together with the Royal Swedish Academy of Engineering Sciences and Statsföretag, it built the Sweden Center Building in Tokyo.

1984. Hufvudstaden acquired the TransMatch property group from Swedish Match. TransMatch had properties in Paris, Oslo, Amsterdam and Lisbon.

1996. The company focused its operations on Sweden. Foreign operations were transferred to the shareholders and were listed on the Stockholm Stock Exchange in 1997.

1997. The operating focus was now more on commercial property. Following the sale of two residential properties, the company no longer had properties that were purely residential.

1998. NK Cityfastigheter AB was acquired. Fastighetsaktiebolaget Hufvudstaden changed name to Hufvudstaden AB.

1999. The operating focus was central Stockholm and central Gothenburg. Vasaterminalen AB, which owns the World Trade Center building in Stockholm, was acquired.

2000. The Norrmalmstorg 1 property in Stockholm was acquired. Two properties at Liljeholmen in Stockholm were sold. The company thus no longer owned properties outside the central parts of Stockholm and Gothenburg. A new share issue totalling SEK 845 million was implemented.

2001. Five projects were concluded, representing a total investment volume of SEK 189.3 million. New construction of 1,700 square metres of office space was completed within the Golden Triangle in Stockholm. Following reconstruction of an oil-fired boiler plant, 135 new parking spaces were created at the Continental Garage in Stockholm.

## *Statement by the President*

### **2002 – a year of considerable turbulence**

The negative trend in the economy that was first noticed in spring 2000 and which was very much a reality throughout the whole of 2001, both globally and in Sweden, continued during the year.

The Swedish economy, which is basically sound, began to seriously feel the effects of the negative trend in the economy and the general downturn on the Stockholm Stock Exchange was becoming tangible for companies and private individuals alike. Investment decisions were postponed, lay-offs and redundancies increased and the recovery predicted was a long time in coming. Uncertainty on the market increased during the year and for the third year in succession the stock market was down, a situation not experienced since the 1930s. Unemployment, however, remained unchanged during the year and was around four per cent at the year-end. Inflation continued to be low and was around 2.5 per cent at the turn of the year.

During the final quarter, however, the Stockholm Stock Exchange began to show signs of recovering and since the low of October 9 the SAX index rose by 18 per cent through to the year-end. The Swedish Riksbank cut the key rate several times to stimulate and speed up the economic turnaround. Domestic consumption, which had remained strong throughout the year, rose in October compared with the 2001 figure. Christmas trade figures were once again good and as a whole 2002 was a better year for the retail sector than 2001.

In summary, the state of the economy is difficult to assess and opinions differ considerably.

### **Hufvudstaden's focus during the year**

During the year Hufvudstaden focused on its core operations, i.e. leasing of premises, renegotiating existing leases and running projects aimed at developing the property holdings even further to ensure an increase in the future lease value and yield. In a weakening economy, with a weakening rental market as a result, considerable emphasis was placed on measures aimed at improving cost efficiency. No acquisitions or disposals took place during the year.

### **Profit for the year**

Group profit for the year after financial items was SEK 453.2 million (380.5). The profit includes items affecting comparability totalling SEK 23.8 million (18.9), mainly

related to the effect of changed conditions in conjunction with the refund from Alecta.

The gross profit from property management increased by 13.7 per cent to SEK 638.0 million. In the light of the downturn in the economy and increased costs for vacant space, combined with extensive project work, I am satisfied with the result.

### **Hufvudstaden's markets**

As a result of several years of general decline in the economy the rental markets in Sweden have in the past year also weakened. The majority of companies have reviewed their costs, both in terms of personnel and premises. The subletting market for premises increased during the year and planned office projects were put on ice pending better times.

The volume of vacant space increased and rents fell, particularly in the Stockholm region. Gothenburg saw generally unchanged vacant space and rent levels during the year.

In a balanced market and to be able to offer existing, tenants premises when they need to expand, the normal level of vacant space is between four and six per cent. In the Stockholm inner city the level of vacant space has exceeded this level and during the year was between six and eight per cent. The rental levels in Stockholm have fallen significantly compared with the top notations a couple of years ago of between SEK 6,000 and SEK 7,000 per square metre per year, excluding the property tax supplement. My assessment is that the rent level will begin to bottom out and that we can expect a more stable trend in the future.

The market rent for offices in central Stockholm during the year amounted to between SEK 4,000 and SEK 4,800 per square metre per year, excluding the property tax supplement. In Gothenburg, the market rent for prime site office space was between SEK 1,600 and SEK 2,000 per square metre per year, excluding the property tax supplement.

The rent trend for prime site retailing space in Stockholm has levelled out on a level of between SEK 10,000 and SEK 12,000 per square metre per year, excluding the property tax supplement, for the best retailing space.

In Gothenburg, the market rent for retail outlets in the best positions remained unchanged at between SEK 5,000 and SEK 8,500 per square metre per year, excluding the property tax supplement.

Hufvudstaden's vacant space level at the year-end was



10.0 per cent (4.2) in Stockholm and 4.3 per cent (1.7) in Gothenburg. Excluding the project property Norrmalmstorg 1, the level of vacant space in Stockholm at the year-end was 7.1 per cent. The level of vacant space in Stockholm is expected to increase slightly during 2003, mainly as a result of the fact that the Norrmalmstorg 1 project will continue throughout the whole of the year.

#### **Renegotiations and new leases**

Hufvudstaden succeeded in implementing a number of key renegotiations during the year. Major tenants whose leases have been renegotiated include the law firm Vinge, the investment bank Alfred Berg and the Volvo Car Corporation. In Gothenburg, the Customs Authority rents around 7,000 square metres in the Femmanhuset property in Östra Nordstaden. The lease has been renegotiated and extended.

In the project property Norrmalmstorg 1, which is being reconstructed, several key leases were signed during the year. Danske Bank has rented approximately 7,500 square metres of office space, equivalent to approximately 75 per cent of the total office space in the building. They plan to take up occupancy at the turn of the year 2003/2004. The lease is for 11 years. Zara Sverige AB has signed a lease to rent a large part of the ground floor and one floor up on the corner of Hamngatan and Norrlandsgatan. The floor space is approximately 1,600 square metres and the company plans to take up occupancy in autumn 2003. The lease is for 12 years.

Hufvudstaden renegotiated approximately 23 per cent of its agreements during the year, corresponding to approximately SEK 253 million. Renegotiations have meant an average increase in rent of 32 per cent, which will mainly have full impact from the turn of the year 2002/2003.

#### **Projects**

Extensive refurbishment and development of Norrmalmstorg 1 has commenced during the year with the overall aim of recreating the character of the building as a leading centre of business, finance and law. The project will be largely completed by the end of 2003.

Extensive reconstruction of the lower floor of NK Stockholm was commenced during the year, aimed at improving availability and creating a greater range of stores. A key part of this project, the NK Market Hall, was opened in



September. Several new departments have been opened in the building, including brand names such as Prada, Helmuth Lang, Hugo Boss, J Lindeberg, Georg Jensen and Design House Stockholm.

#### **Satisfied customers**

With the aim of further improving the customer and business focus, the Stockholm Business Area was divided into two business areas, Stockholm City East and Stockholm City West.

This division meant that Hufvudstaden's employees can in the future offer customers service and quality that is adapted to their needs even more. The 2003 Customer Satisfaction Survey, which is designed to measure the degree of satisfaction among the office tenants of the 13 leading property companies in Sweden, put Hufvudstaden in second place.

#### **2003**

During 2003, Hufvudstaden will continue along the path that has already been set of working principally with core operations, i.e. managing and developing the property portfolio to ensure the maximum possible yield, both in the short term and in the long term.

Work within the organisation is directed at optimising operations with regard to the present economic situation. Rent losses will be minimized through an increase in new leases and by taking greater care of existing tenants. Current projects will be implemented as rationally as possible and any means of improving cost-efficiency will be utilized. There will also be a firm focus in the future on developing operations within the NK Business Area, the aim being to reinforce the NK brand name and the two marketplaces in Stockholm and Gothenburg.

When the expected turnaround in the economy materializes and the conditions for Hufvudstaden's sub-markets are once again reinforced, Hufvudstaden will be well placed to benefit from the company's strong position on two of the most interesting commercial rental markets in Sweden.

Stockholm, February 2003



**Ivo Stopner**  
President



1

1 Smålandsgatan/Biblioteksgatan, Stockholm.





2



3

2 Office interior, Norrmalmstorg 14, asset managers. 3 Saks, clothing store.

# *Business concept, objectives and strategies*

## **Vision**

Hufvudstaden shall be consistently perceived as 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**

- The property index (CREX) with a returned dividend will be exceeded.
- The share dividend will account for more than half the net profit from current operations.
- The adjusted equity ratio will be at least 40 per cent over time.
- The share liquidity will be high.

## **Operating objectives**

- Hufvudstaden will gradually increase its profit from current operations.
- Hufvudstaden will have the most satisfied customers in the industry.
- Hufvudstaden will have the most developed property portfolio in the industry.
- Hufvudstaden will have the most professional personnel in the business and they will display a passion for the customer, business acumen and professional know-how.

## **Strategies to achieve the above objectives**

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

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

*Skills development.* Hufvudstaden will systematically ensure that its personnel can develop their skills, with a focus on professional know-how and attitudes.

*Business development.* Hufvudstaden will create added value in its property holdings through active business development.

## **Fulfilment of objectives**

### *Financial objectives*

- CREX has not been exceeded.
- According to a proposal by the board, the share dividend will be 75 per cent of the net profit from current operations.
- The adjusted equity ratio was over 40 per cent at the end of 2002.
- Share liquidity in relation to CREX was below the average.

### *Operating objectives*

- Hufvudstaden increased its profit from current operations during the year by 19 per cent.
- Hufvudstaden came second in the Fastighetsbarometern Customer Satisfaction Survey.
- Hufvudstaden is working steadfastly to develop its property holdings. Several projects were commenced during the year.
- The programme aimed at individual adaptation of each employee's development continued during the year.

## Five-year summary

<b>Income statements</b>					
SEK m	2002	2001 <sup>(1)</sup>	2000 <sup>(1)</sup>	1999 <sup>(1)</sup>	1998 <sup>(1)</sup>
Net sales					
Property management	1,236	1,135	1,050	866	734
Other operations	112	125	95	79	171
	1,348	1,260	1,145	945	905
Operating expenses					
Maintenance, operation and administration	-338	-347	-331	-255	-173
Ground rents	-33	-31	-38	-18	-15
Property tax	-129	-103	-91	-61	-54
Depreciation	-98	-92	-128	-128	-100
Property management	-598	-573	-588	-462	-342
Other operations	-97	-102	-73	-65	-140
	-695	-675	-661	-527	-482
Gross profit	653	585	484	418	423
of which Property management	638	562	462	404	392
of which Other operations	15	23	22	14	31
Central administration	-36	-32	-28	-33	-31
Items affecting comparability	24 <sup>(2)</sup>	19	271	362	48
Operating profit	641	572	727	747	440
Financial income and expense	-188	-191	-229	-170	-184
Profit before tax	453	381	498	577	256
Tax	-116	102 <sup>(3)</sup>	-129	-53	-17
Profit for the year	337	483	369	524	239
<b>Balance sheets</b>					
Assets					
Properties	10,566	10,563	10,535	7,116	7,909
Other fixed assets	111	181	213	324	410
Current assets	275	247	363	136	142
Total assets	10,952	10,991	11,111	7,576	8,461
Equity and liabilities					
Equity	4,791	4,666	4,362	3,310	2,921
Interest-bearing liabilities	3,766	4,062	4,248	3,638	4,919
Other liabilities and allocations	2,395	2,263	2,501	628	621
Total equity and liabilities	10,952	10,991	11,111	7,576	8,461
<b>Property holdings<sup>(4)</sup></b>					
Tax assessment value, SEK m	12,001	9,554	8,357	5,736	6,178
Rentable floor space, 1,000 sq. m	436	435	430	429	587
Acquisition of properties, SEK m	-	-	2,720	82	3,360
Investments in properties, SEK m	101	123	134	66	21
Property sales, SEK m	-	3	676	813	146
Operating net, SEK per sq. m <sup>(5)</sup>	1,687	1,504	1,373	1,239	839
<b>Key ratios</b>					
Gross margin, %	48.4	46.4	42.3	44.3	46.8
Return on equity, %	7.1	10.7	9.6	16.8	10.4
Return on capital employed, %	7.6	6.9	9.6	10.5	7.4
Interest coverage, multiple	3.2	2.8	3.0	3.9	2.2
Reported equity ratio, %	43.7	42.4	39.3	43.7	34.5
Debt/equity, multiple	0.8	0.8	0.9	1.1	1.7
Mortgage ratio, properties, %	35.6	38.5	40.3	51.1	62.2
Cash flow from current operations, SEK m	540.0	376.6	331.6	425.6	35.7
Cash flow for the year, SEK m	-1.6	-87.5	150.9	-1.0	31.6
Floor space vacancy level, %	9.2	3.9	2.6	4.1	3.3
Rental vacancy level, %	9.3	3.9	1.9	3.7	2.5
Average number of employees in the Group	133	141	108	127	232
<b>Share data</b>					
Profit for the year, SEK	1.60	2.29	1.96	2.86	1.31
Dividend, SEK	1.10	1.00	0.85	0.78	0.74
Dividend proportion, %	68.9	43.7	43.4	27.4	56.5
Equity, SEK	22.68	22.08	20.65	18.07	15.95
Book value of properties, SEK	50.01	50.00	49.86	38.86	43.19
Cash flow from current operations, SEK	2.56	1.78	1.88	2.33	0.19
Cash flow for the year, SEK	-0.01	-0.41	0.86	-0.01	0.18
Share price, Series A, at year-end, SEK	27.00	26.30	31.00	27.23	21.69
P/E ratio, multiple	16.9	11.5	15.8	9.5	16.5
Share price/equity, %	120.4	118.6	150.1	150.7	136.0
Direct yield, %	4.1	3.8	2.7	2.9	3.4
Number of shares at year-end	211,271,933	211,271,933	211,271,933	169,017,547	169,017,547

(1) Hufvudstaden changed accounting principles during 2001. The comparative figures for 2000 have been recalculated in accordance with RR5, Reporting of Changes in Accounting Principles. No recalculation has been made for 1998–1999.

For definitions, see page 64.

(2) Items affecting comparability refer mainly to the change in conditions in conjunction with the refund from Alecta.

(3) The positive tax outcome can be attributed to adjustments made in previous years.

(4) Excluding Förvaltnings AB Birger Jarl 1998.

(5) The calculation was based on the number of square metres at the year-end.

# Share capital and ownership structure

## Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a par value of SEK 100. To date, three new share issues, four non-share issues, nine bonus issues and four share splits have been implemented. Three convertible subordinated loans have also been issued. All these loans have been converted or redeemed. At the end of 2002, the share capital amounted to SEK 1,056.4 million. The par value of each share is SEK 5.

and SEB Trygg Liv's shareholding amounted to 11.5 per cent of the capital and 2.4 per cent of the votes.

As of December 31, 2002, institutions with holdings of over 100,000 shares held a total of 195,089,491 shares, equivalent to 92.3 per cent of the total number of shares and 98.1 per cent of the votes. Of these, 40 were Swedish institutions, which together held a total of 185,883,866 shares, equivalent to 88.0 per cent of the capital and 96.6 per cent of the votes. There were 10 foreign institutions with hold-

Change in share capital						
	Increase in share capital, SEK m	Share capital, SEK m	Nominal value, SEK m	Series A, shares	Series C, shares	Total number of shares
1995 Brought forward		632.6	5.00	121,183,661	5,333,310	126,516,971
1995 Conversion of subordinated loan		632.6	5.00	121,183,766	5,333,310	128,517,076
1996 Conversion of subordinated loan	36.2	668.8	5.00	128,422,078	5,333,310	133,755,388
1997 Bonus issue, split 3:1, share capital reduced through share redemption		668.8	5.00	128,442,078	5,333,310	133,755,388
1998 Non-cash issue	176.3	845.1	5.00	162,374,605	6,642,942	169,017,547
2000 New issue 1:4	211.3	1,056.4	5.00	202,968,256	8,303,677	211,271,933
2001 Transformation of C-shares		1,056.4	5.00	202,995,964	8,275,969	211,271,933
2002 Transformation of C-shares		1,056.4	5.00	202,996,109	8,275,824	211,271,933

## Share classes

Hufvudstaden has two share classes, Series A and Series C.

Of the total number of shares in the company, 202,996,109 shares are Series A and 8,275,824 shares are Series C. Both classes are listed on the OM Stockholm Stock Exchange A list. Series A shares carry one vote per share and the trading lot is 500 shares. Series C shares carry 100 votes per share and the trading lot is 500 shares.

Series A shares were first listed in 1938, on what was at the time the Stockholm Stock Exchange, whilst Series C shares were first listed in 1998.

According to a decision reached at the 2001 Annual General Meeting, a so-called transformation provision was included in the Articles of Association. This means that C-shareholders, if they wish, are entitled to request transformation of their C-shares into A-shares. During the year, 145 C-shares were transformed in this way.

## Ownership structure

The number of shareholders at the year-end was 22,491. The largest shareholder was L E Lundbergföretagen with 44.2 per cent of the capital and 87.6 per cent of the votes. Livförsäkringsaktiebolaget Skandia's shareholding amounted to 14.8 per cent of the capital and 3.0 per cent of the votes

ings of over 100,000 shares. Their holdings amounted to 6,464,179 shares, equivalent to 3.0 per cent of the total number of shares and 0.6 per cent of the total number of votes. In addition, five Swedish private individuals and one foreign private individual held more than 100,000 shares.

