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HUFVUDSTADEN
Interim Report January – March 2018



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- **Gross profit from property management rose by 5 per cent to SEK 325 million (311). The increase can be attributed mainly to higher rental revenue.**
- **Net revenue from property management amounted to SEK 445 million (429), an increase of 4 per cent.**
- **Profit after tax for the period was SEK 692 million (472), equivalent to SEK 3.35 per share (2.29). The increase can be attributed to higher unrealized changes in the value of the property holdings.**
- **The fair value of the property holdings was set at SEK 40.4 billion (39.7 at the turn of the year), resulting in a net asset value of SEK 153 per share (152 at the turn of the year) following payment of a dividend of SEK 3.50 per share. The unrealized change in value of the property holdings for the period was SEK 593 million (322).**
- **The equity ratio was 61 per cent (60), the net loan-to-value ratio was 16 per cent (16), and the interest coverage ratio multiple was 11.2 (9.0).**
- **The rental vacancy level at the period-end was 4.6 per cent (5.2). Excluding current development projects, the rental vacancy level was 3.3 per cent (3.3).**

Key events during the period

The Eataly food concept has opened in the Kvasten 6 property in Bibliotekstan, Stockholm.

Cartier has signed an agreement regarding the opening of a store in Bibliotekstan.

A major redevelopment project is taking place at the NK department store in Stockholm with the aim of bringing it into a new era.

Henrik Andréasson has been employed as head of the NK Business Area and CEO of AB Nordiska Kompaniet. He will take up this position in August.

A decision has been taken regarding an expansion and redevelopment project in the Skären 9 property in Stockholm, where two new floors will be added to the existing building.

Performance measures

SEK m	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Net revenue, property management	445	429	1,751
Gross profit, property management	325	311	1,262
Unrealized changes in value, investment properties	593	322	2,848
Operating profit	926	651	4,031
Profit for the period	692	472	3,035
Fair value, properties, SEK bn	40.4	37.0	39.7
Rental vacancy level, %	4.6	5.2	3.9
Net loan-to-value ratio, properties, %	16.1	16.4	14.6
Interest coverage ratio, multiple	11.2	9.0	9.3
Result from property management after nominal tax (EPRA EPS), per share, SEK	1.27	1.18	4.84
Current net asset value (EPRA NNNAV) per share, SEK	153.00	138.00	152.00

GROUP

RESULTS

Property management

Net rents from property management during the period amounted to SEK 445.1 million (429.3). The gross profit was SEK 325.3 million (310.7). The increase can be attributed mainly to higher gross rents in conjunction with renegotiated and new leases and indexation.

The turnover-based rent supplement is reported during the fourth quarter and last year amounted to SEK 15.7 million. Apart from the turnover-based rent supplement, there are no other material seasonal variations in rents.

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

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 21.5 million (22.8). The decrease can be attributed mainly to reduced revenue from short-term parking. Expenses totalled SEK -12.6 million (-12.6) and gross profit SEK 8.9 million (10.2).

Other profit and loss items

Central administration totalled SEK -9.9 million (-9.5). Unrealized changes in the value of investment properties totalled SEK 593.0 million (321.7) and changes in interest derivatives totalled SEK 8.8 million (17.9).

Financial income and expense

Net financial income and expense amounted to SEK -28.4 million (-34.4). The decrease can be attributed to a lower rate of interest on loans.

Tax

The Group's tax for the period was SEK -206.1 million (-144.5), of which SEK -43.0 million (-42.4) was actual tax, and SEK -163.1 million (-102.1) 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 period

The consolidated profit after tax amounted to SEK 691.6 million (472.1). The increase can be attributed to higher unrealized changes in the value of the property holdings.

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 March 31, 2018 was SEK 40,446 million (39,730 at the turn of the

year). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 385,000 square metres (385,000 at the turn of the year).

The rental vacancy level as at March 31, 2018 was 4.6 per cent (3.9 at the turn of the year) and the total floor space vacancy level was 5.9 per cent (5.5 at the turn of the year). The increase can be attributed mainly to a small number of office tenants vacating premises. New leases have already been signed for a number of these vacated premises. The level of rental vacancy, excluding projects in progress (EPRA vacancy rate), totalled 3.3 per cent (2.4 at the turn of the year).

