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HUFVUDSTADEN  
Year-End Report 2016

# HUFVUDSTADEN

## Year-End Report 2016

- **Profit after tax for the year increased by SEK 835 million to SEK 5,284 million (4,449). The increase is due mainly to higher unrealized changes in the value of the property holdings.**
- **Gross profit rose by 8 per cent to SEK 1,262 million (1,172). The increase can be attributed mainly to higher rental revenue.**
- **Consolidated net revenue amounted to SEK 1,790 million (1,689), an increase of 6 per cent.**
- **Profit after tax for the year was SEK 4,120 million (3,470), equivalent to SEK 19.98 per share (16.82).**
- **The Board proposes an increase in the dividend to SEK 3.30 per share (3.10).**
- **The fair value of the property holdings was set at SEK 36.5 billion (31.7), resulting in a net asset value of SEK 138 per share (118). The unrealized change in value of the property holdings for the year was SEK 4,160 million (3,427).**
- **The equity ratio was 61 per cent (61), the net loan-to-value ratio was 15 per cent (17) and the interest coverage ratio multiple was 8.6 (9.1).**
- **The rental vacancy level at the year-end was 3.9 per cent (4.5). Excluding projects in progress, the rental vacancy level was 2.6 per cent (3.2).**

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### GROUP

#### RESULTS

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

Net rents from property management during the year amounted to SEK 1,703.1 million (1,610.7). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases, as well as a fall in the cost of vacant space. Gross profit amounted to SEK 1,225.6 million (1,144.2). Following a new property tax assessment, property tax increased by SEK 10.4 million, the majority of which is passed on to the tenants. Otherwise, property costs remained largely unchanged.

The turnover-based rent supplement reported during the fourth quarter amounted to SEK 16.0 million (18.1), of which the NK properties accounted for SEK 13.8 million (16.9). There are no other material seasonal variations in rents.

The property management results for each business area are reported on page 7.

##### **Parking operations**

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 86.8 million (78.3). Expenses totalled SEK 50.0 million (50.4) and the gross profit was SEK 36.8 million (27.9).

##### **Other profit and loss items**

Central administration totalled SEK -42.9 million (-38.8). Changes in the value of investment properties totalled SEK 4,160.1 million (3,426.5) and changes in interest derivatives totalled SEK 45.4 million (11.8).

##### **Financial income and expense**

Net financial income and expense amounted to SEK -141.1 million (-123.0). The increase can be attributed mainly to higher borrowing.

<sup>1)</sup> The acquired property *Inom Vallgraven 3:2 in Gothenburg* is included with effect from March 1, 2016.

## Tax

The Group's tax for the year was SEK -1,163.7 million (-978.5), of which SEK -152.7 million (-105.5) was actual tax and SEK -1,011.0 million (-873.0) was deferred tax. The increase in deferred tax can be attributed to higher unrealized changes in the value of the property holdings.

## Profit for the year

The consolidated profit after tax amounted to SEK 4,120.2 million (3,470.1). The increase in profit is due mainly to a higher unrealized change in the value of the property holdings.

## ACQUISITIONS AND INVESTMENTS

The total investment in properties during the period, including company acquisitions and equipment, was SEK 618.7 million (500.3). The increase can be attributed to the acquisition of the property Inom Vallgraven 3:2 in Gothenburg and increased investment in development projects, mainly in Gothenburg.

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where the classification takes place on level 3 according to IFRS 13. The value assessed as at December 31, 2016 was SEK 36,517 million (31,740). The increase can be attributed to unrealized changes in value, investment in the property holdings and property acquisition. Rentable floor space totalled approximately 389,000 square metres (387,000).

The rental vacancy level as at December 31, 2016 was 3.9 per cent (4.5) and the floor space vacancy level was 5.3 per cent (6.1). The decrease in vacant space is mainly related to office space in both Stockholm and Gothenburg. The level of vacant space, excluding projects in progress, totalled 2.6 per cent (3.2).