During the year, the number of shareholders fell by 292. The proportion of foreign ownership rose during the year from 2.5 to 3.2 per cent of the capital. As of the year-end, 19,674 shareholders, 87.5 per cent of the total number of shareholders, held 1,000 shares or less. Fifty-five shareholders, each of whom held more than 100,000 shares, held 92.1 per cent of the capital.

The ten largest focused property companies	
December 31, 2002	Market value, SEK m
Drott	8,918.1
Hufvudstaden	5,767.7
Castellum	5,246.2
Wihlborgs	4,775.4
Tornet	4,117.1
Kungsleden	2,749.0
Pandox	1,792.8
Wallenstam	1,531.1
Mandamus	1,530.4
LjungbergGruppen	1,242.2

Source: SIX.



### Market capitalization

At the end of 2002, Hufvudstaden's total market value was SEK 5,767.7 million. The graph shows the price trend and trading in Hufvudstaden's A-shares during the year.

### Dividend policy

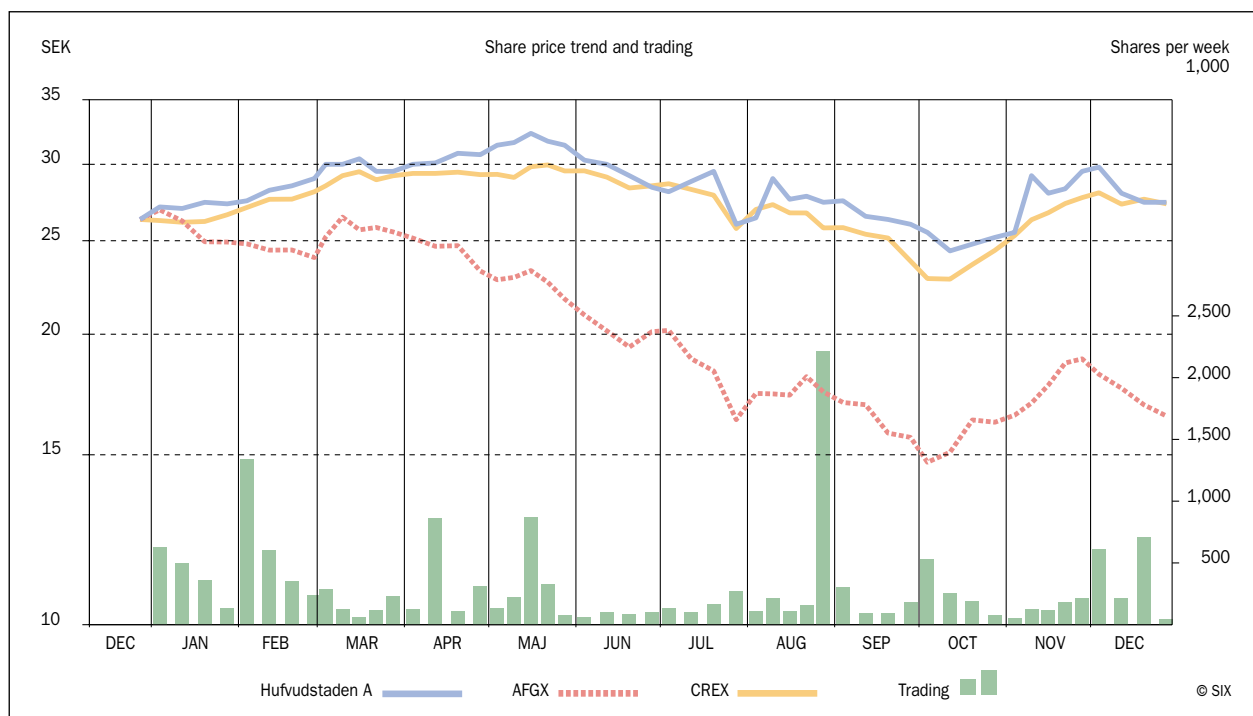
Hufvudstaden aims to pay out more than half the net profit from current operations as a dividend unless investments or the company's financial position generally justify a deviation. A dividend of SEK 1.10 per share is proposed for 2002, equivalent to 68.9 per cent of the profit for the year or 75.2 per cent of net profit from current operations.

Ownership structure as of December 31, 2002 according to VPC

	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %
1 – 500	17,119	76.1	2,244,664	1.1
501 – 1,000	2,555	11.4	1,813,375	0.9
1,001 – 2,000	1,497	6.7	2,114,892	1.0
2,001 – 5,000	804	3.6	2,565,842	1.2
5,001 – 10,000	228	1.0	1,663,080	0.8
10,001 – 20,000	132	0.6	1,886,032	0.9
20,001 – 50,000	71	0.3	2,109,705	1.0
50,001 – 100,000	30	0.1	2,164,163	1.0
100,001 –	55	0.2	194,710,180	92.1
Total	22,491	100.0	211,271,933	100.0

The ten largest shareholders as of December 31, 2002 according to VPC

	Series A shares	Series C shares	Total number of shares	Proportion of share capital, %	Proportion of votes, %
L E Lundberg Holding AB	85,141,229	8,177,680	93,318,909	44.2	87.6
Skandia	31,218,246		31,218,246	14.8	3.0
SEB Trygg Liv	24,338,157		24,338,157	11.5	2.4
Investment AB Latour	7,500,000		7,500,000	3.5	0.7
Försäkringsbolaget Pensionsgaranti	4,696,375		4,696,375	2.2	0.5
Alecta	3,766,972		3,766,972	1.8	0.4
Boston Safe Deposit and Trust Co.	2,872,289		2,872,289	1.4	0.3
Robur	2,792,619		2,792,619	1.3	0.3
KK-stiftelsen	2,000,000		2,000,000	0.9	0.2
Eikos, Lunden Kapitalförvaltning	1,983,500		1,983,500	0.9	0.2
Other shareholders	36,686,722	98,144	36,784,866	17.5	4.4
Total	202,996,109	8,275,824	211,271,933	100.0	100.0



The above graph shows the share price trend from January 2002 in relation to the Carnegie Real Estate Index (CREX) and the Affärsvärlden General index (AFGX).

Mäster Samuelsgatan/Birger Jarlsgatan, Stockholm.

1 Georg Jensen, jeweller. 2 Prinsen, restaurant. 3 Konsthantverkarna, store.



1



2



## *Market description*

Hufvudstaden's markets are central Stockholm and central Gothenburg, where the company owns office and retail properties in the central business districts of the city centres. This makes Hufvudstaden one of the most specialized and concentrated property companies in Sweden.

Economic growth is concentrated in the city regions, where Stockholm's position in relation to Sweden in general is becoming more distinct. Gothenburg is also expected to show a stable rate of growth despite the general weakening of the economy.

### **Expanding regions**

One of the most striking features of the property market in Sweden and throughout the rest of Europe is the concentration of population growth and commercial expansion in the city regions.

The Stockholm area has for a long time been the driving force in the country's economy and is one of the most expanding regions in Europe. No other region in Sweden can be compared with Stockholm with regard to rents and rent trends for commercial property. Wirschaftswoche puts Stockholm top of the list of European cities with growth potential. Deloitte & Touche also put Stockholm among the leaders in a similar survey. The unemployment rate in Stockholm is the lowest in Sweden.

A region's size is of major significance to its economic growth and Stockholm must be deemed to be the only European city in Sweden in terms of size. Stockholm accounts for fifty per cent of the growth in Sweden and has twenty per cent of the country's population. In 2002 the three city regions accounted for ninety per cent of the increase in the population of Sweden. Gothenburg has also developed positively and is becoming increasingly important in the development of western Sweden. Within a radius of 300 kilometres there is fifty per cent of the industrial capacity of Scandinavia and there is a substantial international presence. The number of foreign-owned companies has increased from 450 to almost 900 in just a few years. The Gothenburg region has a well-developed infrastructure, the population is increasing more quickly and unemployment is lower than in Sweden as a whole. The largest companies (in terms of number of employees) are the Volvo Car Corporation, the Volvo Truck Corporation, Ericsson, Astra Zeneca, SKF, SCA, EKA, the Lear Corporation and SAS.

### **The property market**

The operating net trend and direct yield demands are vitally important to the property market. Property acquisitions made during the year in the most central parts of Stockholm and Gothenburg demonstrated that direct yield demands have increased slightly. The direct yield demands for modern office and retailing properties in these locations was five to six per cent in Stockholm and six to seven per cent in Gothenburg. The availability of commercial property increased during the year. Foreign purchasers are showing a greater interest in the Swedish property market. During the year foreign players invested over SEK 15 billion in Swedish properties.

### **Investments in office and retailing premises**

Stockholm has around 27 million square metres of non-residential premises. Investment in commercial premises during the year amounted to around 250,000 square metres. The addition of new premises currently exceeds the demand for modern, well-situated offices. The need for new premises has fallen but is still around 200,000 square metres per year. Current and planned projects will probably generate over 300,000 square metres of space over the next two years.

Major projects in the city include Klara Zenit on Drottninggatan, City Cronan, Jericho and Kungstrappan near Regeringsgatan and Elefanten in Klara. These projects have in the main already been rented out. Several current projects can also be mentioned – 34,000 square metres at Frihamnen, where the tenants will include OM. At Fatburen in Södermalm 46,000 square metres of office space are being produced for, among others, the Tax Authority. However, several major projects directly outside the central 'Tull' areas still remain vacant, mainly in Kista, Bergshamra, Liljeholmen and Frösunda.

In Gothenburg there are six million square metres of commercial and retailing space, of which 4.7 million square metres are commercial. Several major office projects have been planned or commenced in Gothenburg. These include new construction of 8,300 square metres at the Central Station, 5,000 square metres of new premises at the Ford plant on Odingatan and 3,000 square metres in the old Riksbank building. At Lindholmen, five projects are coming to a close and will be completed during 2003, including a building for Ericsson totalling 36,000 square metres. Lindholmen/Norra Älvstranden will expand strongly during the



next few years. The area will be adapted mainly to research and companies in the automotive, media and telecom industries.

#### Rental market in Stockholm

The level of vacant office space in Stockholm rose during the year while the demand for centrally-located office space fell, both in peripheral and central locations. The demand for prime location retailing premises, however, was stable. The transfer amounts for store premises has fallen considerably. The result was a slightly weaker rental market with a levelling out of store rents and falling office rents.

#### Offices

The demand for office space is primarily for central locations in the Tull areas and the immediately surrounding suburbs, close to the Tull areas and public transport. The demand is changing increasingly from traditional cell offices to efficient combi-offices or open landscapes, where the cost per employee can be reduced and in-house contact improved.

Market rents for modern offices fell during the year. Despite this, rents of SEK 4,000–4,800 per square metre per year, excluding the property tax supplement, were noted within the Golden Triangle. In adjoining areas – at Stureplan, Hötorget, Drottninggatan, Hamngatan, Regeringsgatan, Vasagatan and the World Trade Center – offices were leased for between SEK 3,000 and 4,000 per square metre per year, excluding the property tax supplement.

In central Stockholm, the amount of vacant space is higher than the previous year.

The level of vacant space in Stockholm rose during the year to between six and eight per cent in the city (three to four per cent the year before) and between eight and fifteen per cent (three to six per cent the year before) in the 'Malm' areas and in neighbouring suburbs such as Kista, Liljeholmen, Alvik, Globen and Nacka Strand.

#### Stores

There was a strong demand during the year for store premises in prime locations although such premises were generally not available. The good level of demand can be attributed to the increased purchasing power of households. The most sought-after retail areas are in the Golden Triangle and at Stureplan, parts of Grev Turegatan, Norrmalmstorg, Kungsgatan, Drottninggatan and Hamngatan. Biblioteksgatan in the Golden Triangle and the NK department store on Hamngatan have assumed the position of being the most exclusive store locations. The rent for prime sales

space is between SEK 10,000 and 12,000 per square metre per year, excluding the property tax supplement. This area has also become attractive for so-called flagship stores – stores selling brand-name products.

#### Rental market in Gothenburg

The rental market for office space in central Gothenburg is marked by a balance between supply and demand. Gothenburg has further reinforced its position as the most interesting market in Sweden after Stockholm. In the office segment, there is considerable interest in finding modern, efficient, centrally-located premises despite the fact that demand for pure office premises in the region as a whole has fallen during the year.

#### Offices

The rent trend in the central parts of Gothenburg has been stable. The trend, however, is uncertain, due largely to the fact that vacant space is already in excess of five per cent and large construction projects are in progress in the central areas of the city. Further major office projects could become a reality if the level of vacant space were to fall and the rent levels were to rise or remain at their present level. New construction of office premises is planned over the next few years at a cost of SEK 5,000 million. In the most attractive locations, market rents are between SEK 1,600 and SEK 2,000 per square metre per year, excluding the property tax supplement. The best positions for offices in the centre are felt to be the Inom Vallgraven areas, particularly the areas near the Hamngatans, as well as Nordstan, Kungportsavenyn and Gullbergsvass. Vacant space in the central areas of Gothenburg remained generally unchanged during the year at between five and six per cent.

Market rents, December 2002, Stockholm and Gothenburg (excluding the property tax supplement)

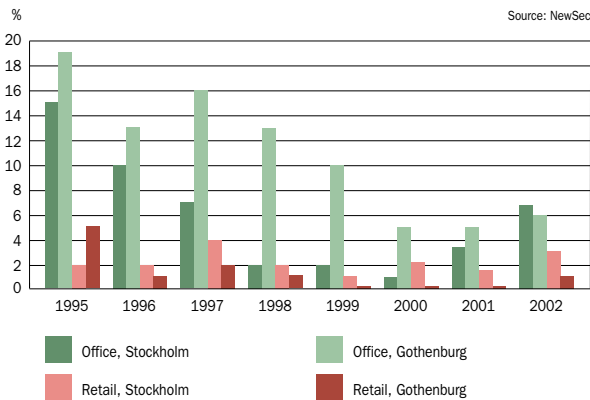
Sub-market	Offices, SEK/sq. m /year	Stores, SEK/sq. m /year
<i>Stockholm</i>		
Golden Triangle	4,000 – 4,800	7,500 – 12,000
Other city areas	3,000 – 4,000	3,500 – 10,000
Östermalm	2,400 – 3,300	3,000 – 8,500
Gamla Stan	1,900 – 2,800	2,500 – 5,000
Slussen/Södermalm	1,700 – 2,700	2,500 – 4,000
Kungsholmen	1,700 – 2,500	2,000 – 4,000
Liljeholmen	1,500 – 1,900	1,200 – 1,800
Globen	1,600 – 2,000	3,500 – 4,500
Kista	1,300 – 1,900	3,500 – 5,000
<i>Gothenburg</i>		
Central Gothenburg	1,600 – 2,000	5,000 – 8,500

## Stores

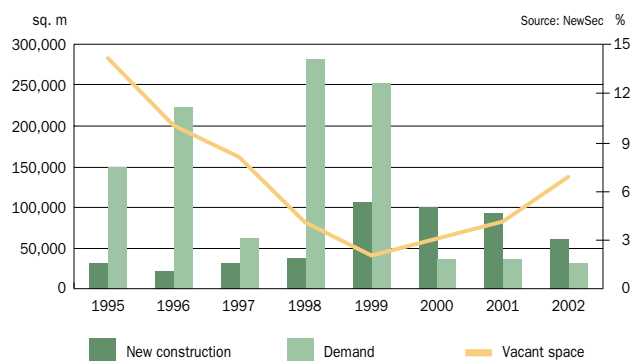
Rents for stores in prime locations remained unchanged during the year. In Nordstan rents of between SEK 5,000 and SEK 8,500 per square metre were noted, excluding the property tax supplement. Trade increased during the year. The availability of vacant retailing space was very limited, less than one per cent, while demand was high. The trans-

formation of Gothenburg from a traditional industrial centre into a city with a more differentiated, service-oriented business sector has had a positive impact on trade. The best positions for stores in central Gothenburg are felt to be Nordstan, Fredsgatan and Kungsgatan between Fredsgatan and Västra Hamngatan.