Acquisitions and investments

The total investment in properties and equipment during the first quarter of the year amounted to SEK 124.0 million (118.1).

In recent years, the company has intensified its investment in development projects. At present, current and planned projects are worth approximately SEK 3 billion. Major projects are presented in the table below.

In Stockholm, work has continued to develop NK with the aim of reinforcing its position as a worldclass department store. The renovation programme will encompass both the physical environment and the digital environment and will include expansion of the service range. During the next few years, several international luxury brands will move into the department store. The project is expected to take approximately three years and will cover approximately half of the floor space in the department store. In addition, the floor space will be expanded by around 20 per cent, mainly by incorporating the adjacent parking facility Parkaden into NK.

A decision has been reached to commence expansion and redevelopment of the Skären 9 property at Norrmalmstorg in Stockholm. The work will include the creation of approximately 2,600 square metres of office space and at the same time there will be a comprehensive renovation of the existing floor space and a complete upgrade of the technical systems. To allow the building to be expanded, the foundations and framework will also be partly reinforced. Following completion in 2020/2021, the newly renovated property will be around 12,500 square metres in size, comprising 10,700 square metres of office space and 1,800 square metres of retail space. A long lease covering approximately 7,800 square metres has been signed with the law firm Advokatfirman Vinge, which will rent around 75 per cent of the office space.

Major current and planned projects

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment ¹⁾ (SEK m)	Estimated completion
Stockholm	NK Stockholm, Hästskon 10	Current	Retail, restaurant & parking	50 % of the department store floorspace & 20 % increase	-	600	2020/2021
Stockholm	Skären 9	Pre-construction	Office	10,700	2 600	750	2020/2021
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Stockholm	Vildmannen 7	Enquiry	Office & retail	-	-	-	-
Gothenburg	NK Gothenburg	Current	Retail & restaurant	2,100 & foundation reinforcement	-	150	2018/2019
Gothenburg	Inom Vall-graven 12 block	Local planning	Office, retail & restaurant	-	-	-	-

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

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 parts of the property holdings are obtained at least once a year.

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

In the light of the above, the assessed unrealized change in the value of the property holdings for the period was SEK 593.0 million (321.7). The total value of the property holdings as at March 31, 2018 was SEK 40.4 billion, including investments. The unrealized increase in value can be attributed mainly to rising rents.

The average yield requirement at the above valuation point was 3.8 per cent (3.8 at the turn of the year).

Valuation method

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

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

Yield requirements, property valuation

Stockholm	3.4-3.9 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.8 per cent

Sensitivity analysis

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

vary depending, in part, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 40.4 billion, with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 2.0 billion. Below are the key factors that influence the valuation and the consequent impact on profit before tax.

Sensitivity analysis, property valuation ¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sqm	SEK 1,000 m
Property costs	SEK 50/sqm	SEK 500 m
Rental vacancy level	1.0 percentage points	SEK 520 m
Yield requirement	0.25 percentage points	SEK 2,620 m

¹⁾Valuation date: March 31, 2018.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 33.4 billion or SEK 162 per share. The current net asset value (EPRA NNNAV) was SEK 31.5 billion or SEK 153 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, March 31, 2018

	SEK m	SEK/ share
Equity according to the Balance Sheet	25,371.4	123
Reversal		
Derivatives according to the Balance Sheet	21.5	0
Deferred tax according to the Balance Sheet	7,984.5	39
Non-current net asset value (EPRA NAV)	33,377.4	162
Deductions		
Derivatives as stated above	-21.5	0
Estimated deferred tax 5%	-1,814.6	-9
Current net asset value (EPRA NNNAV)	31,541.3	153

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 market rents have risen slightly. In Stockholm's most attractive locations – in Bibliotekstan, at Norrmalstorg/Hamngatan, and in the Hötorget area – office rents of SEK 6,000-8,400 per square metre per year, excluding the property tax supplement, were noted. 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 SEK 14,000-25,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg continued to be positive, with a low level of vacant space. Market rents in prime locations have risen slightly and are SEK 2,500-3,400 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are SEK 6,000-15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations of both retail and office premises has been positive.

FINANCING

Hufvudstaden's financing requirements are obtained by the major Nordic banks and the capital market. Total borrowing as at March 31, 2018 amounted to SEK 7,100 million (6,200 at the turn of the year). Interest-bearing net debt was SEK 6,509 million (5,805 at the turn of the year).