## Property value and net asset value

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

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

In the light of the above, the assessed unrealized change in the value of the property holdings during 2016 was SEK 4,160.1 million (3,426.5). The total value of the property holdings as at December 31, 2016 was SEK 36.5 billion, including investments. The unrealized increase in value can be attributed to the effect of rising market rents and a slightly lower yield requirement.

The average yield requirement at the above valuation point was 3.9 per cent (4.1).

## Valuation method

Valuation of the property holdings is done by assessing each individual property's fair value. The valuation is made using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is set in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's sub-area, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different areas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building and major investment needs. For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level and normalized operating and maintenance costs.

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

## Yield requirements, property valuation

Stockholm	3.5-4.0 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.9 per cent

## Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In conjunction with an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 36.5 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.8 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

## Sensitivity analysis, property valuation<sup>1)</sup>

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sqm	SEK 1,000 m
Property costs	SEK 50/sqm	SEK 500 m
Rental vacancy level	1.0 percentage points	SEK 480 m
Yield requirement	0.25 percentage points	SEK 2,350 m

<sup>1)</sup> Valuation date: December 31, 2016.

## External valuation

To guarantee the valuation, external estimates were obtained from three independent valuation companies, Forum Fastighetsekonomi, JLL and Newsec Advice. The external valuations as at December 31, 2016 covered 11 properties and are equivalent to 34 per cent of the internally assessed fair value. The corresponding proportion at the mid-year point was 36 per cent. The basis for the selection of the properties was that the properties should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation as at December 31, 2016 were Achilles 1, Järnplåten 28, Kvasten 2, Käkenhusen 40 (part of), Orgelpipan 7, Oxhuvudet 18, Packarhuset 4, Rännilen 11, Rännilen 19 (part of) and Svärdfisken 2 in Stockholm, and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 12.6 billion. Hufvudstaden's internal valuation of the same properties was SEK 12.3 billion. The internal valuations thus concur well with the external valuations.

#### Net asset value

Based on the valuation of the property holdings, the non-current net asset value according to the Balance Sheet (EPRA NAV) was SEK 30.2 billion or SEK 146 per share. The current net asset value (EPRA NNNAV) was SEK 28.5 billion or SEK 138 per share following a deduction for estimated deferred tax. This assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The estimated deferred tax has been set at 5 per cent.

#### Net asset value, December 31, 2016

	SEK m	SEK/ share
Equity according to the Balance Sheet	23,047.4	112
<i>Reversal</i>		
Derivatives according to the Balance Sheet	91.9	-
Deferred tax according to the Balance Sheet	7,102.5	34
Non-current net asset value (EPRA NAV)	30,241.8	146
<i>Deductions</i>		
Derivatives as stated above	-91.9	-
Estimated deferred tax 5%	-1,614.2	-8
Current net asset value (EPRA NNNAV)	28,535.7	138

#### RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period. Vacant space in this category has remained at low levels and rents have risen. In Stockholm's most attractive locations - in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area - rents were noted of between SEK 5,000 and SEK 7,000 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets continues to be strong. For retail premises in prime locations, the market rents were between SEK 14,000 and SEK 24,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg remained strong with a continued low level of vacant space. Market rents in prime locations have risen slightly and were noted of between SEK 2,400 and SEK 3,200 per square metre per year, excluding the property tax supplement. For retail premises, the market rents were between SEK 6,000 and SEK 15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations of both retail and office premises has been positive. In total, 44,200 square metres were renegotiated during the year at a rental value of SEK 215 million. These renegotiations resulted in an average increase in rent of 10 per cent for 2016.

#### FINANCING STRUCTURE

Hufvudstaden's borrowing as at December 31, 2016 amounted to SEK 6,650 million (5,750).