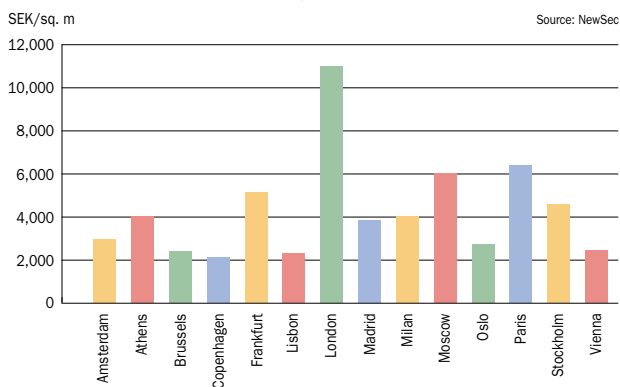
Vacant office and retailing space  
Stockholm and Gothenburg



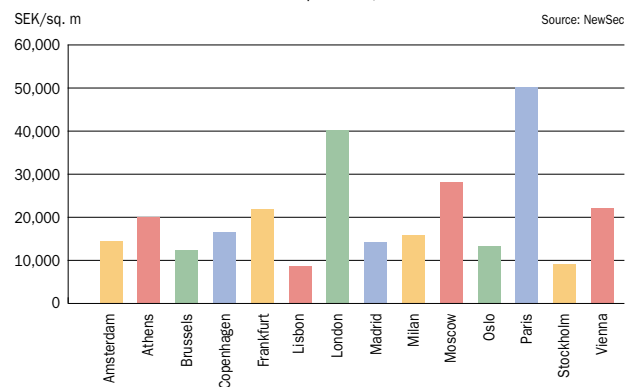
New construction, demand and vacant space, office premises  
Central Stockholm



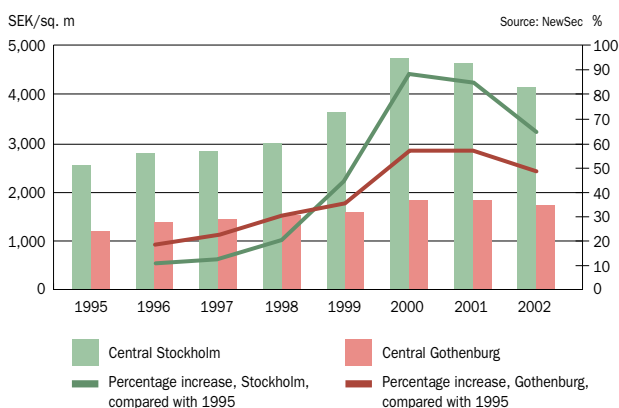
Office rents in European cities  
Prime location premises, December 2002



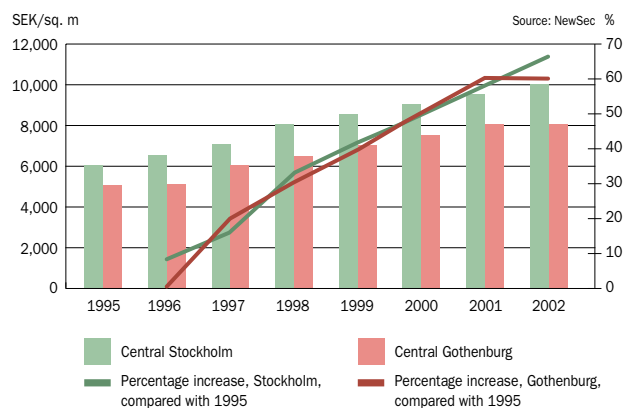
Store rents in European cities  
Prime location premises, December 2002



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



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



# Stockholm Business Area

## Property holdings

At the year-end, the Stockholm Business Area consisted of 27 properties (28)<sup>(1)</sup>. The properties had a book value of SEK 7,645.1 million (7,659.6). The rentable space was 288,473 square metres (288,162). The rental vacancy level was 11.8 per cent (5.1) and the floor space vacancy level was 11.6 per cent (5.3). Excluding Norrmalmstorg 1 the rental vacancy level was 8.1 per cent and the floor space vacancy level was 8.1 per cent.

The property holdings are almost entirely commercial and consist mainly of office and retailing premises.

## Gross profit

The gross profit for the Stockholm Business Area was SEK 472.5 million (401.1), an increase on the preceding year of 17.8 per cent or 7.3 per cent excluding special projects. The net turnover was SEK 833.5 million (764.9), an increase of 9.0 per cent. Costs amounted to SEK 361.0 million (363.8). Special projects accounted for SEK 49.0 million (84.8) of the costs.

New leases were signed totalling 15,935 square metres (11,350), equivalent to annual rent revenue of SEK 63.3 million (52.5). Renegotiated lease agreements totalled 45,426 square metres (37,319), equivalent to annual rent revenue of SEK 173.5 million (152.2).

## Development of holdings

During the year, the development project at the Norrmalmstorg 1 property was commenced. The project com-

prises office reconstruction, with Danske Bank as a main tenant, and store reconstruction with Zara as a main tenant. The project will to a large extent be completed by the end of 2003.

## Rental market

The rental market within the Business Area was marked during the latter half of the year by a fall in demand and increased availability, resulting in a fall in market rents.

The market rents for office premises in the most attractive locations were between SEK 4,000 and SEK 4,800 per square metre per year, excluding the property tax supplement.

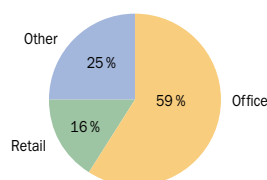
The rental market for retailing premises was stable and market rents for prime locations were between SEK 10,000 and SEK 12,000 per square metre per year, excluding the property tax supplement.

## Tenants

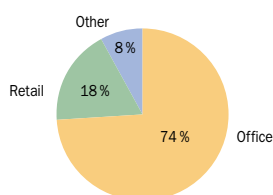
The tenant structure within the Stockholm Business Area consists mainly of companies that value centrally-located, high-quality premises. The dominant sectors are investments banks, law firms, advertising agencies, IT and media companies and companies within the banking and finance sector. In total, there are 615 tenants within the Business Area, consisting of 199 offices, 127 stores, two cinemas, 14 restaurants and 273 storage and miscellaneous premises. The ten largest tenants lease 51,059 square metres (55,119), representing annual rent revenue of SEK 205.2 million (185.8).

(1) Through a property arrangement two properties in the Pumpstocken block were merged into one.

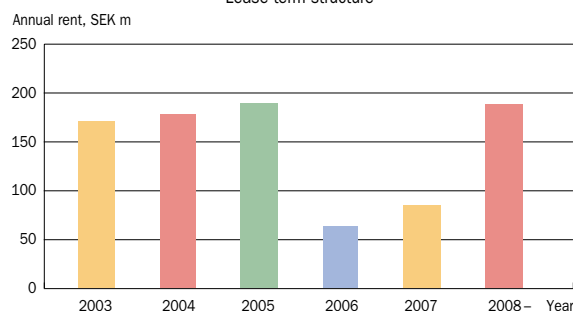
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure



### Other operations <sup>(2)</sup>

Other operations in the Stockholm Business Area refer to two types of business operation.

At the World Trade Center, a wholly-owned subsidiary runs conference and restaurant operations with net sales of SEK 42.7 million.

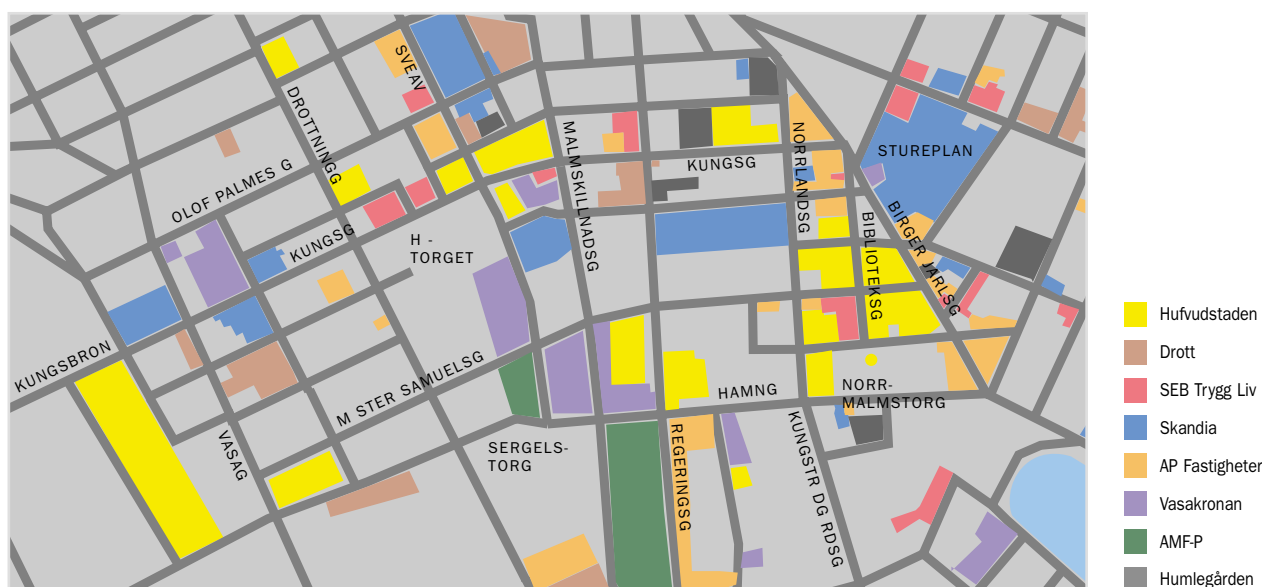
At Norrmalmstorg 1, a wholly-owned subsidiary ran hotel operations. Net sales amounted to SEK 10.5 million. Hotel operations were wound up in June 2002.

Revenue from Other operations within the Stockholm Business Area amounted to SEK 53.2 million (67.7), costs amounted to SEK 53.1 million (60.0) and the operating profit was SEK 0.1 million (7.7).

### Division of Business Area

During the autumn the Stockholm Business Area was divided into two units. The Stockholm City East Business Area includes 19 properties, with a book value of SEK 4,299.7 million and rentable floor space of 115,854 square metres. The Stockholm City West Business Area includes eight properties, with a book value of SEK 3,345.4 million and rentable floor space of 172,619 square metres.

(2) For details of net sales and profit for 2001–2002, see Note 2, page 45.



Major property owners in central Stockholm.

Source: Leimdörfer.



# Gothenburg Business Area

## Property holdings

At the year-end, the Gothenburg Business Area consisted of four properties (4). The properties had a book value of SEK 817.4 million (816.0). The rentable space was 58,758 square metres (58,084). The rental vacancy level was 5.3 per cent (2.1) and the floor space vacancy level 7.3 per cent (2.0).

The property holdings are entirely commercial and consist of four office and retailing buildings. The largest building houses the Femman shopping precinct, which is in turn part of the Nordstan shopping centre. Nordstan receives more than 30 million visitors each year. Hufvudstaden is the largest individual partner in the Östra Nordstaden Co-operative Association, which owns and manages the Nordstan Car Park as well as the square and pedestrianised streets.

## Gross profit

The gross profit for the Gothenburg Business Area was SEK 78.2 million (60.9), an increase of 28.4 per cent. Net sales totalled SEK 123.0 million (109.0), an increase of 12.8 per cent. Costs amounted to SEK 44.8 million (48.1).

New leases for offices and stores were signed totalling 2,921 square metres (2,251), equivalent to annual rent revenue of SEK 4.8 million (4.0). Renegotiated leases totalled 16,319 square metres (11,145), equivalent to annual rent revenue of SEK 25.7 million (23.8).

## Development of holdings

During the year the Inom Vallgraven 12:10 property was rebuilt, which meant, among other things, that Citypassagen has been converted into retailing space. The Cervera store at Södra Hamngatan 55 has thus doubled its sales area.

The Victoria cinema will be converted into a store during 2003.

A new tourist and information building has been constructed at Nordstadstorget by the Östra Nordstaden Co-operative Association.

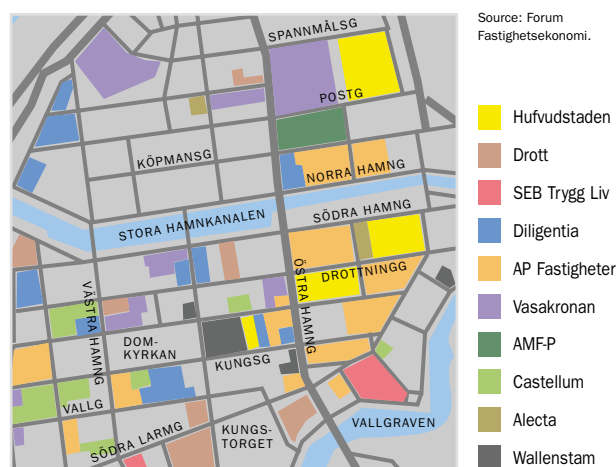
## Rental market

The rental market was stable during the year. Vacant space and rent levels remained unchanged.

The market rent for office premises in prime locations was between SEK 1,600 and SEK 2,000 per square metre per year, excluding the property tax supplement, with top rents of SEK 2,100 per square metre per year. In the case of store rents, the market rent trend continued to be good. Prime location premises attracted rents of between SEK 5,000 and SEK 8,500 per square metre per year, excluding the property tax supplement.

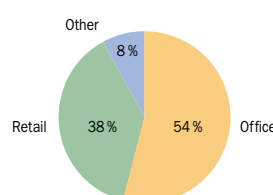
## Tenants

The tenant structure within the Business Area consists principally of companies that require centrally-located, high-quality premises. The dominant sectors are law firms, accountants, the media, telecommunications companies, public authorities and organisations. In total, there are 124 tenants within the Business Area, consisting of 41 offices, 69 stores, five restaurants and nine storage and miscellaneous premises. The ten largest tenants lease 27,246 square metres (26,735), representing annual rent revenue of SEK 50.3 million (45.7).

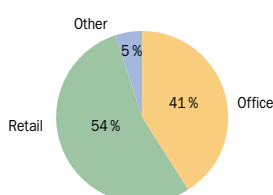


Major property owners in central Gothenburg.

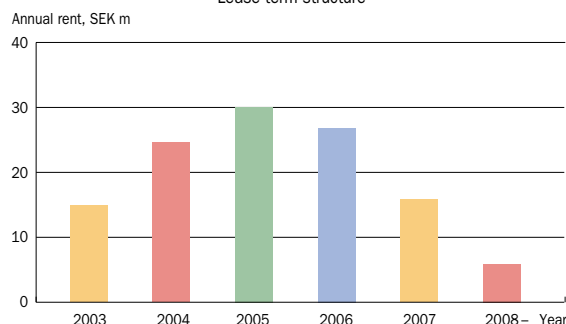
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure





1



2

1 NK Gothenburg, Fredsgatan. 2 Forsman Bodenfors, advertising agency. 3 NK Details.



# NK Business Area

## Property holdings

At the year-end, the NK Business Area consisted of the NK department stores in Stockholm and Gothenburg and the Parkaden parking company in Stockholm. The properties had a book value of SEK 2,103.2 million (2,087.0). The rentable space was 89,030 square metres (88,316). The rental vacancy level was 3.1 per cent (0.6) and the floor space vacancy level was 2.5 per cent (0.8).

At the year-end, the NK Department Store in Stockholm had 99 shops and six restaurants and cafés. The rentable store space was 25,241 square metres (24,400). Sales amounted to SEK 1,627.1 million (1,728.2). Apart from the department store, the building also housed 11,778 square metres of office premises (12,100).

At the year-end, the Parkaden multi-storey car park in Stockholm had 800 parking spaces. The rentable floor space was 36,350 square metres (36,350).

At the year-end, the NK department store in Gothenburg had 43 shops, and four restaurants and cafés. The rentable store space was 10,118 square metres (10,088). Sales amounted to SEK 396.4 million (403.8). Apart from the department store itself, the building also housed 5,543 square metres of office premises (5,375).

## Gross profit

The gross profit for the NK Business Area was SEK 87.3 million (99.1), a fall on the preceding year of 11.9 per cent. Excluding special projects the profit increased by 12.9 per cent. Net sales totalled SEK 279.7 million (260.5), an increase of 7.4 per cent. Of the net sales, SEK 11.5 million (20.1) was in the form of a so-called turnover-based rent supplement and SEK 24.4 million (23.3) was in the form of costs passed on for the operation of leased areas and common areas. Costs totalled SEK 192.4 million (161.4), of which SEK 37.3 million (11.3) was for special projects, mainly the lower floor of NK Stockholm.

New leases for offices and stores were signed totalling 4,814 square metres (2,252), equivalent to annual rent revenue of SEK 26.7 million (7.8). Renegotiated leases totalled 13,062 square metres (8,560), equivalent to annual rent revenue of SEK 53.5 million (40.9).

## Development of holdings

During the year NK Stockholm has been renewed and developed in several areas. The greatest change has been on the lower floor of NK Stockholm, where extensive reconstruction has taken place and new retailing space created. The NK Market Hall and several new and rebuilt departments were opened during autumn 2002.

An agreement in principle has been reached between the City of Stockholm and the property-owners concerned regarding the refurbishment of the underground pedestrianised area between Sergels Torg and NK, the so-called Hästskogängen.

Several stores carried out rebuilding work during the year and in doing so developed their business concept and competitiveness. New departments were opened during the year, with brand names such as Prada, Hugo Boss, J Lindeberg and Georg Jensen. During 2003 the renewal process will continue both at NK Stockholm and at NK Gothenburg.

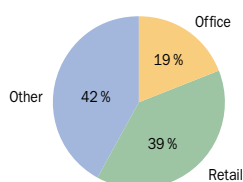
## Rental and retailing markets

The rental market for store premises continued to be good during the year. The NK department stores are in the very best positions in both Stockholm and Gothenburg.

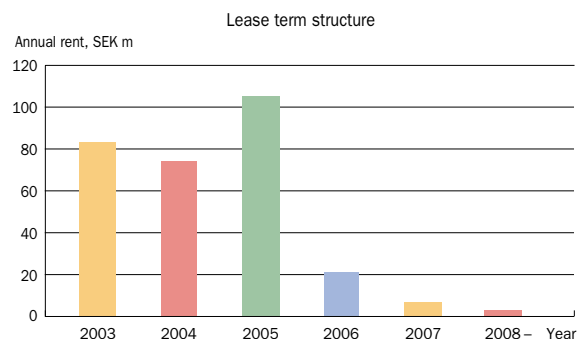
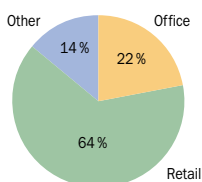
Following renegotiation and new leases, agreements for prime retailing space were signed with rent levels of between SEK 10,000 and 13,000 per square metre per year, excluding the property tax supplement.

The retail trade in Sweden reported a good year. According to the Retail Survey Institute (HUI), sales at current prices increased within the non-daily products sector by 5.3 per cent. Ready-made clothing sales fell by 0.1 per cent.

Rentable floor space by type of premises



Annual rent by type of premises





### Tenants

The Business Area's tenants represent strong, well-known brands that place considerable emphasis on establishing operations in attractive marketplaces. Many of the strongest international and Swedish brands are represented at the NK department stores. The office tenants include advertising agencies, international banks, management consultants, investment companies and law firms. In total, there are around 131 tenants within the Business Area, consisting of 12 offices, 93 stores, nine restaurants and 17 storage and miscellaneous tenants. The ten largest tenants lease around 17,079 square metres (16,498), representing annual rent revenue of SEK 92.8 million (72.1).