Hufvudstaden has an MTN programme totalling SEK 6.0 billion and the outstanding amount is SEK 4.2 billion. Outstanding commercial paper amounted to SEK 1.7 billion. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 2.5 years (1.8 at the turn of the year), the average capital tie-up period was 4.0 years (3.4 at the turn of the year), and the average equivalent rate of interest was 1.7 per cent (1.9 at the turn of the year). To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest and use is made of interest derivatives. The underlying credit of SEK 1,550 million (1,750 at the turn of the year) is hedged via interest derivatives. Of the total borrowings, SEK 4,200 million carries a fixed rate of interest.

The fair value of all interest derivatives as at March 31, 2018 was SEK -21.5 million (-30.3 at the turn of the year). The negative figure can be explained by a general fall in market interest rates since the derivative contracts were signed. 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 cost, which in all material respects concurs with the fair value.

Fixed interest structure, SEK m, March 31, 2018

Maturity, year	Credit amount	Interest derivatives	Net	AER, % ¹⁾	Proportion, %
< - 1	3,400	-250	3,150	1.9	44
1 - 2	-	250	250	1.9	4
2 - 3	500	-	500	1.8	7
3 - 4	900	-	900	1.3	13
4 - 5	1,800	-	1,800	1.4	25
5 - 6	500	-	500	1.4	7
Total	7,100	-	7,100	1.7	100

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

Capital tie-up structure SEK m, March 31, 2018

Maturity year	Credit Agreement	Utilized:				Proportion, %
		Bank loans	Bonds	Commercial paper ¹⁾	Total	
< - 1	1,200	200	500	-	700	10
1 - 2	-	-	-	-	-	-
2 - 3	2,000	500	500	200	1,200	17
3 - 4	1,900	500	900	500	1,900	27
4 - 5	1,800	-	1,800	-	1,800	25
5 - 6	500	-	500	-	500	7
6 - 7	1,000	-	-	1,000	1,000	14
Total	8,400	1,200	4,200	1,700	7,100	100

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

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 23,427 shareholders at the period-end. The proportion of foreign ownership as at March 31, 2018 was 28.8 per cent of the total number of outstanding shares (30.3 at the turn of the year). The series A share price as at March 31, 2018 was SEK 123.90, and market capitalization was SEK 28.1 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 2018 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 2018 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 own shares held by Hufvudstaden.

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 2017 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. 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 Interim Report. Apart from the introduction of IFRS 9 and IFRS 15, see below, the accounting principles and computation basis are the same as those applied in the most recent Annual Report.

New standards and interpretations

IFRS 9 Financial instruments has been applied since January 1, 2018. The standard means that the principles for making provisions for credit losses will be based on an estimate of expected losses. The credit losses for Hufvudstaden are very low, and the transition has not had any material impact on the consolidated financial statements.

IFRS 15 Revenue Recognition has been applied since January 1, 2018. The standard means that the reporting of income must be divided into two parts: rental income and service income. Hufvudstaden's primary source of revenue is rental revenue, and the change has not had any material impact on the consolidated financial statements apart from expanded disclosure requirements.

IFRS 16 Leasing will be applied from January 1, 2019. Hufvudstaden has begun the task of analysing the consequences of the new standard. At present, the introduction of IFRS 16 is not expected to have any material impact on the consolidated financial statements.

FORTHCOMING INFORMATION

Half-year Report, January-June 2018	August 21, 2018
Interim Report, January-September 2018	November 9, 2018
Year-End Report for 2018	February 14, 2019
Annual Report 2018	March 2019
Annual Meeting 2019 in Stockholm	March 21, 2019

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on May 3, 2018.

