

# HUFVUDSTADEN



Q4

Year-End Report  
2022

# HUFVUDSTADEN

## Year-End Report 2022

- **Net revenue from property management was SEK 1,855 million (1,783), an increase of 4 per cent. Including intra-Group rent revenue of SEK 200 million (153), attributable primarily to NK Retail, the increase was 6 per cent.**
- **Gross profit from property management increased by 1 per cent, totalling SEK 1,235 million (1,221). Including intra-Group rent revenue of SEK 200 million (153), the gross profit from property management increased by 4 per cent.**
- **Net profit for the year was SEK 722 million (2,955), equivalent to SEK 3.57 per share (14.61). The decrease can be attributed primarily to lower unrealised changes in the value of the property holdings.**
- **The Board proposes an increased dividend to SEK 2.70 per share (2.60).**
- **The fair value of the property holdings was SEK 49.5 billion (48.8), resulting in net reinstatement value (EPRA NRV) of SEK 201 per share (199). Unrealised changes in the value of the property holdings amounted to SEK -209 million (2,579) for the year.**
- **The equity ratio was 61 per cent (61), the net loan-to-value ratio was 19 per cent (18), and the interest coverage ratio multiple was 7.7 (9.3).**
- **Rental vacancy rate at year-end var 7.0 per cent (7.3). Excluding current development projects, the rental vacancy rate was 4.0 per cent (5.9).**

### Operating events during the fourth quarter

Hufvudstaden consolidated its high ranking from the preceding year in GRESB's international sustainability ranking and was named Global Sector Leader in the Office and retail category.

In October, Hufvudstaden expanded its green financing by signing a green loan agreement of SEK 1 billion. Green financing covered 33 per cent of total borrowing at the end of the year.

The Swedish activewear brand Aim'n signed a lease for a new flagship store of approximately 180 square metres in the Käkenhusen 40 property on Kungsgatan in Stockholm.

In the Vildmannen 7 property in Bibliotekstan, where reconstruction work is ongoing, the luxury brand Chanel and the French fashion brand A.P.C. signed leases for retail premises of approximately 100 square metres each.

The home and kitchenware chain Cervera and the shoe retailer Deichmann signed leases for retail premises in the Femman shopping centre in Gothenburg for a total of approximately 760 square metres.

At Fyran in Gothenburg, Medartuum, a leading player in the parallel distribution of pharmaceuticals, signed a lease for about 440 square metres of office space.

### Performance measures

SEK m	Jan-Dec 2022	Jan-Dec 2021
Net revenue, property management, gross	2,055	1,936
Rent revenue, intra-Group	-200	-153
Net revenue, property management, net	1,855	1,783
Gross profit, property management	1,235	1,221
Unrealised changes in property value, investment properties	-209	2,579
Operating profit	1,089	3,865
Net profit for the period	722	2,955
Fair value of properties, SEK bn	49.5	48.8
Net loan-to-value ratio, properties, %	18.7	17.9
Interest coverage ratio, multiple	7.7	9.3
EPRA vacancy rate, %	4.0	5.9
EPRA EPS, SEK	5.07	5.10
EPRA NRV per share, SEK	201	199

## GROUP

### RESULTS

#### Property management

Net revenue from property management excluding intra-Group rents of SEK 199.8 million (153.0) totalled SEK 1,854.9 million (1,783.5) for the year. The increase was attributable primarily to indexation, higher gross rents related to renegotiations and new leases, as well as a decline in rent reductions for stores and restaurants. Net revenue was charged with higher rent losses for vacant premises attributable to the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project. Property management expenses amounted to SEK -620.0 million (-562.4). Property tax increased due to new property tax assessments and the cost has mainly been invoiced onward to the tenants. Operating costs increased during the year, mainly related to higher energy costs. Gross profit was SEK 1,234.9 million (1,221.1), excluding intra-Group rents.

The sales-based rent supplement is reported during the fourth quarter and amounted to SEK 12.0 million (8.8), of which the NK properties accounted for SEK 9.9 million (6.3). Apart from the sales-based rent supplement, there are no other material seasonal variations in rents.

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

#### Other segments

Other segments comprise NK Retail and other operations. Other operations consist of Cecil Coworking, NK e-commerce and the parking business in Parkaden.

NK Retail accessed the NK business on February 3, 2021. Net revenue amounted to SEK 760.2 million (604.0). Costs excluding intra-Group rents of SEK -133.6 million (-98.6) were SEK -691.5 million (-507.9). Gross profit for NK Retail excluding intra-Group rental costs was SEK 68.7 million (96.1). The first two years for NK Retail have been challenging with pandemic, war and high inflation, which led to weak sales. Sales for NK Retail are impacted by seasonal variations, with the first quarter of the year normally being the weakest and the fourth quarter the strongest.

Net revenue for other operations amounted to SEK 130.7 million (100.4). The increase was mainly attributable to higher revenue for Cecil Coworking. Costs excluding intra-Group rents of SEK -66.2 million (-54.4) were SEK -80.7 million (-74.0). Gross profit excluding intra-Group rental costs was SEK 50.0 million (26.4).

For further information, see Segment Reporting on page 9.

#### Other profit and loss items

Central administration totalled SEK -55.7 million (-57.9). Unrealised changes in value in investment properties totalled SEK -209.1 million (2,579.3). For further information, see pages 4-5.

#### Financial income and expense

Net financial income and expense totalled SEK -184.5 million (-138.9). Interest income was SEK 2.2 million (0.0). Borrowing costs totalled SEK -163.8 million (-116.4), of which fees for withdrawal of mortgage deeds comprised SEK -20.6 million (-). Interest expense for leases was SEK -22.9 million (-22.5). The increase in financial expenses for borrowing was attributable to higher average interest rate. For further information, see page 5-6.

#### Tax

The Group's tax for the year was SEK -182.3 million (-770.8), of which SEK -91.2 million (-110.2) in current tax and SEK -91.1 million (-660.6) in deferred tax. The decrease in current tax was mainly due to higher deductible expenses for investments in properties. As for deferred tax, the reduction is attributable to lower unrealised changes in the value of investment properties.