### Other operations<sup>(1)</sup>

The wholly-owned subsidiary Parkaden AB runs parking operations in three properties owned by Hufvudstaden in Stockholm: Parkaden, which has 800 parking spaces, Continentalgaraget which has 430 spaces, and Roddaren, which has 115 spaces.

Income from Other operations within the NK Business Area increased by SEK 1.0 million to SEK 58.5 million (57.5). Costs increased to SEK 43.6 million (41.7). Operating profit amounted to SEK 14.9 million (15.8).

### Business plan – NK

#### *Vision*

NK<sup>(2)</sup> will be a world-class department store.

#### *Business concept*

Nordiska Kompaniet<sup>(3)</sup> will own, run and develop the department stores under the NK brand name and with a carefully-considered choice of sectors, brands and sub-contractors, who will contribute to the NK concept<sup>(4)</sup>. NK will aim at consumers with an international perspective who are looking for inspiration and who have high expectations with regard to purchasing experiences.

#### *Operating objectives*

- Nordiska Kompaniet will gradually increase profit on current operations.
- The NK department stores will be perceived by the consumers as a world-class marketplace with regard to range, reception, atmosphere and function.
- Nordiska Kompaniet will ensure a carefully-considered selection of sectors, brand names and emerging entrepreneurs to safeguard and promote the NK concept.

- Nordiska Kompaniet will have the most professional employees in the industry, who display a passion for the customer/consumer, business acumen, professional know-how and the NK concept.
- NK retailers will have the most professional employees in the industry, who display a passion for the consumer, business acumen, professional know-how and the NK concept.

### Strategies employed to achieve the objectives

#### *Customer focus*

- Nordiska Kompaniet will, through active interaction and close dialogue, stimulate and inspire the retailers to develop their operations within the NK concept.
- Nordiska Kompaniet will carefully and systematically evaluate and select NK retailers on every occasion.
- Nordiska Kompaniet will systematically develop knowledge of the tenant's operations within each sector and on the market generally.

#### *Competence development*

- Nordiska Kompaniet will adopt a systematic approach to ensuring employees' competence development, with a focus on both professional know-how and attitudes.
- Nordiska Kompaniet will systematically ensure that in terms of know-how the NK retailers develop their employees, with a focus on both professional know-how and attitudes.

#### *Business development*

Nordiska Kompaniet will, through active business development, create added value in the NK brand name.

#### *Fulfilment of objectives*

- During the year Nordiska Kompaniet increased its profit from current operations by 13 per cent, excluding special projects.
- During the year Nordiska Kompaniet developed the lower floor of NK Stockholm and established some ten new departments in Stockholm and Gothenburg.
- Nordiska Kompaniet has been actively involved in NK Training, a training programme for employees at the NK department stores. Some 120 training sessions have been run with around 1,500 participants.

(1) For details of net sales and profit for 2001–2002, see Note 2 on page 45.

(2) Registered brand name and logo. The strong identity used in everyday language as a definition of the department stores in Stockholm and Gothenburg.

(3) The company name, which refers to the company with the registered name AB Nordiska Kompaniet.

(4) The NK operating form, which means that operations are run under the NK brand name in a form similar to a department store.

## *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 tenants, adapt offices and stores to new conditions. The process of developing the properties should be constantly reviewed. Small changes and improvements are made regularly.

Development projects can be divided into three main areas: reconstruction and investment in existing properties, development of existing and new building rights and the acquisition of project properties. These investments result in the premises acquiring a higher technical standard and more efficient planning of the available floor space. The measures taken give the tenants a better product and Hufvudstaden a better operating net in the long term.

Three projects were started during the year: the lower floor of NK Stockholm, NK Gothenburg and Norrmalmstorg 1. Costs and investments for these projects totalled SEK 154.3 million at the year-end, of which SEK 86.3 million has been taken up as a cost. The majority of these projects will be completed during 2003.

### **NK Stockholm, lower floor**

The majority of the reconstruction of the lower floor of NK Stockholm was completed in time for the 2002 Christmas period. The new NK Market Hall and several new or rebuilt stores offer a larger and better range of products and brand names under the banner "Served to your taste". Light and accessibility have been key features in the underlying ideas. New staircases and lifts offer better accessibility and, together with the new stores, have led to an increased flow of customers.

The planned dining room linked to the NK Market Hall and other parts will be completed during 2003. Hästskogängen, which links up to Sergels Torg below ground, will be rebuilt by the City of Stockholm. The underpass will be

given climate treatment and an indoor environment. In conjunction with this, Hufvudstaden will rebuild NK's ground floor facades facing the underpass and the ground floor corner of Hamngatan/Regeringsgatan. The refurbishment of Hästskogängen will commence in 2003.

### **NK Gothenburg, Östra Hamngatan**

The part of NK Gothenburg facing Östra Hamngatan is in need of modernization and will be opened up towards Östra Hamngatan. Initially, a new café, Espresso House, has been built, linked to the facade. The café customers sit almost out on the street itself.

It is planned that in 2003 the facade will be opened up with large, glazed sections. The entrance roof will also be lifted and other parts nearest the facade will be upgraded. This gives more life and makes the department store more open. The commercial impression is reinforced and accessibility will increase. The department store will be perceived as being more attractive and with a more distinct structure for the customers.

### **Norrmalmstorg 1**

The reconstruction and upgrading of the profile building Norrmalmstorg 1 commenced during autumn 2002. By renovating the building and upgrading its content with new, exciting shops on two floors, Hufvudstaden will reinforce the retailing character of the area between Biblioteksgatan and Hamngatan/NK. The property has already been largely rented out. Two major tenants signed contracts during the year with the aim of establishing operations in the building: Danske Bank and Zara (clothing). Danske Bank will rent around 75 per cent of the office space. Following the renovation, the building will regain its former splendour and significance as a commercial landmark at Norrmalmstorg.

## Group brand names

Brand names have become a valuable asset. The value of a brand name consists of its positioning on the market and how well known it is within different target groups.

The brand name should quickly identify and distinguish a company's services and products from those of other companies and should represent a unique product with a recognized image. The brand name is a form of warranty and facilitates the customer's choice.

A well-established brand name provides benefits in the form of brand name loyalty, market shares, increased market shares and income and improved profit margins.

Developments in the future will increase the significance of brand names and the Group's three strongest brand names – Hufvudstaden, NK and World Trade Center Stockholm – are thus a valuable asset.

### Hufvudstaden

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

### Nordiska Kompaniet, NK

NK is one of Sweden's strongest and most well-known brand names. It has reinforced and developed its value since 1902. The principle task of preserving and implementing the long-term build-up of the brand name is the basis of NK's ability to support retailing in the departments stores, generating increased rental income and raising the value of the properties.

The NK brand name now has a very strong position among Swedish and international consumers. This success is founded on close co-operation between the property owners, company owners and customers, where co-operation is concretized through the implementation of the property and marketing plans.

### World Trade Center Stockholm

The World Trade Center brand name is known throughout the world and stands for centrally located, high-class office and conference facilities with high-quality service in international trade. It is the symbol of credibility and quality. The strength of the brand name allows the World Trade Center in Stockholm to profile itself as an international, high-class workplace and meeting point. The World Trade Center concept gives the property in Stockholm a unique position on the rental market. Few other buildings in Stockholm can offer its tenants the same broad range of services.

### Parkaden

Parkaden, which runs parking operations at Hufvudstaden, is an important service function for tenants in Hufvudstaden's market areas and offers secure, easily accessible parking in prime locations.

### Femmanhuset

The Femman shopping precinct in Gothenburg is located in Nordstan, the largest shopping centre in western Sweden. Femman has around sixty shops, which together offer a broad range of products in the clothing and other non-food retailing sectors.

HUFVUDSTADEN







NK Stockholm, Regeringsgatan.



## Personnel and organization

### Number of employees

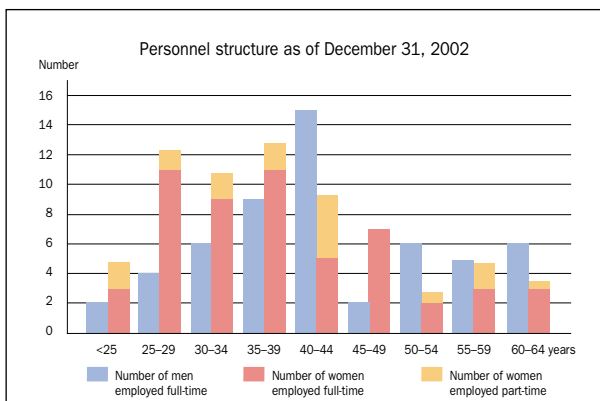
The average number of employees in the Group was 133 (141), calculated on an annual basis. At the year-end, the Group employed 67 women and 55 men, measured on a full-time basis. Thirteen women and no men were employed on a part-time basis. At the year-end, the Parent Company employed 46 women and 46 men, measured on a full-time basis. Six women and no men were employed on a part-time basis. During the year, 14 people left and 14 people joined the Parent Company.

Hufvudstaden's Board of Directors at the year-end consisted of eight men and the senior management team comprised six men and one woman. The boards of the Group's subsidiaries had nine board members, of which one was a woman.

Average number of employees in the Group calculated on a full-year basis				
	Men	Women	Total 2002	Total 2001
<i>Parent Company</i>				
Stockholm Business Area	22	14	36	33
NK Business Area	9	14	23	19
Gothenburg Business Area	5	1	6	5
Other units	12	16	28	25
Total, Parent Company	48	45	93	82
<i>Subsidiaries</i>				
Hotel Stockholm AB	3	6	9	17
Parkaden AB	4	3	7	6
WTC Stockholm AB	8	16	24	36
Total, subsidiaries	15	25	40	59
Total	63	70	133	141

### Competence development

Work continued during 2002 in line with the objective laid down in the business plan that Hufvudstaden should have the most professional personnel in the industry. The programme is aimed at adapting each employee's develop-



Number of employees at the year-end, measured as full-time positions.

ment individually. Training programmes were run during the year to reinforce professional know-how and business skills according to set individual education programmes.

### Bonus system

A Group bonus system was in place during the year. Bonuses are paid to those permanently employed on the basis of profit and customer satisfaction. For managers who are responsible for personnel there is a third criterion – personal assessment (individual objectives). Full-time employees receive a maximum bonus of half a month's salary, subject to a minimum of SEK 15,000. Managers receive a maximum bonus of one month's salary.

A bonus system was in place during the year for senior executives based on achievement of results, customer satisfaction and personal goals. The maximum bonus payable for the year is SEK 500,000 for the managing director and a total of SEK 1,330,000 for other members of the executive management.

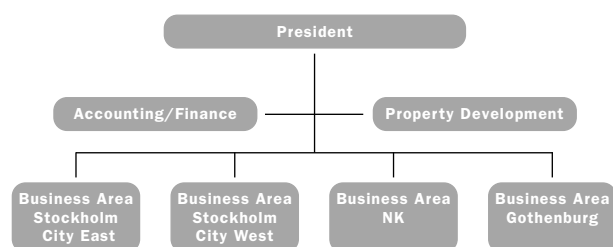
Details of salaries, remunerations and benefits paid to senior executives can be found in Note 6.

### Trade union organizations

Hufvudstaden AB is a member of the employers' association ALMEGA and the trade unions are the Clerical and Technical Employees' Union (SIF), the Swedish Association of Graduate Engineers (CF) and the Building Maintenance Workers' Union at the Parent Company and the Transport Workers' Union at Parkaden. The employers' association for World Trade Center Stockholm AB is the Swedish Hotel and Restaurant Employers' Association, SHR, and the trade unions are the Salaried Employees' Union, HTF, and the Hotel and Restaurant Workers' Union, HRF.

### Organization

With effect from September 1, 2002, Hufvudstaden's operations have been divided into four business areas – Stockholm City East, Stockholm City West, NK and Gothenburg.



## Environment

The starting point for Hufvudstaden's programme is the vision to be at the forefront in property development with the aim of achieving an environmentally-sustainable society. Operations will be directed towards achieving the four long-term environmental objectives that will guide the environmental programme in the right direction. The strategy is to select measures that guide the company towards its environmental objectives and at the same time increase profitability and facilitate forthcoming improvements.

This report contains an account of the environmental objectives and their fulfilment for 2002 as well as the environmental objectives for 2003. Further information about the environmental programme is available on Hufvudstaden's website.

### Environmental objectives and fulfilment during 2002

- *Implement a process where each environmental co-ordinator lays down detailed objectives and formulates a plan of action.* During the year the environmental co-ordinators in the environmental group have worked continuously using the environmental objectives and action plans worked out at the beginning of the year. The areas covered were energy, adaptation of premises and planned maintenance, property operation/management, office/advertising/printed matter, company transport/communication, waste, material built into the properties, know-how/communication, internal demands and customer demands.
- *Incorporate the environmental co-ordinators' detailed objectives into the normal operating plan.* Work on the detailed objectives during the year has been done mainly by the environmental co-ordinators in the environmental group. The aims have in part been incorporated into each business area's operating plan so that they become part of the normal operating plan. This work will continue during 2003.
- *Develop the structure produced for the environmental and quality system.* The environmental and quality system has been developed within the environmental group during the year and is now available to the environmental co-ordinators on the Hufvudstaden intranet. The management system has a process-oriented arrangement and

includes the documents and routines produced by the environmental group during the year. The management system will be developed further during 2003 so that it is available to all employees.

- *Complete the environmental station at the NK department store in Stockholm.* A new environmental station will be brought into operation during 2003 in conjunction with completion of the project for the lower floor of NK.
- *Phase out 70 per cent of the PCB in the properties.* The elimination of PCB in the properties is planned for 2003.
- *Phase out 77 per cent of the remaining halogenated hydrocarbons (HCFC 22).* The total volume phased out was 51 per cent.
- *Reduce overall energy consumption by five per cent.* The total energy consumption during the year was reduced by five per cent.
- *Qualify for inclusion in the Banco Swedish Environmental Fund Top Companies list for 2003.* In December 2002, Hufvudstaden was included in the Top Companies list.

### Environmental objectives 2003

During 2003, Hufvudstaden will work to achieve the following objectives:

- Improve the use of energy by three per cent and improve the reporting tools.
- Phase out 70 per cent of the PCB in the properties.
- Phase out 91 per cent of the remaining halogenated hydrocarbons (HCFC 22).
- Develop environmentally-adapted reconstruction.
- Develop purchasing routines for each operating area.
- Present consultants, contractors and suppliers with environmental demands.
- Improve the efficiency of waste handling and improve reporting tools.
- Develop internal and external communication routines.
- Supplement the competence development plans with environmental courses.
- Qualify for inclusion in the Banco Swedish Environmental Fund Top Companies list for 2004.

## *Opportunities and risks*

Hufvudstaden's potential to influence profits 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 macroeconomic factors, such as the business climate, interest rates, developments in Stockholm and Gothenburg and political decisions. Forward planning and clear strategies are vital if a property company is to handle opportunities and risks successfully.

### **Rent trend**

The rent trend involves both risks and opportunities. The risk is limited, however, by Hufvudstaden's focus 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. The rent level for occupied premises with lease terms longer than three years is tied to the consumer price index. Rent changes take place when the leases are renewed.

### **Property tax**

Increases in property tax constitute a risk although this risk is limited as Hufvudstaden's tenants are debited for a significant proportion of the property tax.

### **Rent loss on vacant premises**

In the event of a downturn in the economy, the vacant space risk is greater for Hufvudstaden's office premises than for the Group's retail premises. There should always be some vacant space to offer tenants the potential to expand, to facilitate refurbishment and to test the market's willingness to accept higher rent levels.

### **Lease terms**

A long average term is an advantage when market rents are declining and a disadvantage when they are rising. Excessively frequent relocation and vacation give rise to considerable adaptation costs for premises. These costs cannot always be compensated for by increased rents.

### **Turnover-based rent**

Turnover-based rent is mainly applied at the NK department stores. Hufvudstaden favours turnover-based rent as it offers upward potential while at the same time the guaranteed minimum rent in turnover-based leases limits the risk of a fall in rents.

### **Concentration on the central Stockholm and central Gothenburg regions**

The concentration of a property portfolio on a geographical market area could involve a potential increase in risk as a result of reduced diversification. In Hufvudstaden's case, however, the risk is limited as Stockholm and Gothenburg are the country's strongest market areas and Sweden's most attractive growth markets. Hufvudstaden's property portfolio is also concentrated on the most commercial and attractive locations in the strongest sub-markets of central Stockholm and central Gothenburg.

### **Bad debt losses**

Bad debt losses occur when customers are put into receivership or for other reasons are unable to meet their payment commitments. This risk always exists but since Hufvudstaden always selects customers with documented business skills and competitive operations, the risk is low. Hufvudstaden works according to the principle of demanding a bank guarantee or guarantee undertaking in conjunction with new leases. Bad debt losses have been low in recent years.

### **Insurance**

All Hufvudstaden's properties are insured for the full value.

As a result of the terrorist attack on the World Trade Center in New York on September 11, 2001, terrorist action is excluded from the normal insurance cover. Special terrorist insurance has been taken out, covering losses up to SEK 25 million.

## Financing

Hufvudstaden's finance function is a Group function, charged with responsibility for financing and liquidity planning. The work is governed by the finance policy decided by the board, which is aimed at securing the Group's financing needs at the lowest possible cost and risk.

Hufvudstaden's aim is to use surplus liquid funds to amortize existing loans and to maintain a credit portfolio with a broad due date spread that permits amortization. Surplus liquid funds not used for amortization may only be invested in instruments with high liquidity and a low risk.

### Financing structure

At the end of the year, Hufvudstaden's borrowing amounted to SEK 3,766.0 million, compared with SEK 4,061.6 million at the end of 2001. The average fixed interest period was 28 months (28), the average capital tie-up period was 28 months (25) and the average interest cost was 5.2 per cent (5.0). Net liabilities at the year-end amounted to SEK 3,629.5 million compared with SEK 3,923.5 million at the end of 2001.