Hufvudstaden has an MTN programme totalling SEK 4.0 billion and the outstanding amount is SEK 2.8 billion. Outstanding commercial paper amounted to 0.9 billion. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. At the year-end, the average fixed interest period was 1.9 years (2.2), the average capital tie-up period was 2.7

years (2.2) and the average annual equivalent rate of interest was 2.1 per cent (2.1). The net interest-bearing debt was SEK 5,536 million (5,307). To achieve the desired interest payment structure, use is made of interest derivatives. The underlying credit of SEK 3,250 million (3,750) is hedged via interest derivatives. In addition, SEK 2,300 million of the total borrowings carry a fixed rate of interest. The fair value of all interest derivatives as at December 31, 2016 was SEK -91.9 million (-137.4). The negative figure can be explained by a general fall in market interest rates. Derivatives are valued at fair value in the Balance Sheet. All derivatives are classified as level 2 according to IFRS 13. There is no set-off of financial assets and liabilities and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

#### Net debt, SEK m, December 31, 2016

Non-current interest-bearing liabilities	4,000
Current interest-bearing liabilities	2,650
Cash and bank holdings	-1,114
Net debt	5,536

#### Fixed interest structure, SEK m, December 31, 2016

Maturity, year	Credit amount	Interest derivatives			Proportion, %
		Net	AER, % <sup>1)</sup>		
< - 1	4,350	-1,750	2,600	2.0	39
1 - 2	500	1,300	1,800	2.1	27
2 - 3	500	450	950	2.7	14
3 - 4	-	-	-	-	-
4 - 5	1,000	-	1,000	1.5	15
5 - 6	300	-	300	2.1	5
Total	6,650	0	6,650	2.1	100

<sup>1)</sup> The credit margins in the table are allocated to the period in which the credit is reported.

#### Capital tie-up structure, SEK m, December 31, 2016

Maturity, year	Credit agree- ment	Utilised:			Proportion, %
		Bank loan	Bond	Com- mercial paper <sup>1)</sup>	
< - 1	1,750	1,750	-	-	1,750 26
1 - 2	2,200	200	1,000	-	1,200 18
2 - 3	500	-	500	-	500 8
3 - 4	1,000	-	-	900	900 14
4 - 5	2,000	1,000	1,000	-	2,000 30
5 - 6	300	-	300	-	300 4
Total	7,750	2,950	2,800	900	6,650 100

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

#### FOURTH QUARTER

The gross profit from property management amounted to SEK 314.4 million (302.7), an increase of 4 per cent. Net rents amounted to SEK 444.4 million (427.4), an increase of 4 per cent, which can be attributed mainly to higher gross rents in conjunction with new leases and renegotiated leases, as well as lower costs for vacant space. Property management costs amounted to SEK 130.0 million (124.7).

The gross profit from parking operations was SEK 11.4 million (10.5). Net revenue was SEK 23.9 million (23.7) and costs SEK 12.5 million (13.2).

Changes in the value of investment properties amounted to SEK 1,709.5 million (1,754.7), and changes in the value of interest derivatives amounted to SEK 20.9 million (18.4). Net financial income and expense totalled SEK -33.9 million (-31.6).

## SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 22,339 shareholders at the end of the year. The proportion of foreign ownership as at December 31, 2016 was 31.5 per cent of the total number of outstanding shares (32.1). The series A share price as at December 31, 2016 was SEK 143.90 and market capitalization was SEK 30.9 billion.

### Largest shareholder groups as at December 31, 2016

	Number of shares, %	Number of votes, %
L E Lundbergföretagen	44.2	87.6
State Street Bank and Trust	6.8	1.4
Citi Bank	4.9	1.0
JP Morgan Funds	3.5	0.7
NTC Wealth	2.8	0.6
SEB Funds	2.2	0.5
Carnegie Funds	1.6	0.3
BNP Paribas	1.6	0.3
AFA Försäkring	1.4	0.3
Other shareholders	28.6	6.8
Outstanding shares	97.6	99.5
Company holdings	2.4	0.5
Total number of issued shares	100.0	100.0

### Shares bought back

The total number of shares held by Hufvudstaden as at December 31, 2016 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during or after the end of the reporting period. At the 2016 Annual Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares and to assign Company shares. The Board of Directors will present a proposal at the Annual Meeting on March 23, 2017 that authorization to acquire and assign company shares be renewed.