#### Net profit for the year

The consolidated net profit was SEK 722.0 million (2,955.3). The decrease can be attributed primarily to lower unrealised 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 classification takes place on level 3 according to IFRS 13. The assessed value as at 31 December 2022 was SEK 49,547 million (48,790). The increase was attributable to investments in the property holding, but was partly offset by lower unrealised changes in value. Rentable floor space totalled approximately 386,600 square metres (386,500).

The total rental vacancy rate as at December 31, 2022 was 7.0 per cent (7.3) and the total floor space vacancy rate was 11.2 per cent (10.2). The rental vacancy rate, excluding current development projects (EPRA vacancy rate), totalled 4.0 per cent (5.9).

#### Acquisitions and investments

Total investments were SEK 1,017.8 million (628.3), of which investments in properties and other non-current assets were SEK 1,017.8 million (588.5).

At present, current and planned projects are worth approximately SEK 3 billion. Major projects are presented in the table below.

#### Major current and planned projects in the fourth quarter 2022

City	Property	Status	Type of premises	Project floor space (sq m)	Of which added floor space (sq m)	Estimated investment <sup>1)</sup> (SEK m)	Estimated completion (year)
Stockholm	Vildmannen 7	Current	Office, retail & residential	4,800	4,800	800	2023
Stockholm	Hästhuvudet 13	Current	Office	3,100	-	135	2023
Stockholm	Orgelpipan 7	Local planning	Office	-	-	-	-
Gothenburg	Inom Vallgraven 12 block	Current	Office, retail & restaurant	31,600	11,600	2,200	2025/2026
Gothenburg	Inom Vallgraven 3:2	Current	Residential	1,300	-	160	2022
Gothenburg	NK Gothenburg	Local planning	Office, retail & restaurant	-	-	-	-

<sup>1)</sup> Includes estimated costs for rent losses and financing that are continuously recognised in profit and loss as well as costs for evacuation. The investment in the Vildmannen 7 property includes extraordinary costs resulting from the fire in 2017.



In the NK department store in Stockholm, the adaptation for the ROT food store was completed in NK food hall. ROT strengthens the offering of food and groceries, complementing the department store's sales of consumer durables.

In Vildmannen 7 in Bibliotekstan, the frame was completed and the trusses around the existing street façades were dismantled. The roof was completed during the fourth quarter. All of the windows have been installed and the scaffolding in the courtyard has been removed. The renovation of the preserved street façades has been largely completed. In the building, all wooden floors have been laid, while the laying of stone flooring is underway. The work on installations has largely been completed and the work on substations for heating and cooling will finish in 2023. All office spaces of approximately 2,900 square metres have been leased to Cirio Law firm. Two leases for retail spaces were signed with Chanel Fragrance and Beauty Boutique and A.P.C., each of about 100 square metres. Interest is considerable for the project's remaining space. The new building will offer highly modern and efficient offices as well as attractive stores in a unique environment. The building will be accessed in stages from mid-2023.

In the Håsthuvudet 13 property, at the Sveavägen and Kungsgatan intersection in Stockholm, a major redevelopment of approximately 3,100 square metres of office space and upgrade of technical installations will be undertaken in 2023.

In Gothenburg, planning, demolition, foundation and frame reinforcement and other preparatory work continued in the initial phase of the extensive redevelopment and expansion of the Johanna project in the Inom Vallgraven 12 block. The first of two cranes has been erected. In the autumn, Hufvudstaden, the City of Gothenburg and NCC broke ground for the next phase in the project. Excavation and sheet piling work will commence at the beginning of 2023. The project comprises a total of approximately 44,000 square metres gross area and rentable floor space is expected to increase by approximately 11,600 square metres. Completion is expected to be in late 2025 or early 2026. At the Inom Vallgraven 3:2 property, the conversion into residential premises is largely complete and the residencies will be accessed in 2023. The project has also included major maintenance work.

### Property value and net asset value

At the end of each quarter, Hufvudstaden carries out an internal valuation of each individual property. The purpose of the valuation is to assess the fair value of the property holdings. To assure the quality of the valuation, external valuations of parts of the property holdings are obtained at least once a year. A continuous update is made during the year of the internal valuation of the properties in order to take account of purchases, sales and investments. Hufvudstaden also examines, on a continuous basis, whether there are other indications of changes in the fair value of the properties. These indications could take the form, for example, of major lease, terminations, and material changes in the yield requirements.

In the light of the above, the assessed unrealised change in the value of the property holdings for 2022 was SEK -209.1 million (2,579.3). The total value of the property holdings as at December 31, 2022 was SEK 49.5 billion, including investments made during the year. The unrealised decrease in value was primarily due to increasing yield requirements, but was largely offset by the effect of higher rents.

The average yield requirement increased 20 basis points compared to the third quarter of 2022 and stood at 3.7 per cent at the above valuation (3.5 at preceding year-end).

### Valuation method

Valuation of the property holdings is carried out by assessing the fair value of each individual property. The valuation is made using a variation of the location price method, known as the net capitalisation method. The method involves setting the market's yield requirement in relation to the net operating income of the properties. In the case of other project properties and undeveloped land, the valuation is based on a completed building with a deduction of construction costs, as well as financial expenses 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 few or no deals have been concluded in the property's sub-area, transactions in the adjoining area are analysed. Even transactions that have yet to be finalised or other impacting factors provide guidance on market yield requirements.

The yield requirement can vary between different regions and different sub-areas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building, and major investment requirements. For leasehold properties, the calculation is based on a yield requirement that is 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 rent revenue, the long-term rental vacancy rate, and normalised operating and maintenance costs. If there is greater uncertainty than normal, this is offset by the increased direct yield requirements in the valuation.

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

### Yield requirements, property valuation<sup>1)</sup>

Stockholm	3.3–3.8 per cent
Gothenburg	4.3–5.0 per cent
Property holdings, average	3.7 per cent

<sup>1)</sup> Valuation date: December 31, 2022

### Sensitivity analysis

Fair value is an estimation 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 value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property, and investment requirements.