Capital tie-up structure, December 31, 2002			
Maturity date	Volume, SEK m	Share, %	
2003	780.4	21	
2004	905.6	24	
2005	500.0	13	
2006	790.0	21	
2007	790.0	21	
Total	3,766.0	100	

Fixed interest structure, December 31, 2002			
Maturity date	Volume, SEK m	Share, %	Average APR, %
2003	1,060.4	28	4.4
2004	905.6	24	5.3
2005	300.0	8	5.7
2006	1,000.0	27	5.7
2007	500.0	13	5.4
Total	3,766.0	100	5.2

## Sensitivity analysis

The effects on pre-tax profit on a full-year basis in conjunction with changes in a number of factors are reported to the right.

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs and property tax refer to the effects that would have occurred during the 2002 financial year if the changes had occurred at the beginning of 2002.

The reported effects on profit should only be seen as an indication and do not include any effect resulting from compensatory measures the executive management could take and the change in conditions that could arise should certain events occur.

Change in profit before tax		
	Change	Impact on profit before tax, 2003, SEK m
Rent level <sup>(1)</sup>	+/- SEK 100 per sq. m	42
Vacancy level <sup>(2)</sup>	+/- 1 percentage point	13
Operation and maintenance <sup>(3)</sup>	+/- 10 per cent	25
Property tax <sup>(3)</sup>	+/- 1 percentage point	14
Interest level	+/- 1 percentage point	38

(1) Excluding residential leases.

(2) Vacant floor space estimated at SEK 3,000 per square metre.

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



1



2





# Administration Report

The board and the president hereby present the Annual Report and the consolidated accounts for Hufvudstaden AB (publ), company registration number 556012-8240.

The company is a subsidiary of L E Lundberg Holding AB, company registration number 556563-2477.

## Consolidated income statement

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

*Net sales.* Net rental income from property management during the year amounted to SEK 1,236.2 million (1,134.4), which is equivalent to an increase of 9.0 per cent. Of net rental income from property management, the Stockholm Business Area accounted for SEK 833.5 million (764.9), the NK Business Area accounted for SEK 279.7 million (260.5) and the Gothenburg Business Area accounted for SEK 123.0 million (109.0).

*Operating costs.* Property management costs during the year amounted to SEK 598.2 million (573.3), of which SEK 86.3 million (100.3) refers to special projects. Broken down according to business area, the Stockholm Business Area accounted for SEK 361.0 million (363.8), the NK Business Area accounted for SEK 192.4 million (161.4) and the Gothenburg Business Area accounted for SEK 44.8 million (48.1).

The gross profit for the year was SEK 638.0 million (561.1), equivalent to an increase of 13.7 per cent.

### Other operations

Other operations include parking operations at Parkaden, conference operations at the World Trade Center and hotel operations<sup>(2)</sup> at Norrmalmstorg 1, all in Stockholm.

Net sales during the year amounted to SEK 111.7 million (125.2). Costs amounted to SEK 96.7 million (101.7) and gross profit amounted to SEK 15.0 million (23.5).

### Total

*Gross profit.* Gross profit amounted to SEK 653.0 million (584.6), of which Property management accounted for SEK 638.0 million (561.1) and Other operations for SEK 15.0 million (23.5).

*Central administration.* Central administration totalled SEK 35.9 million (32.0) and mainly comprised salary and office overheads for senior executives and Group staffs.

*Items affecting comparability.* Items affecting comparability totalled SEK 23.8 million (18.9) and mainly refer to the effect of a change in conditions in conjunction with a refund from Alecta.

*Financial revenue and expense.* Interest income and similar profit/loss items totalled SEK 19.0 million (22.8).

Interest expense and similar profit/loss items totalled SEK 206.7 million (213.8).

*Tax and tax disputes.* The Group's tax amounted to SEK -116.0 million (+102.4).

During a current tax audit the tax authority has questioned Hufvudstaden's deduction calculation in conjunction with the liquidation of Förvaltnings AB Norrilen. What is at issue is the true size of the loss. Hufvudstaden's assessment is that the deduction of SEK 293 million, which affected the tax calculation in the 2001 annual accounts, is correct and will be finally accepted.

*Profit for the year.* Profit for the year amounted to SEK 337.2 million (482.9).

## Fourth Quarter

The gross profit from property management was SEK 139.0 million (155.1). Excluding costs for special projects the gross profit fell by SEK 5.0 million or 2.7 per cent.

Net rents totalled SEK 315.8 million (310.0), equivalent to an increase of 1.9 per cent, due mainly to rent increases.

Property management costs amounted to SEK 176.8 million (154.9), an increase of 14.1 per cent.

The gross profit from Other operations was SEK 5.4 million (7.6). Net sales totalled SEK 26.2 million (37.7) and operating costs totalled SEK 20.8 million (30.1).

Tax for the period amounted to SEK -28.9 million (+64.1).

(1) The property holdings remained unchanged between 2001 and 2002.

(2) Hotel operations were wound up in June 2002.

#### **Consolidated balance sheet**

Cash and bank balances amounted to SEK 136.5 million (138.1). Rent payments are mostly made in advance at the end of each quarter, which could result in a temporary surplus. The liquidity is used mainly to amortize loans.

The Group's liabilities to credit institutions fell to SEK 3,766.0 million (4,061.6).

#### **Consolidated cash flow statements**

Cash flow from current operations amounted to SEK 540,0 million (376.6). Cash flow for the year amounted to SEK -1.6 million (-87.5).

#### **Investments**

Investments made during the year amounted to SEK 103.1 million, of which SEK 2.0 million was for equipment, SEK 96.0 million for current refurbishment and extensions and SEK 5.1 million for buildings, including building equipment.

#### **Parent Company**

The Parent Company's net sales increased to SEK 755.2 million (665.8). The cost of operations fell to SEK 242.0 million (300.6). The gross profit increased as a result of the above to SEK 513.2 million (365.2).

Central administration costs amounted to SEK 35.9 million (31.7). Items affecting comparability amounted to SEK 23.8 million (-212.5). Operating profit increased to SEK 501.1 million (121.0). Profit for the year after tax was SEK 285.7 million (27.7).

Of the Parent Company's total net sales and property costs SEK 12.7 million of net sales and SEK 10.9 million of property costs pertain to other companies in the Group.

#### **Work of the board**

The board held seven meetings during the 2002 financial year. The work of the board complies with the rules of procedure adopted by the board, which provide a framework for decisions regarding investments, financing, financial reports and other matters of a strategic nature. The rules of procedure also govern the obligations of the Board and the

President and the division of duties between the Board and the President. At the board meeting during which the annual report is adopted, the company's auditor presents his observations. Company officials take part in the board meetings to present specific items.

#### **Prospects for the future**

During 2003, Hufvudstaden will focus mainly on core operations, i.e. management and development of the property holdings to ensure the maximum yield. It is estimated that rental losses will increase slightly in 2003, due to the fact that the Norrmalmstorg 1 project will continue throughout the year, and as a result of uncertainty in the economy.

#### **Proposal for dividend and allocation of profits**

The proposal by the Board of Directors that a dividend be paid of SEK 1.10 per share is equivalent to 68.9 per cent of the profit for the year per share. The Board's proposed profit allocation is presented in full on page 51.



## *Income statements*

SEK m	Note	Group		Parent Company	
		2002	2001	2002	2001
<i>Net sales</i>					
Property management		1,236.2	1,134.4	755.2	665.8
Other operations		111.7	125.2	–	–
		<b>1,347.9</b>	<b>1,259.6</b>	<b>755.2</b>	<b>665.8</b>
<i>Operating expenses</i>					
Special projects		-86.3	-100.3	5.8	-83.1
Maintenance		-56.0	-54.4	-37.8	-37.3
Operations and administration		-195.7	-192.6	-90.3	-81.3
Ground rents		-32.7	-30.5	-6.6	-6.6
Property tax		-129.5	-103.1	-76.4	-60.8
		<b>-500.2</b>	<b>-480.9</b>	<b>-205.3</b>	<b>-269.1</b>
Other operations		-96.7	-101.7	–	–
		<b>-596.9</b>	<b>-582.6</b>	<b>-205.3</b>	<b>-269.1</b>
Operating surplus before depreciation		751.0	677.0	549.9	396.7
Depreciation		-98.0	-92.4	-36.7	-31.5
<b>Gross profit</b>		<b>653.0</b>	<b>584.6</b>	<b>513.2</b>	<b>365.2</b>
– of which Property management	1	638.0	561.1	513.2	365.2
– of which Other operations	2	15.0	23.5	–	–
Central administration		-35.9	-32.0	-35.9	-31.7
Items affecting comparability	3	23.8	18.9	23.8	-212.5
<b>Operating profit</b>	4–9	<b>640.9</b>	<b>571.5</b>	<b>501.1</b>	<b>121.0</b>
<i>Financial income and expense</i>					
Participations in Group companies	10	–	–	150.5	8.4
Interest income and similar profit/loss items	11	19.0	22.8	5.5	9.1
Interest expense and similar profit/loss items	12	-206.7	-213.8	-200.6	-197.0
		<b>-187.7</b>	<b>-191.0</b>	<b>-44.6</b>	<b>-179.5</b>
<b>Profit after financial items</b>		<b>453.2</b>	<b>380.5</b>	<b>456.5</b>	<b>-58.5</b>
Appropriations	13	–	–	-68.3	5.9
<b>Profit before tax</b>		<b>453.2</b>	<b>380.5</b>	<b>388.2</b>	<b>-52.6</b>
Tax	14	-116.0	102.4	-102.5	80.3
<b>PROFIT FOR THE YEAR</b>		<b>337.2</b>	<b>482.9</b>	<b>285.7</b>	<b>27.7</b>
Average number of shares, million		211.3	211.3		
Average number of shares after full dilution, million		211.3	211.3		
Profit per share		1.60	2.29		
Profit per share after full dilution		1.60	2.29		



## *Balance sheets*

SEK m	Note	Group		Parent Company	
		31-12-2002	31-12-2001	31-12-2002	31-12-2001
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Tangible fixed assets</i>					
Buildings and building equipment	15	5,619.4	5,654.8	2,538.7	2,522.3
Land	16	4,821.8	4,821.8	3,344.7	3,344.7
Equipment	17	10.6	12.4	4.8	4.7
New construction and refurbishment in progress	18	124.5	86.0	13.1	44.1
		<b>10,576.3</b>	<b>10,575.0</b>	<b>5,901.3</b>	<b>5,915.8</b>
<i>Financial fixed assets</i>					
Participations in Group companies	19–20	–	–	4,331.7	4,362.6
Receivables from Group companies		–	–	59.1	182.5
Other long-term receivables	21	100.5	169.1	5.0	41.9
		<b>100.5</b>	<b>169.1</b>	<b>4,395.8</b>	<b>4,587.0</b>
<b>Total fixed assets</b>		<b>10,676.8</b>	<b>10,744.1</b>	<b>10,297.1</b>	<b>10,502.8</b>
<b>Current assets</b>					
<i>Current receivables</i>					
Accounts receivable		28.8	23.8	5.9	4.2
Other receivables		70.9	40.6	35.0	5.5
Prepaid expenses and accrued income	22	39.4	44.1	18.5	18.3
		<b>139.1</b>	<b>108.5</b>	<b>59.4</b>	<b>28.0</b>
<i>Cash and bank</i>		136.5	138.1	126.4	127.3
<b>Total current assets</b>		<b>275.6</b>	<b>246.6</b>	<b>185.8</b>	<b>155.3</b>
<b>TOTAL ASSETS</b>		<b>10,952.4</b>	<b>10,990.7</b>	<b>10,482.9</b>	<b>10,658.1</b>

SEK m	Note	Group		Parent Company	
		31-12-2002	31-12-2001	31-12-2002	31-12-2001
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital	23	1,056.4	1,056.4	1,056.4	1,056.4
Restricted reserves		1,126.2	1,197.6	1,010.4	1,010.4
		<b>2,182.6</b>	<b>2,254.0</b>	<b>2,066.8</b>	<b>2,066.8</b>
<i>Non-restricted equity</i>					
Non-restricted reserves		2,271.6	1,928.6	2,048.0	2,168.0
Profit for the year		337.2	482.9	285.7	27.7
		<b>2,608.8</b>	<b>2,411.5</b>	<b>2,333.7</b>	<b>2,195.7</b>
<b>Total equity</b>	24	<b>4,791.4</b>	<b>4,665.5</b>	<b>4,400.5</b>	<b>4,262.5</b>
<b>Untaxed reserves</b>					
Accumulated additional depreciation, equipment		–	–	29.0	14.0
Tax allocation reserve		–	–	130.0	76.7
		–	–	<b>159.0</b>	<b>90.7</b>
<b>Provisions</b>					
Pension provisions		4.4	6.2	3.6	5.4
Deferred tax liability	25	1,694.8	1,666.2	1,271.7	1,230.0
Property tax liability	26	159.5	155.5	–	–
		<b>1,858.7</b>	<b>1,827.9</b>	<b>1,275.3</b>	<b>1,235.4</b>
<b>Long-term liabilities</b>					
Liabilities to credit institutions	27	2,985.6	2,796.0	2,980.0	2,790.0
Liabilities to Group companies		–	–	311.1	638.9
Other non-interest liabilities		0.6	0.4	0.6	0.4
		<b>2,986.2</b>	<b>2,796.4</b>	<b>3,291.7</b>	<b>3,429.3</b>
<b>Short-term liabilities</b>					
Liabilities to credit institutions	27	780.4	1,265.6	780.0	1,135.1
Accounts payable		88.2	19.3	5.1	6.3
Liabilities to Group companies		–	–	227.7	223.3
Tax liabilities		89.8	40.7	80.0	20.6
Other non-interest liabilities	28	63.9	49.2	27.9	21.0
Accrued expenses and prepaid income	29	293.8	326.1	235.7	233.9
		<b>1,316.1</b>	<b>1,700.9</b>	<b>1,356.4</b>	<b>1,640.2</b>
<b>Total liabilities</b>		<b>6,161.0</b>	<b>6,325.2</b>	<b>6,082.4</b>	<b>6,395.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,952.4</b>	<b>10,990.7</b>	<b>10,482.9</b>	<b>10,658.1</b>
<b>Pledged assets</b>					
Real estate mortgages	30	1,822.9	2,032.4	1,806.4	1,849.7
Other long-term receivables		2.6	4.0	2.6	4.0
		1,825.5	2,036.4	1,809.0	1,853.7
<b>Contingent liabilities</b>					
Guarantees		0.7	0.7	0.7	0.7
		0.7	0.7	0.7	0.7

## *Cash flow statements*

		Group		Parent Company	
SEK m	Note	2002	2001	2002	2001
<b>Current operations</b>					
Profit after financial items		453.2	380.5	456.5	-58.5
Depreciation		108.2	97.3	41.0	33.4
Write-down, shares in subsidiaries		–	–		1,167.2
Capital gain on liquidation of subsidiaries		–	–	-150.5	–
Dividend from subsidiaries		–	–	–	-963.3
Change in provision, property tax		4.0	-7.9	–	–
Other changes		0.1	–	0.1	–
Income tax		-65.0	30.2	-41.9	–
<b>Cash flow from current operations before changes in working capital</b>		<b>500.5</b>	<b>500.1</b>	<b>305.2</b>	<b>178.8</b>
Cash flow from changes in working capital:					
Decrease (+) / Increase (-) in operating receivables		-37.0	34.5	217.9	-5.7
Increase (+) / Decrease (-) in operating liabilities		76.5	-158.0	-341.0	92.2
<b>Cash flow from current operations</b>		<b>540.0</b>	<b>376.6</b>	<b>182.1</b>	<b>265.3</b>
<b>Investments</b>					
Investment in properties		-101.1	-122.8	-22.2	-92.4
Investment in equipment		-2.0	-5.6	-2.7	-2.8
Amortization, long-term receivable		68.6	30.5	218.2	0.3
<b>Cash flow from investments</b>		<b>-34.5</b>	<b>-97.9</b>	<b>193.3</b>	<b>-94.9</b>
<b>Financing</b>					
Loans raised		540.0	–	540.0	115.9
Amortization of loan liability		-835.8	-186.6	-705.0	-86.1
Dividend paid		-211.3	-179.6	-211.3	-179.6
Decrease in lending to Group companies		–	–	–	–
<b>Cash flow from financing</b>		<b>-507.1</b>	<b>-366.2</b>	<b>-376.3</b>	<b>-149.8</b>
<b>Cash flow for the year</b>		<b>-1.6</b>	<b>-87.5</b>	<b>-0.9</b>	<b>20.6</b>
<b>Liquid funds at the beginning of the year</b>		<b>138.1</b>	<b>225.6</b>	<b>127.3</b>	<b>106.7</b>
<b>Liquid funds at the year-end</b>	31	<b>136.5</b>	<b>138.1</b>	<b>126.4</b>	<b>127.3</b>

# Accounting principles

The Annual Report and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and statements issued by the Urgent Issues Committee. Hufvudstaden's income statements are classified according to function. Assets, provisions and liabilities have been valued using the acquisition value as the starting point unless stated otherwise.

## Valuation of tangible assets

Tangible fixed assets are valued at the acquisition value with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, land registration costs and improvements made that increase the value. Hufvudstaden only capitalizes expenditure that generates a permanent increase in the value of the properties. Rebuilding costs of a maintenance nature are charged to profit.

The reported value of tangible assets is examined with regard to a possible fall in value when events or a change in conditions indicate that there is a possibility that the reported value cannot be recovered. If such indications exist, and if the reported value exceeds the expected recoverable amount, the assets are written down to the amount recoverable. The amount recoverable for tangible fixed assets is equivalent to the higher of the net sales value or the utilization value. The net sales value is set according to internal valuations. The utilization value is 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. In the case of assets that do not to a great extent generate independent cash flows, the recoverable part is set for the cash-generating unit to which the asset belongs. Any write-downs are reported in the income statement.