This information is also published on Hufvudstaden's website, 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	January-March 2018	January-March 2017	January-December 2017
Net revenue			
Property management	445.1	429.3	1,750.6
Parking operations	21.5	22.8	89.9
	466.6	452.1	1,840.5
Property management expenses			
Maintenance	-3.6	-4.6	-29.8
Operation and administration	-69.0	-66.8	-269.4
Ground rents	-5.6	-5.4	-22.6
Property tax	-41.6	-41.8	-167.3
Property management expenses	-119.8	-118.6	-489.1
Parking operations, expenses	-12.6	-12.6	-50.7
Operating expenses	-132.4	-131.2	-539.8
Gross profit	334.2	320.9	1,300.7
- of which Property management	325.3	310.7	1,261.5
- of which Parking operations	8.9	10.2	39.2
Central administration	-9.9	-9.5	-41.3
Operating profit before items affecting comparability and changes in value	324.3	311.4	1,259.4
Items affecting comparability ¹⁾	-	-	-138.6
Changes in value, investment properties	593.0	321.7	2,848.2
Changes in value, interest derivatives	8.8	17.9	61.6
Operating profit	926.1	651.0	4,030.6
Financial income and expense	-28.4	-34.4	-135.7
Profit before tax	897.7	616.6	3,894.9
Tax	-206.1	-144.5	-859.9
Profit after tax	691.6	472.1	3,035.0
Other comprehensive income	-	-	-
Total comprehensive income for the period	691.6	472.1	3,035.0
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	3.35	2.29	14.71

¹⁾ The change in value and disposals for the full year 2017, SEK -219.2 million, as well as part of possible insurance compensation, SEK 80.6 million, as a result of a fire at the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

GROUP, SEK m	March 31, 2018	March 31, 2017	December 31, 2017
Investment properties	40,445.8	36,956.0	39,730.0
Other non-current assets	20.9	18.6	20.3
Total non-current assets	40,466.7	36,974.6	39,750.3
Current assets	885.4	829.2	544.6
Total assets	41,352.1	37,803.8	40,294.9
Equity	25,371.4	22,838.8	25,401.7
Non-current interest-bearing liabilities	4,700.0	3,400.0	3,700.0
Deferred tax liabilities	8,103.0	7,342.2	7,939.9
Other non-current liabilities	52.1	93.7	56.9
Provisions for pensions	16.3	14.6	16.3
Total non-current liabilities	12,871.4	10,850.5	11,713.1
Current interest-bearing liabilities	2,400.0	3,300.0	2,500.0
Other liabilities	709.3	814.5	680.1
Total current liabilities	3,109.3	4,114.5	3,180.1
Total equity and liabilities	41,352.1	37,803.8	40,294.9

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- March 2018	January- March 2017	January- December 2017
Equity, opening balance	25,401.7	23,047.4	23,047.4
Total comprehensive income for the period	691.6	472.1	3,035.0
Dividend	-721.9	-680.7	-680.7
Equity, closing balance	25,371.4	22,838.8	25,401.7

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- March 2018	January- March 2017	January- December 2017
Profit before tax	897.7	616.6	3,894.9
Depreciation/impairments	2.7	0.7	3.7
Items affecting comparability	-	-	138.6
Changes in value, investment properties	-593.0	-321.7	-2,848.2
Changes in value, interest derivatives	-8.8	-17.9	-61.6
Other changes	0.1	-0.3	1.3
Income tax paid	-35.9	-36.6	-150.6
Cash flow from current operations before changes in working capital	262.8	240.8	978.1
Increase/decrease in operating receivables	-146.9	-112.8	-11.5
Increase/decrease in operating liabilities	26.2	164.0	32.5
Cash flow from current operations	142.1	292.0	999.1
Investment in properties	-122.8	-117.0	-583.7
Investment in equipment	-1.2	-1.1	-3.6
Cash flow from investments	-124.0	-118.1	-587.3
Loans raised	2,800.0	1,100.0	4,000.0
Amortization of loan debt	-1,900.0	-1,050.0	-4,450.0
Dividend paid	-721.9	-680.7	-680.7
Cash flow from financing	178.1	-630.7	-1,130.7
Cash flow for the period	196.2	-456.8	-718.9
Cash and cash equivalents at the beginning of the period	394.9	1,113.8	1,113.8
Cash and cash equivalents at the period-end	591.1	657.0	394.9
Cash flow for the period per share, SEK	0.95	-2.21	-3.49

SEGMENT REPORT – SUMMARY ¹⁾

As part of the increased focus on business development and projects, Hufvudstaden has carried out a reorganization. The new organization came into effect on April 1, 2017 and Hufvudstaden now consists of three business areas. The division of properties has changed for the Stockholm Business Area (previously Stockholm City East Business Area) and the NK Business Area (previously Stockholm City West Business Area) but remains the same for the Gothenburg Business Area.