Hufvudstaden's property holdings are valued at SEK 49.5 billion and with a degree of uncertainty of +/- 5 per cent, would mean that the estimated fair value varies by +/- SEK 2.5 billion. Below are the key factors that influence the valuation and the consequent impact on profit or loss before tax.

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

	Change, +/-	Impact on profit or loss before tax, +/-
Rent revenue	SEK 100/sq m	SEK 1,050 m
Property costs	SEK 50/sq m	SEK 525 m
Rental vacancy rate	1.0 percentage point	SEK 660 m
Yield requirement	0.25 percentage point	SEK 3,320 m

<sup>1)</sup> Valuation date: December 31, 2022

### External valuation

To assure the quality of the valuation, external estimates were obtained from three independent valuation companies: Cushman & Wakefield, Forum Fastighetsekonomi and Newsec Advice. The external valuation as at December 31, 2022 comprised nine properties, equivalent to 43 per cent of the internally assessed fair value. The corresponding proportion at mid-year was 37 per cent. The basis for selection was that the properties should represent variations in property category, town, location, technical standard, and construction standard. The properties that underwent an external valuation as at December 31, 2022 were Grönlandet Södra 11, Hästen 19 and 20 (NK Stockholm), Kungliga Trädgården 5, Kåkenhusen 40, Orgelpipan 7, Pumpstocken 10 (part of) and Skären 9 in Stockholm, and Inom Vallgraven 3:2 and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies set a fair value for these properties of SEK 21.9 billion. Hufvudstaden's internal valuation of the same properties was SEK 21.3 billion. The internal valuations thus concur well with the external valuations.

### Net asset value

Based on the valuation of the property holdings, the net reinstatement value (EPRA NRV) is SEK 40.6 billion or SEK 201 per share. Net tangible assets (EPRA NTA) were SEK 38.3 billion or SEK 189 per share following a deduction of estimated actual deferred tax liabilities. 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 actual deferred tax has been assumed to be 5 per cent.

### Net asset value, December 31, 2022

	SEK m	SEK/share
Equity	31,262.0	155
Reversal		
Recognised deferred tax <sup>1)</sup>	9,373.1	46
EPRA NRV	40,635.1	201
Deduction		
Intangible assets	-89.3	-1
Estimated actual deferred tax 5%	-2,275.0	-11
EPRA NTA	38,270.8	189
Reversal		
Intangible assets as above	89.3	1
Recognised deferred tax <sup>1)</sup> less estimated actual deferred tax	-7,098.1	-35
EPRA NDV	31,262.0	155

<sup>1)</sup> Deferred tax according to the balance sheet related to investment properties and right-of-use assets attributable to ground rents.

## RENTAL MARKET

In Stockholm City, activity in the office rental market was good during the fourth quarter of the year. The demand was mainly for modern, flexible office premises in the best locations. Vacancy levels remained within the normal range and in Stockholm's most attractive locations – Bibliotekstan, Norrmalmstorg/Hamngatan, and the Hötorget area – market rents for modern offices were estimated at SEK 6,600–9,000 per square metre and year, excluding the property tax

supplement. Demand in the market for retail premises was stable and several leases were signed. The market rents for retail premises in prime commercial locations were in the range of SEK 11,000–24,000 per square metre and year, excluding the property tax supplement.

In the central sub-markets of Gothenburg, the demand was mainly for modern and flexible office premises. Vacancies were slightly higher than the normal range and market rents in the most attractive locations were between SEK 3,100–3,900 per square metre and year, excluding the property tax supplement. For retail premises in central commercial locations, market rents were between SEK 3,000–13,000 per square metre per year, excluding the property tax supplement.

The outcome from the Group's renegotiations was positive for office premises and negative for retail premises. During the period, a total of 49,500 square metres were renegotiated at a rental value of SEK 310 million. On average, the renegotiations resulted in a rent increase of approximately 4 per cent.

## FINANCING

Hufvudstaden's financing requirements are met through a number of the major Nordic banks and the capital market. Total borrowings as at December 31, 2022 amounted to SEK 9,000 million (9,200). Interest-bearing net debt was SEK 8,547 million (8,018). In addition, the lease liability according to IFRS 16 amounted to SEK 712 million (716), total net debt was SEK 9,259 million (8,734). In addition to outstanding loans, there are unutilised loan commitments amounting to SEK 6,000 million.

Hufvudstaden has an MTN programme totalling SEK 12,000 million, and a commercial paper programme amounting to SEK 3,000 million. The outstanding amount in bonds was SEK 7,000 million and there was SEK 500 million in commercial paper. Hufvudstaden ensures that at any point in time there are unutilised loan assurances to cover all outstanding commercial paper. As at December 31, 2022, cash and cash equivalents and unutilised loan commitments amounted to SEK 6,453 million, which covers all maturities for the next three years.

### Financing facilities, SEK m, December 31, 2022

Loan/facility type	Framework/facility volume	Unutilised
MTN programme	12,000	5,000
Comm. paper programme	3,000	2,500
Bank loans and commitments	7,500	6,000

The average fixed interest period was 1.7 years (2.2), the average capital tie-up period was 2.6 years (2.6) and the average effective rate of interest was 1.9 per cent (1.3) including, and 1.7 per cent (1.2) excluding the cost of unutilised loan commitments. The capital tie-up period for commercial paper loans was calculated based on the underlying loan commitments. To achieve the desired interest payment structure, borrowing takes place at both a fixed and variable rate of interest. Of the long-term borrowings, SEK 5,000 million carries a fixed rate of interest. Financial assets and liabilities are recognised at amortised cost, which essentially concurs with fair value, apart from the bond loans. For bond loans with a fixed rate of interest, the surplus value is SEK 397.3 million (13.0). These values were calculated on the basis of level 2 in IFRS 13, which means that the value has been calculated based on official market listings.

**Fixed interest structure, December 31, 2022**

Maturity, year	Credit amount, SEK m	AER, % <sup>1), 2)</sup>	Proportion, %
2023	4,000	2.6	44
2024	1,000	1.4	11
2025	1,000	1.0	11
2026	2,500	1.2	28
2027	500	2.2	6
Total	9,000	1.9	100

<sup>1)</sup> The cost for unutilised loan commitments is allocated in the table in the period in which the credit matures.