## Valuation of current assets

Following an individual assessment, receivables are recorded at the amounts at which they are expected to be paid.

## Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies are translated at the closing day rate.

## Provisions

Provisions are reported in the balance sheet when there is an obligation (legal or informal) arising from an event and it is likely that the obligation will be fulfilled and the amount can be calculated in a reliable way. If the effect of the time value for the future payment is deemed to be considerable, 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. The gradual increase in the amount of the provision the current value calculation entails is reported as an interest cost in the income statement.

## Income reporting etc.

Rental income is allocated to a specific period in accordance with the lease agreement. Rent paid in advance is thus reported as prepaid rental income.

*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.

## Depreciation of equipment

*Property management.* Depreciation of equipment used in administration is included in property management administration. Other depreciation is reported under Depreciation.

*Other operations.* Depreciation of equipment is included in the cost of Other operations.

*Depreciation principles.* Depreciation according to plan is based on the original acquisition value and the estimated economic life. The depreciation period for equipment is 3–5 years.

### Depreciation of properties

Depreciation according to plan is based on the original acquisition amount, adjusted for write-ups and write-downs where appropriate.

The following depreciation percentages are applied:

- Buildings: offices, one per cent
- Buildings: department stores, multi-storey car parks, hotels and restaurants, two per cent
- Building equipment: 5–10 per cent
- Land improvements: 3.75–5 per cent

Depreciation of properties with mixed operations has been calculated by assessing the percentage of each category of floor space for depreciation purposes. In the case of properties with a predominance of a particular category of floor space, the percentage for this category has been applied to the entire property.

### Loan costs

Loan costs are charged to the profit during the period to which they are attributable, regardless of how the borrowed funds have been used. This means that interest during the construction period is expensed.

### Tax

Tax is reported in the income statement except when the underlying transaction is reported directly against equity, whereupon the associated tax effect is reported under equity. Actual tax is 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 reported values and tax values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be evened out and on application of the tax rates and tax rules that had been decided or notified as of the closing day. Temporary differences are not taken into account in group goodwill and nor are differences attributable to participations in subsidiaries and associate companies which are not expected to be taxed within the foreseeable future. In a legal entity, untaxed reserves are reported inclusive of the deferred tax liability. Deferred tax receivables 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.

### Consolidated accounts

The consolidated accounts have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation (RR1:00).

The consolidated accounts cover the Parent Company and those companies in which Hufvudstaden, directly or indirectly, owned 50 per cent or more at the year-end.

The consolidated accounts have been prepared in accordance with the acquisition method, which means that consolidated equity only includes earnings of the subsidiaries to the extent they occurred after acquisition. Acquired equity and untaxed reserves have thus been eliminated.

Surplus values are depreciated in accordance with the rules for the type of asset concerned.

When translating the accounts of foreign subsidiaries, assets and liabilities have been translated at the closing day exchange rate. The income statement has been translated at the average exchange rate. There are no foreign subsidiaries in the Group that conduct operations of material significance.

Untaxed reserves have been divided into a deferred tax liability and equity.

### Cash flow statements

The cash flow statements show the company's payment flows for the period. The cash flow statements have been prepared according to the indirect method.

### Parent Company

*Group contribution.* Group contributions are reported as a decrease or an increase in non-restricted equity in accordance with the statement made by the Swedish Accounting Standards Council's Urgent Issues Committee.

### Change in accounting principle

With effect from January 1, 2002, new Swedish Financial Accounting Standards Council's recommendations, RR1:00, Consolidated Accounts, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets, RR17 Impairments of Assets, RR19 Operations under Liquidation, RR21 Loan Costs and RR23 Information about Affiliations, have been applied, all of which came into effect on the same date. This has not had any impact on the reported profit or on the balance sheet as of December 31, 2002.



# Notes

Note 1. Property management, gross profit per business area

SEK m	Stockholm Business Area	NK Business Area	Gothenburg Business Area	Total
<i>Group</i>				
<i>2002</i>				
Net sales	833.5	279.7	123.0	1,236.2
Special projects	-49.0	-37.3	–	-86.3
Maintenance	-39.6	-9.9	-6.5	-56.0
Operation and administration	-100.9	-73.0	-21.8	-195.7
Ground rent	-26.6	-6.1	–	-32.7
Property tax	-90.8	-28.9	-9.8	-129.5
Depreciation	-54.1	-37.2	-6.7	-98.0
Gross profit	472.5	87.3	78.2	638.0
<i>Group</i>				
<i>2001</i>				
Net sales	764.9	260.5	109.0	1,134.4
Special projects	-84.8	-11.3	-4.2	-100.3
Maintenance	-35.2	-11.3	-7.9	-54.4
Operation and administration	-95.8	-75.0	-21.8	-192.6
Ground rent	-26.6	-3.9	–	-30.5
Property tax	-71.8	-23.1	-8.2	-103.1
Depreciation	-49.6	-36.8	-6.0	-92.4
Gross profit	401.1	99.1	60.9	561.1

Note 2. Other operations, gross profit per operating area

SEK m	Hotel operations <sup>(1)</sup>	Parking operations	Conference and restaurant operations	Total
<i>Group</i>				
<i>2002</i>				
Net sales	10.5	58.5	42.7	111.7
Costs	-9.9	-43.6	-43.2	-96.7
Gross profit	0.6	14.9	-0.5	15.0
<i>Group</i>				
<i>2001</i>				
Net sales	24.2	57.5	43.5	125.2
Costs	-18.6	-41.7	-41.4	-101.7
Gross profit	5.6	15.8	2.1	23.5

(1) Hotel operations were wound up in June 2002.

Note 3. Items affecting comparability

SEK m	2002	2001
<i>Group</i>		
Refund, Alecta	25.7	–
Capital gain, properties	–	18.1
Cost of pension provision not made previously	-1.9	–
Other	–	0.8
Total	23.8	18.9
<i>Parent Company</i>		
Refund, Alecta	25.7	–
Capital gain, properties	–	-212.3
Cost of pension provision not made previously	-1.9	–
Other	–	-0.2
Total	23.8	-212.5

Note 4. Average number of employees, calculated on a full-time basis

	2002			2001		
	Men	Women	Total	Men	Women	Total
<i>Group</i>						
Stockholm	57	67	124	67	66	133
of which:						
(Hotel Stockholm AB)	(3)	(6)	(9)	(5)	(12)	(17)
(Parkaden AB)	(4)	(3)	(7)	(3)	(3)	(6)
(WTC Stockholm AB)	(8)	(16)	(24)	(15)	(21)	(36)
Gothenburg	6	3	9	5	3	8
Total	63	70	133	72	69	141
<i>Parent Company</i>						
Stockholm	42	42	84	44	30	74
Gothenburg	6	3	9	5	3	8
Total	48	45	93	49	33	82

Note 5. Salaries, other remuneration and social welfare contributions

SEK m	2002	2001
<i>Group</i>		
<i>Salaries and other remuneration</i>		
Board of Directors and President	3.4	3.1
Others	46.5	45.9
Total	49.9	49.0
<i>Social welfare contributions</i>		
Board of Directors and President	1.4	1.3
Others	22.7	20.1
Total	24.1	21.4
<i>Of which pension costs</i>		
Board of Directors and President	0.2	0.3
Others	5.6	2.8
Total	5.8	3.1
<i>Parent Company</i>		
<i>Salaries and other remuneration</i>		
Board of Directors and President	3.3	3.0
Others	34.8	31.6
Total	38.1	34.6
<i>Social welfare contributions</i>		
Board of Directors and President	1.4	1.3
Others	18.1	14.2
Total	19.5	15.5
<i>Of which pension costs</i>		
Board of Directors and President	0.2	0.2
Others	5.1	2.3
Total	5.3	2.5

Note 7. Fees and other remunerations to auditors

	Group		Parent Company	
SEK m	2002	2001	2002	2001
Audit assignments	0.9	0.6	0.7	0.4
Other assignments	0.3	0.4	0.3	0.1
Total	1.2	1.0	1.0	0.5

Note 8. Intra-Group transactions

	Parent Company	
SEK m	2002	2001
Income	12.7	10.0
Costs	-10.9	-10.8
Total	1.8	-0.8

Note 9. Lease agreements

	Group		Parent Company	
SEK m	2002	2001	2002	2001
– 1 year	8.6	6.4	–	–
1 year – 5 years	11.5	11.5	6.4	6.4
5 years –	20.7	20.7	0.5	0.5
Total	40.8	38.6	6.9	6.9

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

Note 6. Remuneration to Board Members and senior executives

Remuneration to the Chairman of the Board in 2002 amounted to SEK 245,000. The other six board members not employed received a total of SEK 705,000.

Fees to members of the boards of subsidiaries were paid to the sum of SEK 66,000. Fees are only paid to external members.

The President of Hufvudstaden AB received SEK 2,325,000, of which SEK 90,000 was a bonus. Any director's fees from subsidiaries are deducted from the remuneration received both by the President and by other senior executives. The President is entitled to two years' notice in the event of termination of employment by the company. In the event of termination by the President, the period of notice is six months. In both cases a deduction should be made for any remuneration received from a new employer.

Remuneration and benefits to other senior executives amounted to SEK 4,465,000, of which SEK 330,000 was in the form of a bonus. The Company is required to give other senior executives one year's notice. In the event of termination of employment by a senior executive, the period of notice is six months. In both cases a deduction should be made for any remuneration received from a new employer.

Pensions to both the President and other senior executives are in all material respects in accordance with the pension terms and conditions for the ITP plan.

The Chairman of the Board has been instructed by the Board to negotiate and reach an agreement with the President regarding his remuneration, after which a report is presented to the Board. The President has been instructed by the Board to negotiate and reach an agreement with other senior executives regarding their remuneration, after which a report is presented to the Chairman of the Board. An account of the bonus system for the senior management can be found in the Personnel and Organization section, page 30.

The options held by the executive management were issued by L E Lundberg-företagen AB.

Note 10. Profit on participations in Group companies

SEK m	2002	2001
<i>Parent Company</i>		
Dividend, Beheer-en Beleggingsmaatschappij Gradoma B.V.	–	963.3
Write-down, Beheer-en Beleggingsmaatschappij Gradoma B.V.	–	-954.9
Liquidation/disposal of subsidiaries	150.5	–
Total	150.5	8.4

Note 11. Interest income and similar income items

	Group		Parent Company	
SEK m	2002	2001	2002	2001
Interest income, Group companies	–	–	3.6	3.9
Interest income, other	19.0	22.8	1.9	2.6
Exchange gain/loss	–	–	–	2.6
Total	19.0	22.8	5.5	9.1

Note 12. Interest expense and similar expense items

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Interest expense, other	-206.7	-213.8	-200.6	-197.0
Total	-206.7	-213.8	-200.6	-197.0

Note 13. Appropriations

SEK m	2002	2001
<i>Parent Company</i>		
Change in accumulated additional depreciation	-15.0	-14.0
Change in tax allocation reserve	-53.3	19.9
Total	-68.3	5.9

Note 14. Tax on profit for the year

SEK m	Group 2002	Parent Company 2002
<i>Actual tax expense</i>		
Tax expense for the year	-89.0	-62.3
Tax attributable to previous years	1.6	1.6
<i>Deferred tax expense/tax income</i>		
In respect of temporary differences	-15.5	-41.7
Utilization of previously capitalized tax value in deficit deduction	-13.1	-
	-116.0	-102.4
<i>Reported pre-tax profit</i>	453.2	388.2
Tax according to current tax rate of 28%	-126.9	-108.7
Other non-deductible expenses	-0.2	-0.2
Non-taxable income	4.7	5.1
Utilization of previously non-capitalized deficit deduction	6.7	-
Tax attributable to previous years	1.6	1.6
Effect of other tax rates in conjunction with acquisition of assets	-2.1	-
Other	0.2	-0.2
	-116.0	-102.4
<i>Tax items reported directly against equity</i>		
Actual tax on group contribution received	-	24.7
	-	24.7

Note 15. Buildings and building equipment

SEK m	Group		Parent Company	
	2002	2001	2002	2001
<i>Buildings</i>				
Opening acquisition value	4,295.0	4,177.3	1,470.4	1,351.3
Investments for the year	2.7	4.3	2.1	17.5
Reclassifications	17.6	116.5	17.1	101.6
Sales	-	-3.1	-	-
Closing acquisition value	4,315.3	4,295.0	1,489.6	1,470.4
Opening depreciation	-557.8	-505.8	-456.1	-441.4
Depreciation for the year	-54.8	-52.0	-15.7	-14.7
Sales	-	-	-	-
Closing depreciation	-612.6	-557.8	-471.8	-456.1
Opening write-ups according to adopted balance sheet for the preceding year	1,722.7	1,749.8	1,459.3	1,475.3
Depreciation for the year	-25.8	-27.1	-16.0	-16.0
Closing write-ups, net	1,696.9	1,722.7	1,443.3	1,459.3
Closing residual value according to plan	5,399.6	5,459.9	2,461.1	2,473.6
Tax values	10,044.9	7,994.6	5,592.1	4,448.1
<i>Building equipment</i>				
Opening acquisition value	312.0	261.9	60.0	10.7
Investments for the year	2.4	50.1	2.0	35.9
Reclassifications	39.9	-	31.9	13.4
Closing acquisition value	354.3	312.0	93.9	60.0
Opening depreciation	-117.1	-104.3	-11.3	-10.6
Depreciation for the year	-17.4	-12.8	-5.0	-0.7
Closing depreciation	-134.5	-117.1	-16.3	-11.3
Closing residual value according to plan	219.8	194.9	77.6	48.7
Total residual value, buildings and building equipment	5,619.4	5,654.8	2,538.7	2,522.3

Note 16. Land

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	1,733.9	1,733.9	299.0	299.0
Investments for the year	–	–	–	–
Closing acquisition value	1,733.9	1,733.9	299.0	299.0
Write-ups	3,087.9	3,087.9	3,045.7	3,045.7
Closing residual value according to plan	4,821.8	4,821.8	3,344.7	3,344.7
Tax values	1,955.7	1,559.3	1,885.0	1,500.0

Note 17. Equipment

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	37.7	38.4	13.6	17.1
Investments for the year	2.0	5.6	2.7	2.8
Disposals	-4.1	-6.3	-4.0	-6.3
Closing acquisition value	35.6	37.7	12.3	13.6
Opening depreciation	-25.3	-26.3	-8.9	-13.3
Depreciation for the year	-3.8	-5.3	-2.6	-1.9
Disposals	4.1	6.3	4.0	6.3
Closing accumulated depreciation	-25.0	-25.3	-7.5	-8.9
Closing residual value according to plan	10.6	12.4	4.8	4.7

Note 18. New construction and rebuilding in progress

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	86.0	134.1	44.1	120.1
Investments for the year	96.0	68.4	18.1	39.0
Reclassifications	-57.5	-116.5	-49.1	-115.0
Closing residual value according to plan	124.5	86.0	13.1	44.1

Note 19. Participations in Group companies

	Company reg. no.	Reg. office	Capital (votes) %	Number	Par value, 1,000	Book value, SEK m
<i>Shares in subsidiaries</i>						
Beheer-en Beleggingsmaatschappij Gradoma B.V.		Amsterdam	100	52	NLG 52	2.4
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	–
Förvaltnings AB Liljeholmstorget	556030-5251	Stockholm	100	1,000	100	–
Aktiebolaget Hamngatgaraget	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
Vasaterminalen AB	556118-8722	Stockholm	100	2,022,000	202,200	1,504.5
						4,331.4
<i>Shares in dormant companies</i>						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	–
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	–
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
<i>Owned by AB Citypalatset</i>						
Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	239.5
						239.5
<i>Owned by Fastighetsaktiebolaget Stockholms City</i>						
Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4
						3.4
<i>Owned by Vasaterminalen AB</i>						
World Trade Center Stockholm AB	556273-0803	Stockholm	100	1,000	100	0.1
WTC Parkering AB	556424-3920	Stockholm	100	1,000	100	–
						0.1
<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

Note 20. Participations in Group companies

SEK m	Parent Company	
	2002	2001
Opening book value	4,362.6	4,185.0
Acquisitions for the year	–	1,132.5
Disposals for the year/liquidation	-30.9	–
Write-ups for the year	–	212.3
Write-downs for the year	–	-1,167.2
Closing book value	4,331.7	4,362.6

Note 22. Prepaid expenses and accrued income

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Accrued rent revenue	19.9	22.1	7.4	6.2
Prepaid expenses	7.2	5.0	0.2	0.6
Accrued interest income	10.9	14.5	10.9	11.1
Other	1.4	2.5	–	0.4
Total	39.4	44.1	18.5	18.3

Note 21. Other long-term receivables

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Opening book value	169.1	200.6	41.9	14.8
Acquisitions for the year	1.1	28.1	–	28.1
Amortization for the year	-69.7	-59.6	-36.9	-1.0
Closing book value	100.5	169.1	5.0	41.9

Note 23. Share capital

SEK m	2002	2001
A 202,996,109 shares at par SEK 5	1,015.0	–
A 202,995,964 shares at par SEK 5	–	1,015.0
C 8,275,824 shares at par SEK 5	41.4	–
C 8,275,969 shares at par SEK 5	–	41.4
Total	1,056.4	1,056.4

Note 24. Equity

SEK m	Share capital	Restricted reserves	Non-restricted reserves	Profit for the year	Total
<i>Group</i>					
At January 1	1,056.4	1,197.6	1,928.6	482.9	4,665.5
Appropriation of profit	–	–	482.9	-482.9	–
Parent Company dividend	–	–	-211.3	–	-211.3
Transfer between restricted and non-restricted reserves	–	-71.4	71.4	–	–
Profit for the year	–	–	–	337.2	337.2
At December 31	1,056.4	1,126.2	2,271.6	337.2	4,791.4
<i>Parent Company</i>					
At January 1	1,056.4	1,010.4	2,168.0	27.7	4,262.5
Appropriation of profit	–	–	27.7	-27.7	–
Parent Company dividend	–	–	-211.3	–	-211.3
Group contribution received	–	–	88.3	–	88.3
Tax effect, group contribution	–	–	-24.7	–	-24.7
Profit for the year	–	–	–	285.7	285.7
At December 31	1,056.4	1,010.4	2,048.0	285.7	4,400.5



Note 25. Deferred tax liability

SEK m	Deferred tax receivable	Deferred tax liability	Net
<i>Group</i>			
<i>2002</i>			
Buildings and land	-	-1,649.9	-1,649.9
Additional depreciation of machinery and equipment	-	-8.2	-8.2
Pension provisions	-	-0.3	-0.3
Tax allocation reserve	-	-36.4	-36.4
Deficit deduction	-	-	-
Total	-	-1,694.8	-1,694.8
<i>2001</i>			
Buildings and land	-	-1,633.0	-1,633.0
Additional depreciation of machinery and equipment	-	-14.4	-14.4
Pension provisions	-	-0.3	-0.3
Tax allocation reserve	-	-31.6	-31.6
Deficit deduction	13.1	-	13.1
Total	13.1	-1,679.3	-1,666.2
<i>Parent Company</i>			
<i>2002</i>			
Buildings and land	-	-1,271.7	-1,271.7
Other	-	-	-
Total	-	-1,271.7	-1,271.7
<i>2001</i>			
Buildings and land	-	-1,271.8	-1,271.8
Other	41.8	-	41.8
Total	41.8	-1,271.8	-1,230.0

Of the deferred tax liabilities in the Group, SEK -215.5 million (-216.5) is attributable to liabilities based on the purchase sum and SEK -1,337.5 (-1,347.0) is attributable to write-ups of buildings and land. Of the Parent Company's deferred tax liabilities, SEK -1,256.9 million (-1,261.4) is attributable to write-ups of buildings and land.