### Buy-back of shares as at December 31, 2016, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2016	211.3	5.0	206.3
Buy-back	-	-	-
As of December 31, 2016	211.3	5.0	206.3

## MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2015 Annual Report.

## MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

## ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A are presented in

both the financial statements and in other parts of the Annual Report. Otherwise the accounting principles and computation basis are the same as those applied in the most recent Annual Report.

## ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. Alternative performance measures are a set of financial metrics not defined in IFRS and are used to present the Company's development and improve comparability between periods. As not all companies calculate financial performance metrics in the same way, these are not always comparable with metrics used by other companies. Hufvudstaden also reports alternative performance measures in the report as they are deemed to be key supplementary performance metrics for the Company's results. The performance metrics that are classified as alternative performance measures have been defined and explained on page 10. Page 4 contains derivations of the performance metrics where they are considered relevant.

## PROPOSED DIVIDEND

The Board of Directors proposes that the dividend be increased to SEK 3.30 per share (3.10).

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

The Company's main shareholders have notified the Company of the intention to present a proposal at the Annual Meeting that the current members of the Board of Directors be re-elected and that Fredrik Lundberg be re-elected as Chairman of the Board. It is proposed that KPMG AB be elected as the auditing company with Joakim Thilstedt as lead auditor.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3.30pm on Thursday, March 23, 2017 at Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2016 will be available in week 9 at the Company's office and on the Company's website. At the same time, it will be distributed to those shareholders who have made a request to this effect.

## FORTHCOMING INFORMATION

Annual Report 2016	w.9, 2017
Annual Meeting in Stockholm 2017	March 23, 2017
Interim Report, January-March 2017	May 5, 2017
Interim Report, January-June 2017	August 23, 2017
Interim Report, January-September 2017	November 9, 2017

The information in this Year-End Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on February 16, 2017.

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

*Questions can be answered by Ivo Stopner, President, or Åsa Roslund, CFO, telephone +46 8-762 90 00.*

## INCOME STATEMENTS – SUMMARY

GROUP, SEK m	October-December 2016	October-December 2015	January-December 2016	January-December 2015
<b>Net revenue</b>				
Property management	444.4	427.4	1,703.1	1,610.7
Parking operations	23.9	23.7	86.8	78.3
	<b>468.3</b>	<b>451.1</b>	<b>1,789.9</b>	<b>1,689.0</b>
<b>Property management expenses</b>				
Maintenance	-7.7	-10.4	-29.0	-34.4
Operation and administration	-76.7	-70.4	-262.2	-256.5
Ground rents	-5.5	-5.4	-21.8	-21.5
Property tax	-40.1	-38.5	-164.5	-154.1
	<b>-130.0</b>	<b>-124.7</b>	<b>-477.5</b>	<b>-466.5</b>
Parking operations, expenses	-12.5	-13.2	-50.0	-50.4
	<b>-142.5</b>	<b>-137.9</b>	<b>-527.5</b>	<b>-516.9</b>
<b>Gross profit</b>	<b>325.8</b>	<b>313.2</b>	<b>1,262.4</b>	<b>1,172.1</b>
- of which Property management	314.4	302.7	1,225.6	1,144.2
- of which Parking operations	11.4	10.5	36.8	27.9
Central administration	-15.2	-11.1	-42.9	-38.8
<b>Operating profit before changes in value</b>	<b>310.6</b>	<b>302.1</b>	<b>1,219.5</b>	<b>1,133.3</b>
<b>Changes in value</b>				
Investment properties	1,709.5	1,754.7	4,160.1	3,426.5
Interest derivatives	20.9	18.4	45.4	11.8
	<b>2,041.0</b>	<b>2,075.2</b>	<b>5,425.0</b>	<b>4,571.6</b>
<b>Operating profit</b>	<b>-33.9</b>	<b>-31.6</b>	<b>-141.1</b>	<b>-123.0</b>
<b>Profit before tax</b>	<b>2,007.1</b>	<b>2,043.6</b>	<b>5,283.9</b>	<b>4,448.6</b>
Tax	-442.0	-435.3	-1,163.7	-978.5
<b>Profit after tax</b>	<b>1,565.1</b>	<b>1,608.3</b>	<b>4,120.2</b>	<b>3,470.1</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>1,565.1</b>	<b>1,608.3</b>	<b>4,120.2</b>	<b>3,470.1</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	7.59	7.80	19.98	16.82

## BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2016	December 31, 2015
Investment properties	36,517.3	31,740.5
Other non-current assets	18.5	17.7
Total non-current assets	36,535.8	31,758.2
Current assets	1,173.0	564.4
<b>Total assets</b>	<b>37,708.8</b>	<b>32,322.6</b>
Equity	23,047.4	19,566.7
Non-current interest-bearing liabilities	4,000.0	4,650.0
Deferred tax liabilities	7,240.2	6,229.2
Other non-current liabilities	106.4	157.6
Provisions for pensions	14.9	12.9
Total non-current liabilities	11,361.5	11,049.7
Current interest-bearing liabilities	2,650.0	1,100.0
Other liabilities	649.9	606.2
Total current liabilities	3,299.9	1,706.2
<b>Total equity and liabilities</b>	<b>37,708.8</b>	<b>32,322.6</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-December 2016	January-December 2015
Equity, opening balance	19,566.7	16,694.8
Total comprehensive income for the period	4,120.2	3,470.1
Dividend	-639.4	-598.2
<b>Equity, closing balance</b>	<b>23,047.4</b>	<b>19,566.7</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-December 2016	January-December 2015
Result before tax	5,283.9	4,448.6
Depreciation/impairments	3.0	8.2
Unrealized change in value, investment properties	-4,160.1	-3,426.5
Unrealized change in value, interest derivatives	-45.4	-11.8
Other changes	1.9	2.3
Income tax paid	-105.7	-90.0
<b>Cash flow from current operations before changes in working capital</b>	<b>977.6</b>	<b>930.8</b>
Increase/decrease in operating receivables	28.6	-35.2
Increase/decrease in operating liabilities	22.5	71.9
<b>Cash flow from current operations</b>	<b>1,028.7</b>	<b>967.5</b>
Investments in properties	-616.7	-496.6
Investments in equipment	-2.2	-3.7
Sale of equipment	0.2	-
<b>Cash flow from investments</b>	<b>-618.7</b>	<b>-500.3</b>
Loans raised	3,300.0	2,200.0
Amortization of loan debt	-2,400.0	-2,100.0
Dividend paid	-639.4	-598.2
<b>Cash flow from financing</b>	<b>260.6</b>	<b>-498.2</b>
<b>Cash flow for the period</b>	<b>670.6</b>	<b>-31.0</b>
Cash and cash equivalents at the beginning of the period	443.2	474.2
Cash and cash equivalents at the period-end	1,113.8	443.2
Cash flow for the period per share, SEK	3.25	-0.15

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

GROUP, SEK m	Stockholm City		Stockholm City		Gothenburg		Total	
	East Business Area 2016	2015	West Business Area 2016	2015	Business Area 2016	2015	2016	2015
Net revenue	751.9	703.8	666.0	636.8	285.2	270.1	1,703.1	1,610.7
Property costs	-174.6	-176.5	-217.5	-210.0	-85.4	-80.0	-477.5	-466.5
<b>Gross profit, property management</b>	<b>577.3</b>	<b>527.3</b>	<b>448.5</b>	<b>426.8</b>	<b>199.8</b>	<b>190.1</b>	<b>1,225.6</b>	<b>1,144.2</b>
Parking operations			36.8	27.9			36.8	27.9
Central administration							-42.9	-38.8
<b>Changes in value</b>								
Properties							4,160.1	3,426.5
Interest derivatives							45.4	11.8
<b>Operating profit</b>							<b>5,425.0</b>	<b>4,571.6</b>
Financial income and expense							-141.1	-123.0
<b>Profit before tax</b>							<b>5,283.9</b>	<b>4,448.6</b>

<sup>1)</sup> For comparable holdings, net revenue and gross profit from property management for the Gothenburg Business Area and the Group should be increased by SEK 1.8 million and SEK 1.2 million for 2015 following the acquisition of the property Inom Vallgraven 3:2.