<sup>2)</sup> The average effective rate excluding cost for unutilised loan commitments was 1.7 per cent.

**Capital tie-up structure, SEK m, December 31, 2022**

Maturity, year	Bank-loans	Bonds/Comm.paper	Total	Unutilised
2023	-	2,500	<b>2,500</b>	1,000
2024	-	1,000	<b>1,000</b>	2,000
2025	500	1,000	<b>1,500</b>	1,000
2026	-	2,500	<b>2,500</b>	-
2027	1,000	500	<b>1,500</b>	2,000
Total	1,500	7,500	<b>9,000</b>	6,000

**Green financing**

A framework for green bonds was established in September 2021. The aim is to finance green properties and investments in projects promoting climate transition and sustainability. A total of SEK 1.5 billion has been issued in green bonds. During the year, Hufvudstaden also signed green loan agreements that comply with the issuing institutions' framework for green financing. Green loan agreements amounted to SEK 1.5 billion and total green financing amounted to SEK 3.0 billion at year-end, corresponding to 33 per cent of total borrowing. The goal is to gradually increase the share of green financing.

**FOURTH QUARTER**

Net revenue from property management excluding intra-Group rents of SEK 49.8 million (44.3) totalled SEK 490.2 million (444.1), up 10 per cent. The increase was attributable primarily to indexation, higher gross rents related to renegotiations and new leases, increase in debited fees for utilities, as well as a decline in rent and bad debt losses. Property management expenses amounted to SEK -169.7 million (-155.1). Property tax increased due to new property tax assessments and the cost has mainly been invoiced onward to the tenants. Operating costs were higher during the quarter, mainly as a result of increased expenses for energy. Gross profit from property management excluding intra-Group rents of SEK 49.8 million (44.3) totalled SEK 320.5 million (289.0).

Net revenue for NK Retail amounted to SEK 220.2 million (224.9). Costs excluding intra-Group rents of SEK -33.3 million (-30.5) were SEK -192.3 million (-182.3). Gross profit for NK Retail excluding intra-Group rental costs was SEK 27.9 million (42.6).

Net revenue for other operations amounted to SEK 35.4 million (34.0). Costs excluding intra-Group rents of SEK -16.5 million (-13.8) were SEK -25.2 million (-23.2). Gross profit excluding intra-Group rental costs was SEK 10.2 million (10.8).

Changes in value of investment properties amounted to SEK -703.7 million (1,844.1). Net financial income and expense totalled SEK -60.7 million (-37.6), of which fees for withdrawal of mortgage deeds were SEK -15.5 million (-).

**SHARES AND SHAREHOLDERS**

Hufvudstaden Class A shares are listed on Nasdaq Stockholm. The company's Class C shares were delisted from Nasdaq Stockholm in January 2020. The

company had 35,531 shareholders at the end of the year. The proportion of foreign ownership as at December 31, 2022 was 21.0 per cent (24.9) of the total number of outstanding shares. The Class A share price as at December 31, 2022 was SEK 148.30, and total market capitalisation of all shares based on the Class A share price was SEK 31.3 billion.

**Largest shareholders, December 31, 2022**

Shareholders	Number of shares, %	Number of votes, %
L E Lundbergföretagen	45.2	87.9
AMF	8.9	1.8
State Street Bank and Trust	4.4	0.9
JP Morgan Chase Bank	2.7	0.6
BNY Mellon	2.4	0.5
BNP Paribas, Paris	1.2	0.2
Spiltan Funds	1.2	0.2
Norges Bank	1.0	0.2
BNP Paribas, Luxembourg	1.0	0.2
Skogstornet	1.0	0.2
Other shareholders	26.8	6.4
Shares outstanding	95.8	99.1
Company holdings	4.2	0.9
Total number of issued shares	100.0	100.0

**Conversion of Hufvudstaden's Class C shares**

At the 2001 Annual General Meeting, a conversion clause was added to Hufvudstaden's articles of association. Shareholders have the right at any time to request conversion of Class C shares into Class A shares. During the year, 30 series C shares were converted to series A shares.

**Share structure as at December 31, 2022**

Share class	Number of shares	Number of votes	Equity %	Votes %
A (1 vote)	203,000,110	203,000,110	96.1	19.7
C (100 votes)	8,271,823	827,182,300	3.9	80.3
Total	211,271,933	1,030,182,410	100.0	100.0

**Shares bought back**

Treasury shares held at December 31, 2022 totalled 8,965,000 Class A shares, corresponding to 4.2 per cent of all shares issued and 0.9 per cent of the total number of votes. No buyback took place during the year or after the end of the reporting period. At the 2022 Annual General Meeting, the Board of Directors was granted renewed authorisation to acquire Class A shares up to 10 per cent of all issued shares and to transfer treasury shares held by the company.

**Share buybacks as at December 31, 2022**

Million shares	Total number of shares	Treasury shares	Other shareholders
As at January 1, 2022	211.3	9.0	202.3
Buyback	-	-	-
As at December 31, 2022	211.3	9.0	202.3

**MATERIAL RISKS AND UNCERTAINTIES**

The Group is mainly exposed to financing, interest and credit risks and changes in the value of its property holdings.

The geopolitical security situation in Europe has deteriorated sharply due to the war in Ukraine following Russia's invasion. This has resulted in negative effects on the financial markets. The impact on the energy market was also large, with significantly higher prices. Inflation is at its highest level for a long time, largely driven by higher prices for energy, food and materials. To combat inflation, several central banks have increased policy rates.

Other than the above, no other material risks or uncertainties have been identified apart from those described in the Annual and Sustainability Report 2021.

## MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

## EU TAXONOMY

To achieve the EU's climate goals and objectives under the European Green Deal, the EU has decided on a taxonomy whose purpose is to define which economic activities are sustainable. Hufvudstaden reports in accordance with the Taxonomy Regulation and a summary table is presented below. Full disclosure will be published in the Annual and Sustainability Report for 2022.