GROUP, SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
Net revenue	243.3	235.0	120.8	117.5	81.0	76.8	445.1	429.3
Property costs	-55.5	-58.6	-42.5	-38.3	-21.8	-21.7	-119.8	-118.6
Gross profit, property management	187.8	176.4	78.3	79.2	59.2	55.1	325.3	310.7
Parking operations			8.9	10.2			8.9	10.2
Central administration							-9.9	-9.5
Changes in value								
Investment properties							593.0	321.7
Interest derivatives							8.8	17.9
Operating profit							926.1	651.0
Financial income and expense							-28.4	-34.4
Profit before tax							897.7	616.6

¹⁾ Previous periods have been recalculated in the light of the new organization.

PERFORMANCE MEASURES

GROUP	March 31, 2018	March 31, 2017	Full year 2017
Property-related			
Rentable floor space, 1,000 m ²	385	389	385
Rental vacancy level, %	4.6	5.2	3.9
Floor space vacancy level, %	5.9	6.8	5.5
Fair value, SEK bn	40.4	37.0	39.7
Surplus ratio, %	71.6	71.0	70.7
Financial			
Return on equity, %	5.3	4.7	12.5
Return on capital employed, %	5.9	5.3	13.2
Equity ratio, %	61	60	63
Interest coverage ratio, multiple	11.2	9.0	9.3
Debt/equity ratio, multiple	0.3	0.3	0.2
Net loan-to-value ratio, properties, %	16.1	16.4	14.6
Data per share			
Profit/loss for the period, SEK	3.35	2.29	14.71
Equity, SEK	123.00	110.73	123.15
Properties, fair value, SEK	196.09	179.17	192.62
Current net asset value, SEK	153.00	138.00	152.00
Number of outstanding shares, 1,000	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272
EPRA			
Result from property management after nominal tax (EPRA Earnings), SEK m	261	243	998
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.27	1.18	4.84
Non-current net asset value (EPRA NAV), SEK m	33,377.4	30,113.4	33,255.3
Non-current net asset value (EPRA NAV) per share, SEK	162.00	146.00	161.00
Current net asset value (EPRA NNNAV), SEK m	31,541.3	28,402.9	31,447.0
Current net asset value (EPRA NNNAV) per share, SEK	153.00	138.00	152.00
EPRA Vacancy rate, %	3.3	3.3	2.4

PERFORMANCE MEASURES PER QUARTER

GROUP	Jan-Mar 2018	Okt-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Okt-Dec 2016	Jul-Sep 2016	Apr-Jun 2016
Net revenue, SEK m	467	480	456	453	452	468	451	439
Return on equity, %	5.3	12.9	9.9	8.6	4.7	19.4	13.5	10.2
Return on equity, adjusted, %	3.5	4.0	3.6	3.5	3.6	4.0	4.2	4.0
Equity ratio, %	61	63	62	62	60	61	61	60
Profit per share for the period, SEK	3.35	4.38	2.46	5.59	2.29	7.59	4.40	4.41
Equity per share, SEK	123.00	123.15	118.77	116.31	110.73	111.74	104.15	99.75
Net asset value (EPRA NNNAV), per share, SEK	153.00	152.00	147.00	144.00	138.00	138.00	129.00	124.00
Cash flow per share from current operations, SEK	0.69	1.25	0.77	1.41	1.42	0.86	1.26	1.43

ALTERNATIVE PERFORMANCE MEASURES

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

Net asset value (EPRA NNAV) see page 4.			
	March 31, 2018	March 31, 2017	Full Year 2017
Net debt, SEK m			
Non-current interest-bearing liabilities	4,700	3,400	3,700
Current interest-bearing liabilities	2,400	3,300	2,500
Cash and bank holdings	-591	-657	-395
Net debt	6,509	6,043	5,805
Equity ratio, SEK m			
Equity	25,371	22,839	25,402
Total assets	41,352	37,804	40,295
Equity ratio, %	61	60	63
Net loan-to-value ratio, properties, SEK m			
Interest-bearing liabilities	7,100	6,700	6,200
Interest-bearing assets	-591	-657	-395
Total	6,509	6,043	5,805
Carrying amount, properties	40,446	36,956	39,730
Net loan-to-value ratio, properties, %	16.1	16.4	14.6
Interest coverage ratio, SEK m			
Profit before tax	1,786 ¹⁾	1,448 ¹⁾	3,895
Reversal of items affecting comparability and changes in value	-602	-340	-2,771
Interest expense	116 ¹⁾	138 ¹⁾	136
Total	1,300	1,246	1,260
Interest expense	116 ¹⁾	138 ¹⁾	136
Interest coverage ratio, multiple	11.2	9.0	9.3
Result from property management after nominal tax (EPRA Earnings), SEK m			
Operating profit before items affecting comparability and changes in value	324	311	1,259
Financial income and expense	-28	-34	-136
Result from property management	296	277	1,123
Current tax, result from property management	-35	-34	-125
Result from property management after nominal tax (EPRA Earnings)	261	243	998
Number of outstanding shares, million	206.3	206.3	206.3
Result from property management after nominal tax (EPRA EPS) per share, SEK	1.27	1.18	4.84