## KEY RATIOS

GROUP	Full year 2016	Full year 2015	Full Year 2014	Full Year 2013	Full Year 2012
<b>Property-related</b>					
Rentable floor space, 1,000 m <sup>2</sup>	389	387	387	387	367
Rental vacancy level, %	3.9	4.5	5.6	4.0	3.7
Floor space vacancy level, %	5.3	6.1	7.2	5.7	5.4
Fair value, SEK bn	36.5	31.7	27.8	25.9	23.1
Surplus ratio, %	70.5	69.4	69.9	70.3	70.4
<b>Financial</b>					
Return on equity, %	19.3	19.1	12.5	12.9	14.7
Return on capital employed, %	19.7	19.2	12.2	12.8	9.3
Equity ratio, %	61	61	59	58	59
Interest coverage ratio, multiple	8.6	9.1	8.5	8.3	6.4
Debt/equity ratio, multiple	0.2	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	15.2	16.7	18.6	20.3	18.2
<b>Data per share</b>					
Profit/loss for the period, SEK	19.98	16.82	9.70	9.10	9.40
Equity, SEK	111.74	94.86	80.94	73.99	67.49
Properties, fair value, SEK	177.04	153.88	134.86	125.42	111.79
Net asset value (EPRA NNNAV), SEK	138.00	118.00	100.00	92.00	84.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272

## KEY RATIOS PER QUARTER

GROUP	Okt-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net revenue, SEK m	468	451	439	431	451	416	409	413
Return on equity, %	19.4	13.5	10.2	6.8	19.7	12.0	9.3	5.8
Return on equity, adjusted, %	4.0	4.2	4.0	4.1	5.0	4.5	4.4	4.2
Equity ratio, %	61	61	60	59	61	59	59	57
Profit per share for the period, SEK	7.59	4.40	4.41	3.58	7.80	3.11	3.75	2.17
Equity per share, SEK	111.74	104.15	99.75	95.34	94.86	87.06	83.96	80.20
Net asset value (EPRA NNNAV), per share, SEK	138.00	129.00	124.00	119.00	118.00	108.00	105.00	100.00
Cash flow per share from current operations, SEK	0.85	1.26	1.43	1.44	1.27	1.01	1.22	1.20

## PARENT COMPANY

### RESULT AND FINANCIAL POSITION

Net revenue amounted to SEK 1,104.0 million (1,038.4). The increase can be attributed mainly to higher gross rents in conjunction with new leases and renegotiated leases, as well as reduced costs for vacant space. Costs totalled SEK -729.8 million (-715.5). Gross profit was SEK 374.2 million (322.9). Other net financial income and expense was SEK -141.0 million (-123.0). The profit for the year includes group contributions from subsidiaries totaling SEK 357.3 million (331.9).

Cash and cash equivalents at the year-end amounted to SEK 1,083.4 million (442.6). Net investments in properties and equipment totalled SEK 158.2 million (117.8). Acquisitions of subsidiaries totalled 62.1 million.

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the 2015 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

Apart from the dividend paid to shareholders, no material transactions with associated parties took place during the year.