	Total, SEK m	Taxonomy- eligible, %	Taxonomy- aligned, %	Taxonomy non-eligible, %
Turnover	2,746	72	10	28
CapEx	1,018	95	6	5
OpEx	80	78	11	22

## ACCOUNTING POLICIES

Hufvudstaden applies the EU-endorsed IFRS standards. This year-end report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable provisions of the Swedish Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the year-end report. Accounting policies and computation bases remained unchanged from the most recent Annual and Sustainability Report.

## New standards and interpretations

New and amended standards that took effect in 2022 have not had any significant effects on the Group's financial reporting.

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

The company's main shareholder, L E Lundberg-företagen AB, has notified the company of its intention to present a proposal at the Annual General Meeting that the current members of the Board of Directors Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Katarina Ljungqvist, Fredrik Lundberg, Anders Nygren, Fredrik Persson and Sten Peterson be re-elected, and that Fredrik Lundberg be re-elected as Chairman of the Board. The auditing company PricewaterhouseCoopers AB is proposed as the auditing company with Magnus Svensson Henryson as lead auditor.

## PROPOSED DIVIDEND

The Board proposes an increased dividend to SEK 2.70 per share (2.60).

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, March 23, 2023 at 3:30 p.m. at the Grand Hôtel, Vinterträdgården, Stockholm. The Annual and Sustainability Report for 2022 will be available in the week 9 at the company's office and on the company's website. At the same time, it will be distributed to those shareholders who have made a request to that effect.

## FORTHCOMING INFORMATION

Annual and Sustainability Report 2022	March 2023
Annual General Meeting 2023	March 23, 2023
Interim Report January–March 2023	May 11, 2023
Half-year Report January–June 2023	August 24, 2023
Interim Report January–September 2023	November 9, 2023

The information in this year-end Report is information that Hufvudstaden AB (publ) is obligated 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, 2023.

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

*Questions can be answered by Anders Nygren, President, or Åsa Roslund, Vice President and CFO, on +46 (0)8 762 90 00.*

## REPORT ON RESULTS - SUMMARY

GROUP, SEK m	October- December 2022	October- December 2021	January- December 2022	January- December 2021
<b>Net revenue<sup>1)</sup></b>				
Property management, gross	540.0	488.4	2,054.7	1,936.5
Rent revenue, intra-Group	-49.8	-44.3	-199.8	-153.0
Property management, net	490.2	444.1	1,854.9	1,783.5
Other segments	255.6	258.9	890.9	704.4
	<b>745.8</b>	<b>703.0</b>	<b>2,745.8</b>	<b>2,487.9</b>
<b>Property management expenses</b>				
Maintenance	-11.0	-9.7	-32.1	-26.3
Operation and administration	-98.9	-92.9	-355.0	-326.1
Property tax	-58.4	-51.1	-227.0	-204.2
Depreciation	-1.4	-1.4	-5.9	-5.8
<b>Property management expenses</b>	<b>-169.7</b>	<b>-155.1</b>	<b>-620.0</b>	<b>-562.4</b>
Other segments, gross expenses	-267.3	-249.8	-972.0	-734.9
Rental expenses, intra-Group	49.8	44.3	199.8	153.0
Other segments, net expenses	-217.5	-205.5	-772.2	-581.9
<b>Operating expenses</b>	<b>-387.2</b>	<b>-360.6</b>	<b>-1,392.2</b>	<b>-1,144.3</b>
<b>Gross profit</b>	<b>358.6</b>	<b>342.4</b>	<b>1,353.6</b>	<b>1,343.6</b>
- of which Property management	320.5	289.0	1,234.9	1,221.1
- of which Other segments	38.1	53.4	118.7	122.5
Central administration	-16.9	-21.2	-55.7	-57.9
<b>Operating profit before changes in value</b>	<b>341.7</b>	<b>321.2</b>	<b>1,297.9</b>	<b>1,285.7</b>
Changes in value, investment properties	-703.7	1,844.1	-209.1	2,579.3
<b>Operating profit or loss</b>	<b>-362.0</b>	<b>2,165.3</b>	<b>1,088.8</b>	<b>3,865.0</b>
Financial income and expense	-60.7	-37.6	-184.5	-138.9
<b>Profit or loss before tax</b>	<b>-422.7</b>	<b>2,127.7</b>	<b>904.3</b>	<b>3,726.1</b>
Tax	92.1	-443.5	-182.3	-770.8
<b>Net profit or loss</b>	<b>-330.6</b>	<b>1,684.2</b>	<b>722.0</b>	<b>2,955.3</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income or loss for the period</b>	<b>-330.6</b>	<b>1,684.2</b>	<b>722.0</b>	<b>2,955.3</b>
Average number of outstanding shares	202,306,933	202,306,933	202,306,933	202,306,933
Net earnings for the period per share before and after dilution, SEK	-1.63	8.33	3.57	14.61

<sup>1)</sup> For a breakdown of net revenue, see table on page 10.

## REPORT ON FINANCIAL POSITION - SUMMARY

GROUP, SEK m	December 31, 2022	December 31, 2021
Investment properties	49,546.9	48,789.6
Right of use assets	711.0	715.4
Other non-current assets	165.4	147.5
<b>Total non-current assets</b>	<b>50,423.3</b>	<b>49,652.5</b>
Current assets	812.1	1,446.3
<b>Total assets</b>	<b>51,235.4</b>	<b>51,098.8</b>
Equity	31,262.0	31,066.0
Non-current interest-bearing liabilities	6,500.0	7,000.0
Deferred tax liabilities	9,253.2	9,162.1
Non-current leasing liabilities	702.8	706.9
Other non-current liabilities	104.0	87.7
Other provisions	31.7	31.9
<b>Total non-current liabilities</b>	<b>16,591.7</b>	<b>16,988.6</b>
Current interest-bearing liabilities	2,500.0	2,200.0
Current leasing liabilities	9.0	9.4
Other liabilities	872.7	834.8
<b>Total current liabilities</b>	<b>3,381.7</b>	<b>3,044.2</b>
<b>Total equity and liabilities</b>	<b>51,235.4</b>	<b>51,098.8</b>