¹⁾ Recalculated 12 months.

PARENT COMPANY

RESULTS AND FINANCIAL POSITION

Net revenue amounted to SEK 294.2 million (283.2). The increase can be attributed mainly to higher gross rents in conjunction with renegotiated and new leases and indexation. Costs totalled SEK -160.5 million (-158.5). Gross profit was SEK 133.7 million (124.7). Net financial income and expense was SEK -28.3 million (-34.4).

Cash and cash equivalents at the period-end amounted to SEK 590.7 million (629.0). Investment in properties and equipment for the period was SEK 20.8 million (36.2).

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is mainly exposed to financing, interest and credit risks. The Company has not identified

any material risks and uncertainties other than those described in the 2017 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

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

	January- March 2018	January- March 2017	January- December 2017
PARENT COMPANY, SEK m			
Net revenue	294.2	283.2	1,145.9
Operating expenses	-160.5	-158.5	-644.8
Gross profit	133.7	124.7	501.1
Central administration	-9.9	-9.5	-41.3
Items affecting comparability ¹⁾	-	-	0.0
Changes in value, interest derivatives	8.8	17.9	61.6
Operating profit	132.6	133.1	521.4
Group contributions received	-	-	263.0
Other financial income and expense	-28.3	-34.4	-135.7
Profit after financial items	104.3	98.7	648.7
Appropriations	-	-	144.3
Profit before tax	104.3	98.7	793.0
Tax	-31.5	-30.4	-177.7
Profit for the period	72.8	68.3	615.3
Statement of comprehensive income, SEK m			
Profit for the period	72.8	68.3	615.3
Other comprehensive income	-	-	-
Comprehensive income for the period	72.8	68.3	615.3

¹⁾ Disposals for the full year 2017, SEK -80.6 million, as well as part of possible insurance compensation, SEK 80.6 million, as a result of a fire at the property Vildmannen 7.

BALANCE SHEETS – SUMMARY

	March 31, 2018	March 31, 2017	December 31, 2017
PARENT COMPANY, SEK m			
Investment properties	7,999.3	8,087.0	8,017.9
Other non-current assets	2,905.0	2,902.9	2,904.9
Total non-current assets	10,904.3	10,989.9	10,922.8
Current assets	1,149.8	1,062.9	890.6
Total assets	12,054.1	12,052.8	11,813.4
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,050.2	1,152.3	1,699.3
Total equity	3,028.9	3,131.0	3,678.0
Untaxed reserves	516.2	665.0	516.2
Provisions	937.8	920.7	935.0
Non-current liabilities	4,747.7	3,490.4	3,752.0
Current liabilities	2,823.5	3,845.7	2,932.2
Total liabilities	9,025.2	8,921.8	8,135.4
Total equity and liabilities	12,054.1	12,052.8	11,813.4

Stockholm, May 3, 2018

Ivo Stopner
President

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

DEFINITIONS AND GLOSSARY

For details of derivations of performance measures, see page 9.

Finance

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

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

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

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

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

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

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

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

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

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

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

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

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.

Shares

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

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

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

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

Properties

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

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

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

Fair value. The estimated market value of the properties.

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

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

Property tax supplement. Property tax payments received from tenants.

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

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

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

HUFVUDSTADEN

Hufvudstaden

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

Vision

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

Business concept

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

Financial objectives

- Hufvudstaden shares will have good dividend growth over time and the dividend will 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.



BIBLIOTEKSTAN



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HUFVUDSTADEN