### ACCOUNTING PRINCIPLES

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

## INCOME STATEMENTS – SUMMARY

	October - December 2016	October - December 2015	January - December 2016	January - December 2015
<b>PARENT COMPANY, SEK m</b>				
Net revenue	284.4	267.4	1,104.0	1,038.4
Operating expenses	-180.2	-158.8	-729.8	-715.5
<b>Gross profit</b>	<b>104.2</b>	<b>108.6</b>	<b>374.2</b>	<b>322.9</b>
Central administration	-15.2	-11.1	-42.9	-38.8
Changes in value, interest derivatives	20.9	18.4	45.4	11.8
<b>Operating profit</b>	<b>109.9</b>	<b>115.9</b>	<b>376.7</b>	<b>295.9</b>
Group contribution	357.3	331.9	357.3	331.9
Other financial income and expense	-33.9	-31.6	-141.0	-123.0
<b>Profit after financial items</b>	<b>433.3</b>	<b>416.2</b>	<b>593.0</b>	<b>504.8</b>
Appropriations	156.5	1.7	156.5	1.7
<b>Profit before tax</b>	<b>589.8</b>	<b>417.9</b>	<b>749.5</b>	<b>506.5</b>
Tax	-130.3	-77.7	-165.9	-111.3
<b>Profit for the period</b>	<b>459.5</b>	<b>340.2</b>	<b>583.6</b>	<b>395.2</b>
<b>Statement of comprehensive income, SEK m</b>				
Profit for the period	459.5	340.2	583.6	395.2
<i>Other comprehensive income</i>	-	-	-	-
<b>Comprehensive income for the period</b>	<b>459.5</b>	<b>340.2</b>	<b>583.6</b>	<b>395.2</b>

## BALANCE SHEETS – SUMMARY

	December 31, 2016	December 31, 2015
<b>PARENT COMPANY, SEK m</b>		
Investment properties	8,086.3	8,073.6
Other non-current assets	2,902.6	2,839.8
Total non-current assets	10,988.9	10,913.4
Current assets	1,550.1	900.5
<b>Total assets</b>	<b>12,539.0</b>	<b>11,813.9</b>
Restricted equity	1,978.7	1,978.7
Non-restricted equity	1,764.7	1,820.5
Total equity	3,743.4	3,799.2
Untaxed reserves	665.0	821.6
Provisions	916.1	900.8
Non-current liabilities	4,103.0	4,804.0
Current liabilities	3,111.5	1,488.3
Total liabilities	8,795.6	8,014.7
<b>Total equity and liabilities</b>	<b>12,539.0</b>	<b>11,813.9</b>

Stockholm, February 16, 2017

Fredrik Lundberg  
Chairman

Claes Boustedt  
Board Member

Peter Egardt  
Board Member

Liv Forhaug  
Board Member

Louise Lindh  
Board Member

Fredrik Persson  
Board Member

Sten Peterson  
Board Member

Anna-Greta Sjöberg  
Board Member

Ivo Stopner  
President  
Board Member

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

## DEFINITIONS AND GLOSSARY

*Annual rent.* Gross rent at the period-end, including supplements, calculated on an annual basis. Vacant premises are reported at the market rent.

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

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

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

*EPRA.* European Public Real Estate Association. Interest organization for listed property companies in Europe.

*EPRA NAV.* Non-current net asset value. Shareholders' equity plus reversal of interest derivatives and deferred tax, see derivation page 4.

*EPRA NNNAV.* Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax, see derivation page 4.

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

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

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

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

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

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

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

*Net liabilities.* Interest-bearing liabilities, including the decided dividend less current investments and cash and bank holdings, see derivation page 4.

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

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

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

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

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

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

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

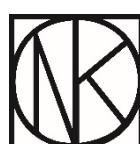
*Return on equity, adjusted.* Profit after tax, excluding changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis without taking account of seasonal variations that normally arise in operations.

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

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

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

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



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Nordstan

V  
THE QUARTER  
FEMMAN  
GOTHENBURG

# HUFVUDSTADEN

## **Hufvudstaden**

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

## **Vision**

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

## **Business concept**

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

## **Financial objectives**

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

## **Operating objectives**

Hufvudstaden will:

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

## **Strategies to achieve the objectives**

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

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

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

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

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Company registration number: 556012-8240  
Registered office: Stockholm



HUVUDSTADEN