## REPORT ON CHANGES IN EQUITY - SUMMARY

GROUP, SEK m	January-December 2022	January-December 2021
Equity, opening balance	31,066.0	28,616.5
Total comprehensive income or loss for the period	722.0	2,955.3
Dividend	-526.0	-505.8
<b>Equity, closing balance</b>	<b>31,262.0</b>	<b>31,066.0</b>

## REPORT ON CASH FLOWS - SUMMARY

GROUP, SEK m	January-December 2022	January-December 2021
Income before tax	904.3	3,726.1
Depreciation/impairments	53.4	38.9
Changes in value, investment properties	209.1	-2,579.3
Other changes	-0.4	5.3
Income tax paid	-91.2	-110.3
<b>Cash flow from current operations before changes in working capital</b>	<b>1,075.2</b>	<b>1,080.7</b>
Increase/decrease in inventory	-69.9	-93.5
Increase/decrease in operating receivables	-35.2	-4.5
Increase/decrease in operating liabilities	54.2	11.6
<b>Cash flow from current operations</b>	<b>1,024.3</b>	<b>994.3</b>
Acquisition of business	-	-39.8
Investments in properties	-966.3	-573.8
Investments in other non-current assets	-51.5	-14.7
<b>Cash flow from investments</b>	<b>-1,017.8</b>	<b>-628.3</b>
Loans raised	2,800.0	4,250.0
Amortisation of loan debt	-3,000.0	-3,700.0
Amortisation of leasing debt	-9.5	-11.8
Dividend paid	-526.0	-505.8
<b>Cash flow from financing</b>	<b>-735.5</b>	<b>32.4</b>
<b>Cash flow for the period</b>	<b>-729.0</b>	<b>398.4</b>
Cash and cash equivalents at the beginning of the period	1,182.0	783.6
Cash and cash equivalents at the period-end	453.0	1,182.0
Cash flow from current operations per share, SEK	5.06	4.91
Cash flow for the period per share, SEK	-3.60	1.97

## SEGMENT REPORT – SUMMARY

The Group's operations are divided into three segments, property management, NK Retail and other operations. Other operations comprise of Cecil Coworking (Business Area Stockholm) and NK e-commerce and the parking business in Parkaden AB (Business Area NK). The segments are divided into the business areas, which are in line with the Company's operational control system.

	Business Area Stockholm		Business Area NK		Business Area Gothenburg		Intra-Group elimination		Total	
GROUP, SEK m	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Property management</b>										
Net revenue	1,273.8	1,167.5	477.3	446.1	303.6	322.9	-199.8	-153.0	1,854.9	1,783.5
Property management expenses	-295.0	-252.5	-217.5	-208.5	-107.5	-101.4			-620.0	-562.4
<b>Gross profit property management</b>	<b>978.8</b>	<b>915.0</b>	<b>259.8</b>	<b>237.6</b>	<b>196.1</b>	<b>221.5</b>	<b>-199.8</b>	<b>-153.0</b>	<b>1,234.9</b>	<b>1,221.1</b>
<b>NK Retail<sup>1)</sup></b>										
Net revenue			760.2	604.0					760.2	604.0
Expenses			-825.1	-606.5			133.6	98.6	-691.5	-507.9
<b>Gross profit NK Retail</b>			<b>-64.9</b>	<b>-2.5</b>			<b>133.6</b>	<b>98.6</b>	<b>68.7</b>	<b>96.1</b>
<b>Other operations<sup>2)</sup></b>										
Net revenue	41.0	18.2	89.7	82.2					130.7	100.4
Expenses	-36.4	-25.7	-110.5	-102.7			66.2	54.4	-80.7	-74.0
<b>Gross profit other operations</b>	<b>4.6</b>	<b>-7.5</b>	<b>-20.8</b>	<b>-20.5</b>			<b>66.2</b>	<b>54.4</b>	<b>50.0</b>	<b>26.4</b>
Central administration									-55.7	-57.9
Changes in value, investment properties									-209.1	2,579.3
<b>Operating profit or loss</b>									<b>1,088.8</b>	<b>3,865.0</b>
Financial income and expense									-184.5	-138.9
<b>Profit or loss before tax</b>									<b>904.3</b>	<b>3,726.1</b>

<sup>1)</sup> NK Retail accessed the NK-operations on February 3, 2021.

<sup>2)</sup> Cecil Coworking opened on February 1, 2021.

## BREAKDOWN OF NET REVENUE

SEK m	Group		Parent Company	
	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Rent revenue	1,870.8	1,787.4	1,397.2	1,322.6
Service revenue	114.8	96.5	47.2	43.7
Sale of goods	760.2	604.0	-	-
<b>Total net revenue</b>	<b>2,745.8</b>	<b>2,487.9</b>	<b>1,444.4</b>	<b>1,366.3</b>

## PERFORMANCE MEASURES

GROUP	Full year 2022	Full year 2021
<b>Property-related</b>		
Rentable floor space, 1,000 m <sup>2</sup>	386.6	386.5
Rental vacancy rate, %	7.0	7.3
Floor space vacancy rate, %	11.2	10.2
Fair value, SEK bn	49.5	48.8
Surplus ratio, %	69.8	71.0
Net operating income, SEK m	1,434.7	1,374.1
<b>Financial</b>		
Return on equity, %	2.3	9.9
Return on capital employed, %	2.6	9.8
Equity ratio, %	61	61
Interest coverage ratio, multiple	7.7	9.3
Debt/equity ratio, multiple	0.3	0.3
Net loan-to-value ratio, properties, %	18.7	17.9
Gross margin, %	49.3	54.0
<b>Data per share</b>		
Net earnings per share for the period, SEK	3.57	14.61
Equity, SEK	154.53	153.56
Properties, fair value, SEK	244.91	241.17
Number of outstanding shares, 1,000	202,307	202,307
Average number of outstanding shares, 1,000	202,307	202,307
Number of issued shares, 1,000	211,272	211,272
<b>EPRA</b>		
EPRA Earnings (Earnings from property mgmt. after nom. tax), SEK m	1,025	1,032
EPRA EPS, SEK	5.07	5.10
EPRA NRV (Net reinstatement value), SEK m	40,635.1	40,340.0
EPRA NRV per share, SEK	201	199
EPRA NTA (Net tangible assets), SEK m	38,270.8	37,992.3
EPRA NTA per share, SEK	189	188
EPRA NDV (Net disposal value), SEK m	31,262.0	31,066.0
EPRA NDV per share, SEK	155	154
EPRA vacancy rate, %	4.0	5.9