Note 26. Property tax liability

SEK m	2002	2001
<i>Group</i>		
Opening book value	155.0	163.3
Provision for the year	4.0	-7.8
Closing book value	159.5	155.5

The subsidiary Vasaterminalen AB is involved in a dispute with the tax authority in Stockholm regarding whether the company's Terminalen 1 property should be classified as a commercial property or not for tax assessment purposes. The company's opinion is that the property should be classified as a special unit, a communication building, and should therefore not be assigned a tax assessment value. The matter was resolved in the Administrative Court of Appeal in line with the tax authority's claims. During the year the company has been granted leave to appeal to the Supreme Administrative Court of Appeal and proceedings have commenced. A provision has been made for an amount equivalent to the tax authority's claim plus respite interest on the additional tax payable. If successful, the amount the tenants were debited will be credited to them.

Note 27. Liabilities to credit institutions

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Overdraft facility	-	-	-	-
Promissory note loan	3,766.0	4,061.6	3,760.0	3,925.1
Total	3,766.0	4,061.6	3,760.0	3,925.1
Credit facility granted	45.0	45.0	45.0	45.0
<i>Maturity year</i>				
2003	780.4	1,265.6	780.0	1,135.1
2004	905.6	600.4	900.0	600.0
2005	500.0	905.6	500.0	900.0
2006	790.0	500.0	790.0	500.0
2007	790.0	790.0	790.0	790.0
Total	3,766.0	4,061.6	3,760.0	3,925.1

As of December 31, 2002, Hufvudstaden had loan assurances that fell due within 12 months of SEK 600 million. At the year-end, SEK 180 million had been utilized.

Note 28. Other interest-free liabilities

SEK m	Group		Parent Company	
	2002	2001	2002	2001
VAT settlement	39.1	24.0	21.1	15.6
Other	24.8	25.2	6.8	5.4
Total	63.9	49.2	27.9	21.0

Note 29. Accrued expenses and prepaid income

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Accrued interest	74.6	79.6	74.6	79.2
Prepaid rent	199.8	147.2	126.4	90.1
Other	19.4	99.3	34.7	64.6
Total	293.8	326.1	235.7	233.9

Note 30. Mortgages in real estate

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Property mortgages	1,822.9	2,032.4	1,806.4	1,849.7
Of which mortgages in subsidiaries' properties	-	-	421.0	494.2

Note 31. Liquid funds at the year-end

SEK m	Group		Parent Company	
	2002	2001	2002	2001
Cash and bank balances	136.5	138.1	126.4	127.3

Note 32. Affiliations

Hufvudstaden AB is under the controlling influence of L E Lundbergföretagen. No transactions have taken place with L E Lundbergföretagen.

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.

## *Proposed distribution of unappropriated earnings*

According to the Consolidated Balance Sheet, the Group's non-restricted equity was SEK 2,608,862,042, of which profit for the year was SEK 337,178,624. No allocation to restricted reserves is required.

The Board of Directors proposes that the funds available for appropriation at the Annual General Meeting, as reported in the Balance Sheet, i.e.

Balance brought forward	SEK	2,048,074,713
Profit for the year	SEK	285,719,501
		SEK 2,333,794,214
be appropriated as follows:		
Dividend to the shareholders,		
SEK 1.10 per share	SEK	232,399,126
To be carried forward	SEK	2,101,395,088
		SEK 2,333,794,214

Stockholm, February 13, 2003

Fredrik Lundberg  
*Chairman*

Claes Boustedt

Bengt Braun

Mats Jansson

Hans Mertzig

Curt G Olsson

Bo Waldemarson

Ivo Stopner  
*President*

## *Auditors' Report*

To the Annual General Meeting of Hufvudstaden AB (publ), company registration number 556012-8240.

I have examined the annual accounts, consolidated accounts, accounting records and the administration of the Board of Directors and the President of Hufvudstaden AB for 2002. The Board of Directors and the President are responsible for the accounting records and the administration. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of my audit.

The examination has been carried out in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit to assure myself to a reasonable extent that the annual accounts and the consolidated accounts do not contain material errors. An audit includes examining a selection of the supporting documents for amounts and other information in the accounting records. An audit also includes an examination of the accounting principles and their application by the Board of Directors and the President and an assessment of the overall information in the annual accounts and the consolidated accounts. As a basis for my statement on discharge from liability, I have examined material decisions, measures and conditions in the Company to enable me to assess whether any Board Member or the President is

liable for compensation to the Company. I have also examined whether a Board member or the President has acted in any way that is contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I consider that my audit gives me reasonable grounds for my statements below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and therefore provide a fair picture of the Company's and the Group's financial results and financial position in accordance with generally accepted accounting principles in Sweden.

I recommend that the Annual General Meeting adopts the income statement and balance sheet for the Parent Company and for the Group, that the profit of the Parent Company be distributed according to the proposal in the Administration Report and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, February 13, 2003

Bo Ribers  
*Authorized Public Accountant*  
KPMG





2



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- 1 Kungsgatan/Sveavägen, Stockholm.  
2 Gester, media consultants. 3 Adidas, store.



## *Board of Directors and Auditors*



**Fredrik Lundberg**

*Born 1951, graduate engineer, graduate in business administration/economics.  
Honorary Doctor of Economics, Chairman, Board member since 1998.  
President and CEO of L E Lundbergföretagen AB  
Chairman of Holmen AB and Cardo AB. Board member of  
L E Lundbergföretagen AB, Handelsbanken, NCC AB and Stadium AB.  
Holding in Hufvudstaden: 1,659,412 shares (directly and through companies).*



**Claes Boustedt**

*Born 1962, graduate in business administration/economics.  
Board member since 1998.  
Vice President of L E Lundbergföretagen AB.  
President of L E Lundberg Kapitalförvaltning AB.  
Holding in Hufvudstaden: 1,000 shares.*



**Hans Mertzig**

*Born 1941, economist. Board member since 2000.  
Asset manager at Stiftelsen för Kunskaps- och Kompetensutveckling  
(KK-stiftelsen). Chairman of Tryggstiftelsen.  
Board member of Sjunde AP-fonden.  
Holding in Hufvudstaden: –*



**Mats Jansson**

*Born 1951, university studies.  
Board member since 1999.  
President and CEO of Axfood AB.  
Holding in Hufvudstaden: 1,500 shares (including family).*

*The Board consists of eight members, without any deputies, all elected at the Annual General Meeting.  
The Board includes persons who have links with Hufvudstaden's major shareholders, L E Lundbergföretagen, Livförsäkringsaktiebolaget Skandia and SEB Trygg Liv. The President is also a member of the Board. Other executives of the company take part in Board meetings to present specific points.  
During the 2002 financial year, the Board held seven meetings. The work of the Board is in compliance with the rules of procedure adopted by the Board regarding the undertakings of the Board and the allocation of duties among the Board and the President.*



**Bengt Braun**

*Born 1946, graduate in business administration/economics, graduate in law. Board member since 2000. President and CEO of Bonnier AB. Chairman of Alma Media Oy and Tidningsutgivareföreningen. Deputy chairman of Ori flame International AB and the World Association of Newspapers. Board member of AB Bonnierföretagen. Holding in Hufvudstaden: 3,000 shares.*



**Curt G Olsson**

*Born 1927, graduate in business administration/economics. Board member since 1983. Chairman of Stiftelsen Bankforskningssinstitutet, the Sankta Clarastiftelsen and Synfrämjandets forskningsstiftelse. Board member of the Märta and Gunnar V Philipsons Stiftelse. Holding in Hufvudstaden: 6,312 shares (including family).*



**Bo Waldemarson**

*Born 1938, senior secondary school engineering and economics programmes. Board member since 1998. Director of L E Lundbergföretagen AB. Holding in Hufvudstaden: –*



**Ivo Stopner**

*Born 1962, graduate engineer. President and board member since 1999. Holding in Hufvudstaden: 2,800 shares (including family) and 100,000 call options.*

**Secretary:**

*Sten-Åke Stenshamn, born 1944, lawyer at Landahl Advokatbyrå. Secretary to the board since 2001.*

**Auditors:**

*Bo Ribers, Authorized Public Accountant, KPMG. Auditor since 1999. Stefan Älgne, Authorized Public Accountant, KPMG. Deputy auditor since 2000.*



## *Senior Executives*

### **Magnus Jacobson**

*Born 1958, graduate in business administration/economics.*

*Head of Accounting and Finance,  
employed in 2002.*

*Holding in Hufvudstaden: –*

### **Bo Wikare**

*Born 1963, graduate engineer.*

*Head of the Stockholm City East Business Area, employed in 1994.*

*Holding in Hufvudstaden: 62 shares and  
10,000 call options.*

### **Ingela Lispers Jelleryd**

*Born 1958, graduate in business administration/economics.*

*Head of the Stockholm City West Business Area,  
employed since 2002.*

*Holding in Hufvudstaden: –*

### **Håkan Steinbüchel**

*Born 1958, graduate engineer.*

*Head of the NK Business Area, employed in 2000.*

*President of Parkaden AB.*

*Holding in Hufvudstaden: 125 shares and  
10,000 call options.*

### **Ivo Stopner**

*Born 1962, graduate engineer.*

*President, employed in 1990.*

*Holding in Hufvudstaden: 2,800 shares  
(including family) and 100,000 call options.*

### **Svante Hedström**

*Born 1961, graduate engineer.*

*Head of Property Development, employed in 2002.*

*Holding in Hufvudstaden: 200 shares.*

### **Eric Nihlmark**

*Born 1952, graduate engineer.*

*Head of the Gothenburg Business Area , employed in 1983.*

*Holding in Hufvudstaden: 200 shares and  
10,000 call options.*



The executive management team consists of the President and the heads of the Stockholm City East Business Area, Stockholm City West Business Area, NK Business Area and Gothenburg Business Area as well as the Accounting and Finance and Property Development departments. From the left: Magnus Jacobson, Bo Wikare, Ingela Lispers Jelleryd, Håkan Steinbüchel, Ivo Stopner, Svante Hedström and Eric Nihlmark.

Property designation	Address	Site area, sq. m	Year of purchase	Year of construction /refurbishment	Tax assessment value 2002, SEK m	Book value, SEK m
<b>Stockholm City East Business Area</b>						
<i>Norrmalmstorg Management Area</i>						
Kvasten 2 <sup>(1)</sup>	Norrandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	166.5	154.1
Kvasten 6	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	310.5	229.4
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	163.5	119.0
Kåkenhusen 39	Kungsgatan 4 A–B–10, Brunngsgatan 5–9, Norrandsgatan 29	3,788	1921	1926/28/30/ 84/85/89/91	582.0	434.0
Norrmalm 2:62 <sup>(2)</sup>	Norrmalmstorg, Café Palmhuset	0	1992	1993	10.8	6.0
Pumpstocken 10	Birger Jarlsgatan 13, Mäster Samuelsgatan 2	569	1917	1897/1995	148.5	72.8
Pumpstocken 11 <sup>(3)</sup>	Biblioteksgatan 10–12, Mäster Samuelsgatan 4, Jakobsbergsgatan 3	1,518	1991/2000	1865/97/ 1929/84/96	263.1	324.0
Pumpstocken 12 <sup>(1)</sup>	Birger Jarlsgatan 15, Jakobsbergsgatan 1	791	1978	1901/95	184.5	83.1
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	118.5	68.5
Rännilen 11	Biblioteksgatan 6–8, Mäster Samuelsgatan 5	775	1958	1902/85	118.5	78.5
Rännilen 18 <sup>(4)</sup>	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986	408.0	399.8
Rännilen 19	Norrmalmstorg 14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	1,544	1931/39	1902/64/90	410.4	339.8
Vildmannen 7 <sup>(1)</sup>	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	162.5	101.4
<i>Total</i>		16,428			3,047.3	2,410.4
<i>Malmarna Management Area</i>						
Achilles 1 <sup>(1)</sup>	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th century/ 1974	118.5	77.8
Kungl Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	97.5	87.2
Medusa 1 <sup>(1)</sup> <sup>(4)</sup>	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	60.8	51.1
Packarhuset 4 <sup>(1)</sup> <sup>(5)</sup>	Norrmalmstorg 1, Hamngatan 8, Norrandsgatan 2, Smålandsgatan 11	2,195	2000	1932	625.5	1,116.6
Schönborg 6	Götgatan 20, 22 A–B, S:t Paulsgatan 2–4	1,472	1918/42	1960	117.7	91.0
Skären 9	Smålandsgatan 20, Norrandsgatan 10	2,195	1917	1984/2001	529.5	465.6
<i>Total</i>		8,124			1,549.5	1,889.3
<b>Total Stockholm City East Business Area</b>		<b>24,556</b>			<b>4,596.8</b>	<b>4,299.7</b>
<b>Stockholm City West Business Area</b>						
<i>Kungsgatan Management Area</i>						
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	193.5	165.5
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/94/99/ 2001	273.6	230.6
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	298.5	175.3
Oxhuvudet 18 <sup>(1)</sup>	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39	4,509	1926	1931/ 85/89/91	1,000.5	743.2
Roddaren 58	Fleminggatan 40, S:t Eriksgatan 44, Kronobergsgatan 33	4,923	1966	1974	237.5	128.8
Svärdfisken 2 <sup>(1)</sup>	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes Gata 13	1,853	1921	1851/1987	180.0	107.1
<i>Total</i>		15,334			2,183.6	1,550.5
<i>World Trade Center Management Area</i>						
Orgelpipan 7 <sup>(6)</sup>	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	405.0	396.7
Terminalen 1, Kortbyrån 18 <sup>(7)</sup>	Klarabergsviadukten 70–72, Kungsbron 1	24,722	2000	1989	1,072.5	1,398.2
<i>Total</i>		31,016			1,477.5	1,794.9
<b>Total Stockholm City West Business Area</b>		<b>46,350</b>			<b>3,661.1</b>	<b>3,345.4</b>
<b>Total Stockholm Business Area</b>		<b>70,906</b>			<b>8,257.9</b>	<b>7,645.1</b>
<b>NK Business Area</b>						
<i>Stockholm</i>						
Hästen 19 <sup>(1)</sup> och 20,	Hamngatan 18–20, 29–33, Regerings- gatan 26–32, 36–40	8,875	1998	1915/91/2002	2,034.0	1,567.8
Spektern 14 <sup>(6)</sup>	Regeringsgatan 49–53, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	360.0	266.9
<i>Gothenburg</i>						
Inom Vallgraven 10:9 <sup>(10)</sup>	Östra Hamngatan 42, Kyrkogatan 54, Fredsgatan 5–7, Drottninggatan 39, 45	4,520	1998	1964/94	370.7	268.5
<b>Total NK Business Area</b>		<b>18,316</b>			<b>2,764.7</b>	<b>2,103.2</b>
<b>Gothenburg Business Area</b>						
Inom Vallgraven 12:8	Drottninggatan 52	395	1967	1875	11.1	5.8
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,167	1967	1975	163.2	142.1
Inom Vallgraven 20:4 <sup>(11)</sup>	Kungsgatan 46	982	1974	1914	0.0	17.6
Nordstaden 8:24	Postgatan 26–32, Nordstadstorget 6, Spannmålsgratan 19, Nils Ericssonsgatan 17	8,404	1979	1972/2001	685.1	601.0
Nordstaden GA:5 <sup>(12)</sup>	Nordstadstorget and others				118.5	50.9
<b>Total Gothenburg Business Area</b>		<b>13,948</b>			<b>977.9</b>	<b>817.4</b>
<b>TOTAL</b>		<b>103,170</b>			<b>12,000.5</b>	<b>10,565.7</b>