## PERFORMANCE MEASURES PER QUARTER

GROUP	Oct-Dec 2022	Jul-Sep 2022	Apr-Jun 2022	Jan-Mar 2022	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021
Share price, series A share, SEK	148.30	122.30	113.00	133.80	135.20	131.10	145.50	127.00
Net revenue, SEK m	746	672	684	644	703	632	635	518
Return on equity, %	2.4	4.2	4.0	3.1	9.8	5.3	4.5	2.1
Return on equity, adjusted %	2.9	2.9	2.9	2.6	3.0	3.3	3.4	2.8
Equity ratio, %	61	61	61	60	61	60	60	59
Gross margin, %	48.1	51.2	50.8	47.1	48.7	55.0	55.7	57.9
Surplus ratio, %	68.6	71.7	71.2	67.8	68.2	73.5	72.8	69.2
Net operating income, SEK m	370.3	364.9	361.2	338.3	333.3	363.2	360.1	317.5
Net earnings per share for the period, SEK	-1.63	1.46	1.86	1.88	8.33	2.48	3.73	0.07
Equity per share, SEK	154.53	156.16	154.70	152.84	153.56	145.23	142.75	139.02
EPRA EPS, SEK	1.29	1.30	1.33	1.15	1.28	1.36	1.31	1.15
EPRA NRV per share, SEK	201	203	201	199	199	189	186	182
Cash flow per share from current operations, SEK	1.01	1.36	1.45	1.24	1.47	1.37	1.15	0.93

## ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. According to these guidelines, alternative performance measures refer to a financial measurement of earnings performance, financial position, financial result or cash flow not defined according to IFRS or the Swedish Annual Accounts Act. Hufvudstaden is also a member of the European Public Real Estate Associations (EPRA) and reports financial key figures defined by EPRA. Below is the derivation of alternative performance measures. For definitions, see page 14.

SEK m	Full year 2022	Full year 2021
<b>Net asset value, see page 5.</b>		
<b>Net debt</b>		
Non-current interest-bearing liabilities	6,500	7,000
Non-current leasing liabilities	703	707
Current interest-bearing liabilities	2,500	2,200
Current lease liabilities	9	9
Cash and cash equivalents	-453	-1,182
<b>Net debt</b>	<b>9,259</b>	<b>8,734</b>
<b>Equity ratio</b>		
Equity	31,262	31,066
Total assets	51,235	51,099
<b>Equity ratio, %</b>	<b>61</b>	<b>61</b>
<b>Net loan-to-value ratio, properties</b>		
Net debt	9,259	8,734
Carrying amount, properties	49,547	48,790
<b>Net loan-to-value ratio, properties, %</b>	<b>18.7</b>	<b>17.9</b>
<b>Interest coverage ratio</b>		
Profit or loss before tax	904	3,726
Reversal of changes in value	209	-2,579
Financial expense <sup>1)</sup>	166	139
<b>Total</b>	<b>1,279</b>	<b>1,286</b>
Financial expense <sup>1)</sup>	166	139
<b>Interest coverage ratio, multiple</b>	<b>7.7</b>	<b>9.3</b>
<b>EPRA Earnings (Earnings from property mgmt. after nom. tax)</b>		
Operating profit or loss before changes in value	1,298	1,286
Financial income and expense	-185	-139
<b>Earnings from property management</b>	<b>1,113</b>	<b>1,147</b>
Current tax, earnings from property management	-88	-115
<b>EPRA Earnings (Earnings from property mgmt. after nom. tax)</b>	<b>1,025</b>	<b>1,032</b>
Average number of outstanding shares, million	202.3	202.3
<b>EPRA EPS, SEK</b>	<b>5.07</b>	<b>5.10</b>
<b>EPRA vacancy rate, %</b>		
Rental value for vacant space, in total	155	154
Rental value for vacant space, project	68	29
Total rental value	2,214	2,095
Vacancy rate, in total, %	7.0	7.3
Vacancy rate, project, %	3.0	1.4
<b>EPRA vacancy rate, %</b>	<b>4.0</b>	<b>5.9</b>

1) Excluding fees for withdrawal of mortgage deeds.

## PARENT COMPANY

### RESULT AND FINANCIAL POSITION

Net revenue amounted to SEK 1,444.4 million (1,366.3). The increase was attributable primarily to indexation, higher gross rents related to renegotiations and new leases, as well as a decline in rent reductions for stores and restaurants. Net revenue was charged with higher rent losses for vacant premises attributable to the entire Inom Vallgraven 12 block in Gothenburg being emptied for the Johanna project. Operating expenses amounted to SEK -835.3 million (-692.3). Property tax increased due to new property tax assessments and the cost has mainly been invoiced onward to the tenants. Maintenance costs increased mainly due to larger development projects. Gross profit was SEK 609.1 million (674.0). Net financial income and expense totalled SEK 4.7 million (-38.9).

Cash and cash equivalents at the end of the year amounted to SEK 441.5 million (1,137.0). Investments in properties and inventory amounted to SEK 518.1 million (183.6).

### MATERIAL RISKS AND UNCERTAINTIES

The Company is mainly exposed to financing, interest and credit risks. Other than what is stated for the Group on page 6, no other material risks or uncertainties have been identified apart from those described in the Annual and Sustainability Report 2021.

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

### ACCOUNTING POLICIES

The Parent Company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. The accounting policies and basis for calculations remain unchanged from the Annual and Sustainability Report 2021.

### INCOME STATEMENT – SUMMARY

	October- December 2022	October- December 2021	January- December 2022	January- December 2021
<b>PARENT COMPANY, SEK m</b>				
Net revenue <sup>1)</sup>	381.8	344.3	1,444.4	1,366.3
Operating expenses	-227.6	-206.8	-835.3	-692.3
<b>Gross profit</b>	<b>154.2</b>	<b>137.5</b>	<b>609.1</b>	<b>674.0</b>
Central administration	-16.8	-21.1	-55.8	-57.8
<b>Operating profit</b>	<b>137.4</b>	<b>116.4</b>	<b>553.3</b>	<b>616.2</b>
Impairment of shares in Group companies	-	-	-	-51.3
Other financial income and expenses	105.0	96.8	4.7	12.4
<b>Profit after financial items</b>	<b>242.4</b>	<b>213.2</b>	<b>558.0</b>	<b>577.3</b>
Appropriations	-115.1	-110.3	-115.1	-110.3
<b>Profit before tax</b>	<b>127.3</b>	<b>102.9</b>	<b>442.9</b>	<b>467.0</b>
Tax	-24.9	-21.3	-91.3	-105.8
<b>Profit for the period</b>	<b>102.4</b>	<b>81.6</b>	<b>351.6</b>	<b>361.2</b>
<b>Statement of comprehensive income, SEK m</b>				
Profit for the period	102.4	81.6	351.6	361.2
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>102.4</b>	<b>81.6</b>	<b>351.6</b>	<b>361.2</b>

<sup>1)</sup> For a breakdown of net revenue, see table on page 10.

### BALANCE SHEET – SUMMARY

	December 31, 2022	December 31, 2021
<b>PARENT COMPANY, SEK m</b>		
Investment properties	8,589.5	8,262.2
Other non-current assets	6,086.5	6,089.7
<b>Total non-current assets</b>	<b>14,676.0</b>	<b>14,351.9</b>
Current assets	771.6	1,386.3
<b>Total assets</b>	<b>15,447.6</b>	<b>15,738.2</b>
Restricted equity	1,978.7	1,978.7
Non-restricted equity	2,436.0	2,610.4
<b>Total equity</b>	<b>4,414.7</b>	<b>4,589.1</b>
Untaxed reserves	51.0	52.8
Provisions	911.5	907.8
Non-current liabilities	6,597.8	7,082.0
Current liabilities	3,472.6	3,106.5
<b>Total equity and liabilities</b>	<b>15,447.6</b>	<b>15,738.2</b>

Stockholm, February 16, 2023

Fredrik Lundberg  
*Chairman*

Claes Boustedt  
*Board Member*

Peter Egardt  
*Board Member*

Liv Forhaug  
*Board Member*

Louise Lindh  
*Board Member*

Katarina Ljungqvist  
*Board Member*

Anders Nygren  
*President*  
*Board Member*

Fredrik Persson  
*Board Member*

Sten Peterson  
*Board Member*

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



## DEFINITIONS AND GLOSSARY

### Finance

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

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

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

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

**EPRA Earnings - Earnings from property management after nominal tax.** Operating profit or loss before items affecting comparability and changes in value minus financial income and expense and computed current tax, excluding a carry-forward of unutilised tax losses. The tax deducted has been calculated with account taken of tax-deductible depreciation and investments.

**EPRA NDV - Net Disposal Value.** Shareholders' equity according to the balance sheet.

**EPRA NRV - Net Reinstatement Value.** Shareholders' equity according to the balance sheet after reversal of interest rate derivatives and deferred tax according to the balance sheet, excluding deferred tax on assets and/or liabilities other than investment properties and right-of-use assets attributable to ground rents.

**EPRA NTA - Net Tangible Assets.** Shareholders' equity according to the balance sheet after reversal of derivative instruments and deduction for intangible assets, adjusted for estimated actual deferred tax instead of nominal deferred tax.

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

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

**Interest coverage ratio.** Profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, plus financial expense in relation to financial expense. In the interim accounts, net profit or loss after net financial income/expense, excluding items affecting comparability and changes in value, as well as financial expense, have been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the operations.

**Items affecting comparability.** Items of a non-recurring nature and which make it difficult to compare between two given periods.

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

**Net debt.** Interest-bearing liabilities including lease liabilities and decided dividend minus current investments and cash and cash equivalents.

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

**Earnings from property management.** Operating profit or loss before items affecting comparability and changes in value minus financial income and expense.

**Return on capital employed.** Profit or loss before tax plus financial expense in relation to average capital employed. In the interim accounts, the return has been recalculated on a

full-year basis with no adjustments for seasonal variations that normally arise in the operations and with the exception of items affecting comparability and changes in value.

**Return on equity.** Net profit or loss in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in the Company's operations and with the exception of items affecting comparability and changes in value.

**Return on equity, adjusted.** Net profit or loss, excluding changes in value, in relation to average equity. In the interim accounts, the return has been recalculated on a full-year basis with no adjustments for seasonal variations that normally arise in operations.

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

### Shares

**Average number of outstanding shares.** Weighted average number of outstanding shares during a defined period.

**Earnings per share.** Net profit or loss for the period in relation to the average number of outstanding shares during the period.

**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 end of the period.

### Property

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

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

**EPRA vacancy rate.** Estimated Market Rental Value (ERV) of vacant space divided by the ERV of all property holdings. Current development projects are excluded.

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

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

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

**Market value, properties.** The amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. In accounting terms, this is known as "fair value".

**Net operating income.** Net revenue from property management including intra-Group rent revenue less costs for property management.

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

**Rental vacancy rate.** Estimated Market Rental Value (ERV) of vacant space divided by the ERV of all property holdings.

**Surplus ratio.** Net operating income as a percentage of net revenue from property management including intra-Group rent revenue.

*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 Year-End Report in Swedish. In the event of any differences between this translation and the Swedish original, the latter shall prevail.*

# HUFVUDSTADEN

## Hufvudstaden

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

## Purpose

Shaping the city of the future together, since 1915.

## Vision

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

## Business concept

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

## Financial objectives

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

## Operating objectives

Hufvudstaden will:

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

## Strategies to achieve the objectives

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

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

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

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

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



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