	Rentable space, sq. m									Total
	Offices	Stores	Restaurants	Cinemas	Hotels	Warehouses	Garage	Residential	Other	
	2,792	328	454			287	792			4,653
	3,578	944	292	1,738		170	478			7,200
	2,507	659	66			303				3,535
	11,914	2,929	564			512				15,919
		61	124							185
	1,815	717				110				2,642
	3,384	1,653	423			127		192	1	5,780
	2,369	1,140	159			176				3,844
	1,931	529				85				2,545
	1,597	801	533							2,931
	5,393	842	761			372				7,368
	5,876	1,591				142	1,100			8,709
	1,935	643	874					900	1	4,353
	45,091	12,837	4,250	1,738	0	2,284	2,370	1,092	2	69,644
	3,991	351				706				5,048
	2,617									2,617
	1,273	242	259			99		298		2,171
	7,861	1,427	2,269		2,806	76				14,439
	3,509	1,028				160	2,093	4,328		11,118
	7,710	1,601				347		1,139		10,797
	26,961	4,649	2,528	0	2,806	1,388	3,232	4,626	0	46,190
	72,052	17,486	6,778	1,738	2,806	3,672	5,602	5,718	2	115,854
	7,464	377	263			802				8,906
	4,902	1,594				242				6,738
	6,605	1,597				1,034				9,236
	21,589	5,220				1,504	1,953		5	30,271
	4,696	3,310				2,102	3,615	6,519		20,242
	3,919	175		1,893		384	1,132			7,503
	49,175	12,273	263	1,893	0	6,068	6,700	6,519	5	82,896
	10,685	3,550	2,074			3,153	13,469			32,931
	37,583		3,880		3,467	928	10,934			56,792
	48,268	3,550	5,954	0	3,467	4,081	24,403	0	0	89,723
	97,443	15,823	6,217	1,893	3,467	10,149	31,103	6,519	5	172,619
	169,495	33,309	12,995	3,631	6,273	13,821	36,705	12,237	7	288,473
	11,778	20,614	1,745			2,868			14	37,019
		2,696	512			8,659	24,482		1	36,350
	5,543	7,849	1,606			661			2	15,661
	17,321	31,159	3,863	0	0	12,188	24,482	0	17	89,030
	393	203				305				901
	10,237	3,218	404			998	1,400			16,257
	599	1,555				57				2,211
	20,454	15,961	802			2,106			66	39,389
	31,683	20,937	1,206	0	0	3,466	1,400	0	66	58,758
	218,499	85,405	18,064	3,631	6 273	29,475	62,587	12,237	90	436,261

## Properties

- (1) The tax assessment value for land has not been set. The property is classified as a listed building.
- (2) The property is held on a lease.
- (3) Following a property review the former Pumpstocken 13 is now included.
- (4) Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- (5) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- (6) Leasehold. The ground rent is SEK 6.4 million a year until October 31, 2004 and is reviewed every ten years. In addition, the tax assessment value for land is SEK 218.7 million.
- (7) Owned by the subsidiary Vasaterminalen AB. Terminalen 1 and Kortbyrån 18 are leaseholds. The ground rent for Terminalen 1 is SEK 20.0 million until March 1, 2010 and is reviewed every ten years. The ground rent for Kortbyrån 18 is SEK 1,000 until October 1, 2018 and is reviewed every 30 years. In addition, the total tax assessment value for land is SEK 664.5 million.
- (8) Owned by the subsidiary AB Nordiska Kompaniet. Hästen 20 and Spektern 14 are leaseholds. The ground rents are SEK 0.7 million and SEK 0.2 million a year respectively and are fixed until April 30, 2002 and September 30, 2005 respectively. They are reviewed every ten years. The ground rent after April 30, 2002 is subject to negotiation. In addition, the tax assessment value for land is SEK 24.0 million.
- (9) Owned by the subsidiary AB Hamngatssgaraget. Leasehold. The ground rent is SEK 3.0 million a year until August 31, 2004 and is reviewed every ten years. In addition, the tax assessment value for land is SEK 102.0 million.
- (10) Owned by the subsidiary AB Nordiska Kompaniet.
- (11) The tax assessment value has not been set. The property is classified as a listed building.
- (12) This property is jointly owned and includes parking operations, some leasing of premises as well as servicing 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.

## Statistics

Property holdings (comparable holdings)																
December 31, 2002	Stockholm Business Area				NK Business Area				Gothenburg Business Area				Total			
	2002		2001		2002		2001		2002		2001		2002		2001	
	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m	SEK m	SEK/sq. m
Gross rent	926.3	3,211	798.3	2,770	292.3	3,283	261.9	2,965	125.6	2,138	112.3	1,933	1,344.2	3,081	1,172.5	2,698
(of which property tax supplement)	(80.1)	(278)	(66.8)	(232)	(21.4)	(240)	(17.4)	(197)	(8.4)	(143)	(7.1)	(122)	(109.9)	(252)	(91.3)	(210)
Rent losses on vacant space	-89.4	-310	-30.8	-107	-9.3	-104	-1.4	-16	-2.9	-49	-3.2	-55	-101.6	-233	-35.4	-82
Bad debt losses	-3.4	-12	-2.6	-9	-3.3	-37	0	0	0.3	5	-0.1	-2	-6.4	-15	-2.7	-6
Net sales	833.5	2,889	764.9	2,654	279.7	3,142	260.5	2,949	123.0	2,093	109.0	1,876	1,236.2	2,833	1,134.4	2,610
Special projects	-49.0	-170	-84.8	-294	-37.3	-419	-11.3	-128	-	-	-4.2	-72	-86.3	-198	-100.3	-231
Maintenance	-39.6	-137	-35.2	-122	-9.9	-111	-11.3	-128	-6.5	-111	-7.9	-136	-56.0	-128	-54.4	-125
Operating costs	-68.5	-238	-63.1	-219	-56.4	-634	-52.3	-592	-18.4	-313	-18.4	-317	-143.3	-328	-133.8	-308
Administration	-32.4	-112	-32.7	-113	-16.6	-186	-22.7	-257	-3.4	-58	-3.4	-59	-52.4	-120	-58.8	-135
Property tax	-90.8	-315	-71.8	-249	-28.9	-325	-23.1	-262	-9.8	-167	-8.2	-141	-129.5	-297	-103.1	-237
Leasehold ground rents	-26.6	-92	-26.6	-92	-6.1	-69	-3.9	-44	-	-	-	-	-32.7	-75	-30.5	-70
Total property expenses	-306.9	-1,064	-314.2	-1,089	-155.2	-1,744	-124.6	-1,411	-38.1	-648	-42.1	-725	-500.2	-1,146	-480.9	-1,106
Operating net	526.6	1,825	450.7	1,565	124.5	1,398	135.9	1,538	84.9	1,445	66.9	1,151	736.0	1,687	653.5	1,504
Depreciation	-54.1	-188	-49.6	-172	-37.2	-418	-36.8	-417	-6.7	-115	-6.0	-103	-98.0	-225	-92.4	-213
Gross profit	472.5	1,637	401.1	1,393	87.3	980	99.1	1,121	78.2	1,330	60.9	1,048	638.0	1,462	561.1	1,291

<b>Property data (comparable holdings)</b>								
December 31, 2002	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
No. of properties	27	28	3	3	4	4	34	35
Floor space, sq. m	288,473	288,162	89,030	88,316	58,758	58,084	436,261	434,562
Vacant floor space, %	11.6	5.3	2.5	0.8	7.3	2.0	9.2	3.9
Vacant rental space, %	11.8	5.1	3.1	0.6	5.3	2.1	9.3	3.9
Total rentable parking spaces	1,151	1,142	800	800	53	53	2,004	1,995
Book value, SEK m	7,645.1	7,659.6	2,103.2	2,087.0	817.4	816.0	10,565.7	10,562.6
– of which investments made during the year	39.0	69.9	54.0	27.7	8.1	25.2	101.1	122.8

<b>Rentable space and annual rent</b>								
December 31, 2002	Stockholm Business Area		NK Business Area		Gothenburg Business Area		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
Offices	169,495	683.6	17,321	63.8	31,683	49.0	218,499	796.4
Stores and restaurants	46,304	170.1	35,022	186.6	22,143	65.7	103,469	422.4
Cinemas	3,631	4.4	-	-	-	-	3,631	4.4
Hotels	6,273	15.8	-	-	-	-	6,273	15.8
Storage and miscellaneous	13,828	16.6	12,205	17.5	3,532	4.7	29,565	38.8
Garages	36,705	25.1	24,482	22.7	1,400	1.3	62,587	49.1
Residential	12,237	11.6	-	-	-	-	12,237	11.6
<b>Total</b>	<b>288,473</b>	<b>927.2</b>	<b>89,030</b>	<b>290.6</b>	<b>58,758</b>	<b>120.7</b>	<b>436,261</b>	<b>1,338.5</b>

<b>Floor space vacancy level and vacant rental space</b>								
December 31, 2002	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m
Offices	23,709	89.8	1,552	7.4	3,651	5.7	28,912	102.9
Stores and restaurants	1,859	8.4	406	1.4	170	0.2	2,435	10.0
Cinemas	-	-	-	-	-	-	-	-
Hotels	2,806	5.4	-	-	-	-	2,806	5.4
Storage and miscellaneous	2,349	2.2	249	0.3	292	0.3	2,890	2.8
Garages	2,174	2.4	-	-	175	0.2	2,349	2.6
Residential	622	0.9	-	-	-	-	622	0.9
<b>Total</b>	<b>33,519</b>	<b>109.1</b>	<b>2,207</b>	<b>9.1</b>	<b>4,288</b>	<b>6.4</b>	<b>40,014</b>	<b>124.6</b>

Lease term structure <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup> December 31, 2002							
Number of contracts	2003	2004	2005	2006	2007	2008 –	Total
<b>Stockholm Business Area</b>							
Offices	71	53	54	19	24	13	234
Stores	33	42	43	9	12	5	144
Miscellaneous	307	78	122	28	17	19	571
<b>Total</b>	<b>411</b>	<b>173</b>	<b>219</b>	<b>56</b>	<b>53</b>	<b>37</b>	<b>949</b>
Proportion, %	43.3	18.2	23.1	5.9	5.6	3.9	100.0
<b>NK Business Area</b>							
Offices	19	10	10	2	–	–	41
Stores	41	41	57	11	3	1	154
Miscellaneous	26	30	37	7	5	2	107
<b>Total</b>	<b>86</b>	<b>81</b>	<b>104</b>	<b>20</b>	<b>8</b>	<b>3</b>	<b>302</b>
Proportion, %	28.6	26.8	34.4	6.6	2.6	1.0	100.0
<b>Gothenburg Business Area</b>							
Offices	11	11	13	6	4	–	45
Stores	12	16	16	12	7	4	67
Miscellaneous	21	27	35	9	9	2	103
<b>Total</b>	<b>44</b>	<b>54</b>	<b>64</b>	<b>27</b>	<b>20</b>	<b>6</b>	<b>215</b>
Proportion, %	20.5	25.1	29.7	12.6	9.3	2.8	100.0
<b>Hufvudstaden, total</b>							
Offices	101	74	77	27	28	13	320
Stores	86	99	116	32	22	10	365
Miscellaneous	354	135	194	44	31	23	781
<b>Total</b>	<b>541</b>	<b>308</b>	<b>387</b>	<b>103</b>	<b>81</b>	<b>46</b>	<b>1,466</b>
Proportion, %	37.0	21.0	26.4	7.0	5.5	3.1	100.0
<b>Annual rent, SEK m</b>							
<b>Stockholm Business Area</b>							
Offices	120.1	129.5	135.1	44.8	60.9	149.1	639.5
Stores	25.0	31.3	31.5	13.9	21.8	24.4	147.9
Miscellaneous	25.0	17.4	22.1	3.9	2.2	14.2	84.8
<b>Total</b>	<b>170.1</b>	<b>178.2</b>	<b>188.7</b>	<b>62.6</b>	<b>84.9</b>	<b>187.7</b>	<b>872.2</b>
Proportion, %	19.5	20.4	21.6	7.2	9.7	21.6	100.0
<b>NK Business Area</b>							
Offices	18.2	26.7	9.0	1.1	–	–	55.0
Stores	39.9	40.3	79.6	17.5	5.3	1.8	184.4
Miscellaneous	24.5	7.1	16.5	2.5	1.6	1.2	53.4
<b>Total</b>	<b>82.6</b>	<b>74.1</b>	<b>105.1</b>	<b>21.1</b>	<b>6.9</b>	<b>3.0</b>	<b>292.8</b>
Proportion, %	28.2	25.3	35.9	7.2	2.4	1.0	100.0
<b>Gothenburg Business Area</b>							
Offices	4.0	8.6	14.5	12.3	6.4	–	45.8
Stores	7.9	14.2	13.8	13.5	7.4	5.6	62.4
Miscellaneous	2.9	1.7	1.6	1.0	2.0	0.3	9.5
<b>Total</b>	<b>14.8</b>	<b>24.5</b>	<b>29.9</b>	<b>26.8</b>	<b>15.8</b>	<b>5.9</b>	<b>117.7</b>
Proportion, %	12.6	20.8	25.4	22.8	13.4	5.0	100.0
<b>Hufvudstaden, total</b>							
Offices	142.3	164.8	158.6	58.2	67.3	149.1	740.3
Stores	72.8	85.8	124.9	44.9	34.5	31.8	394.7
Miscellaneous	52.4	26.2	40.2	7.4	5.8	15.7	147.7
<b>Total</b>	<b>267.5</b>	<b>276.8</b>	<b>323.7</b>	<b>110.5</b>	<b>107.6</b>	<b>196.6</b>	<b>1,282.7</b>
Proportion, %	20.9	21.6	25.2	8.6	8.4	15.3	100.0

Annual rent <sup>(4)</sup> <sup>(5)</sup> <sup>(6)</sup> SEK 1,000			
No. of contracts	Annual rent	Proportion, %	
0 – 99	884	31,262	2.5
100 – 499	253	69,858	5.6
500 – 999	195	141,087	11.3
1,000 – 2,499	170	272,742	21.8
2,500 – 4,999	92	322,792	25.9
5,000 – 9,999	28	190,451	15.3
10,000 –	11	220,239	17.6
<b>Total</b>	<b>1,633</b>	<b>1,248,431</b>	<b>100.0</b>

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

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

(3) Excluding residential contracts.

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

(5) Including residential contracts.

(6) Contracts with annual rent as of December 31, 2002.





1



2

1 Jakobsbergsgatan/Biblioteksgatan, Stockholm. 2 Solo, clothes store. 3 Geox, footwear.



## Definitions

*Adjusted equity/assets ratio.* Equity and surplus value in properties, following a deduction for deferred tax, in relation to total assets.

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

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

*Average number of full-time employees.* The work volume carried out during the year expressed as the number of full-time employees. (Paid working hours in relation to the normal annual working hours at the company).

*Average number of outstanding shares.* The average value of the number of outstanding shares at the beginning and end of the year.

*Capital employed.* Capital employed refers to total assets less non-interest-bearing liabilities and deferred tax liabilities.

*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 Group costs. Central administration attributable to Other operations is included in the Other operations item.

*Collateral level, properties.* Interest-bearing liabilities in relation to the properties' book value.

*Comparable property holdings.* The gross profit from properties acquired during the year is recalculated at a full-year value. Divested properties are excluded.

*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 profit per share for the year.

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

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

*Golden Triangle.* The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

*Gross margin.* Gross profit in relation to net sales.

*Gross rent.* Gross rent is defined as the contracted rent and includes the estimated market rent for vacant premises.

*Halogenated hydrocarbons (HCFC 22).* The name given to a type of substance that breaks down the ozone layer and contributes to the greenhouse effect.

*Interest coverage ratio.* Profit after financial income and expense plus interest expense less interest contributions in relation to interest expense less interest contributions.

*Investments.* Investments related to value-enhancing improvements are capitalized. Rebuilding costs of a maintenance nature are charged to profit.

*Net liabilities.* Interest-bearing liabilities less interest-bearing assets

*Net profit on current operations.* Profit before tax, excluding items affecting comparability, charged with standard tax of 28 per cent.

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

*Operating net.* Net property management sales less the cost of special projects, maintenance, operation and administration, ground rents and property tax.

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

*Profit on current operations.* Profit for the year before tax and items affecting comparability.

*Profit per share before dilution.* Profit after tax in relation to the average number of shares during the year.

*Profit per share after dilution.* Profit for the year in relation to the average number of shares, taking into account share splits, bonus issues and bonus issue elements in conjunction with new share issues.

*Property tax supplement.* Reimbursement of property tax by tenants.

*Renegotiated leases.* New leases with an existing tenant, which after notice of a change in terms and conditions was issued, began to run during the year subject to the same or amended terms and conditions.

*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.

*Rentable floor space.* Total area available for renting.

*Reported equity/assets ratio.* Equity at the year-end in relation to total assets.

*Return on capital employed.* Profit before appropriations and tax plus interest expense less interest contributions in relation to the average capital employed.

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

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

*Special projects.* Special projects refer to expensed measures taken that develop the properties.

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

# *Addresses*

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Website: [www.hufvudstaden.se](http://www.hufvudstaden.se)  
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Registered office: Stockholm

## **Gothenburg**

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Website: [www.hufvudstaden.se](http://www.hufvudstaden.se)

## **Other operations**

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Fax: +46-8-762 92 01  
E-mail: [parkaden@hufvudstaden.se](mailto:parkaden@hufvudstaden.se)  
Website: [www.parkaden.se](http://www.parkaden.se)

## **NK department stores**

NK Stockholm  
NK 100  
SE-111 77 STOCKHOLM  
Visiting address: Hamngatan 18-20

Telephone: +46-8-762 80 00  
Fax: +46-8-762 90 89  
Website: [www.nk.se](http://www.nk.se)

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