

# HUFVUDSTADEN

## Interim Report, January – September 2003

- **Profit after tax amounted to SEK 294.5 million (274.2).**
- **Concluded tax audit gives positive tax effect of SEK 60 million.**
- **Excluding costs for special projects, gross profit from property management increased by 3.8 per cent to SEK 566.8 million (546.3).**
- **Net sales for the Group amounted to SEK 1,006.2 million (1,005.9).**
- **The rental vacancy level, excluding the property project Norrmalmstorg 1, was 6.3 per cent (6.7 at the turn of the year). Vacancies are expected to increase during the remainder of the year.**
- **Profit per share was SEK 1.41 (1.30).**

### CONSOLIDATED RESULTS

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

Gross profit for the period totalled SEK 483.3 million (499.0), a decrease of 3.1 per cent. Excluding costs for special projects, the gross profit from property management amounted to SEK 566.8 million (546.3), an increase of 3.8 per cent.

Net rents from property management during the period amounted to SEK 948.1 million (920.4), equivalent to an increase of 3.0 per cent.

Of the net rents from property management, the Stockholm City East Business Area accounted for SEK 269.0 million (277.6), the Stockholm City West Business Area for SEK 357.8 million (349.7), the NK Business Area for SEK 223.2 million (200.2) and the Gothenburg Business Area for SEK 98.1 million (92.9).

Property management expenses for the period totalled SEK 464.8 million (421.4), of which SEK 83.5 million (47.3) refers to special projects. Divided according to business area, the Stockholm City East Business Area accounted for SEK 162.4 million (118.2), the Stockholm City West Business Area for SEK 139.0 million (128.5), the NK Business Area for SEK 128.0 million (143.3) and the Gothenburg Business Area for SEK 35.4 million (31.4).

SEK m	Sth East	Sth West	NK	Gbg	Total
Net rents	269.0	357.8	223.2	98.1	948.1
Costs	-162.4	-139.0	-128.0	-35.4	-464.8
Gross profit	106.6	218.8	95.2	62.7	483.3
Excl. special projects	175.5	218.9	109.7	62.7	566.8

The turnover-based rent supplement for the NK properties will be reported during the fourth quarter. In 2002, the turnover-based rent supplement totalled SEK 11.5 million. Apart from this, there are no seasonal variations.

#### Other operations

Other operations include parking operations at Parkaden in Stockholm and conference operations at the World Trade Center in Stockholm. The figures for 2002 include hotel operations at Norrmalmstorg 1 in Stockholm.<sup>2</sup>

Net sales amounted to SEK 58.1 million (85.5), expenses amounted to SEK 54.4 million (75.9) and gross profit totalled SEK 3.7 million (9.6).

<sup>1</sup> The property holdings remained unchanged between the first three quarters of 2002 and the same period in 2003.

<sup>2</sup> Hotel operations ceased in June 2002.

### Other income statement items

Central administration totalled SEK –17.6 million (-23.1). The decrease can be attributed to the allocation of costs to property administration.

No items affecting comparability are included (25.7).

Net financial income and expenses amounted to SEK –140.5 million (-140.2).

### Tax

Hufvudstaden has been the subject of a tax audit, whereby the tax authority examined Hufvudstaden's loss deduction computation in conjunction with the liquidation of the subsidiary Förvaltnings AB Norrilen. The key issue was the actual size of the loss. The tax audit has now been completed and the tax authority has approved the deduction of SEK 293 million, which had an impact on the tax computation in the annual accounts for 2001.

The tax authority's decision also means that a further loss deduction claim regarding the liquidation of Förvaltnings AB Norrilen has been approved. The positive tax effect for 2003 is estimated at SEK 60 million and has had an impact on the tax for this period.

The Group's tax (both paid and deferred) for the period totalled SEK –34.4 million (-96.8).

### Profit for the period

Profit for the period after tax amounted to SEK 294.5 million (274.2).

### SPECIAL PROJECTS

Special projects refer to measures taken to improve and develop the properties. The costs that arise in conjunction with these are in the short term a charge on profit. In the long term, however, special projects increase the return on property holdings.

The profit includes such costs to the amount of SEK 83.5 million (47.3). The costs for the period refer mainly to the renovation of the lower floor of NK Stockholm and Norrmalmstorg 1.

Extensive renovation and development of Norrmalmstorg 1 is ongoing; the overall aim being to recreate the character of the building as a leading centre for business, finance and law. It is estimated that the main part of the project will be completed by the turn of the year 2003/2004.

Extensive renovation of the lower floor of NK Stockholm is ongoing with the aim of improving accessibility and creating a wider range of shops. The entire reconstruction of the lower floor of NK Stockholm will be completed during the fourth quarter of 2003.

### INVESTMENTS

Investments in properties and equipment during the period totalled SEK 100.0 million (71.7). The largest single items are the renovation of Norrmalmstorg 1 and the lower floor of NK Stockholm.

### PROPERTY PORTFOLIO

The book value of Hufvudstaden's property portfolio as of September 30, 2003 was SEK 10,589.6 million (10,565.7 at the turn of the year) and the rentable

space was 436,589 square metres (436,261 at the turn of the year).

The total rental vacancy level as of September 30 was 8.7 per cent (9.3 at the turn of the year) and the total floor space vacancy level was 9.1 per cent (9.2 at the turn of the year). Excluding the property project Norrmalmstorg 1, the rental vacancy level was 6.3 per cent (6.7 at the turn of the year) and the floor space vacancy level was 6.7 per cent (6.8 at the turn of the year). Vacancies are expected to increase during the remainder of the year, attributable to removals as of October 1, 2003.

### NET VALUE

Hufvudstaden valued all the properties as of March 31, 2003 at SEK 15.3 billion. Using this valuation as a basis, and taking into account the profit for the period, the buy-backs of shares and a tax effect of 10 per cent, the net value as of September 30, 2003 can be set at SEK 9.0 billion or SEK 44 per share. Investments made during the period have been valued at cost and thus do not affect the net value.

### RENTAL MARKET

Market rents for office space in central Stockholm fell slightly during the period, mainly as a result of a continued weak level of economic growth and an increase in vacant space. For new office leases, rents of SEK 3,000 – 3,800 per square metre per year, excluding the property tax supplement, were noted in the Golden Triangle, at Norrmalmstorg and in the Hötorget area. Demand for retailing premises in the same area continued to be positive. Rents for prime location retailing space levelled out at SEK 10,000 - 12,000 per square metre per year, excluding the property tax supplement.

Interest in modern office and retailing premises in the most sought-after sub-markets in Gothenburg was stable. On the office market, vacant space in the most attractive areas increased slightly. Market rents for office premises in prime locations were SEK 1,600 – 1,800 per square metre per year, excluding the property tax supplement. In the case of prime site retailing premises, the market rent was SEK 5,000 – 8,500 per square metre per year, excluding the property tax supplement.

The Group's current renegotiations regarding both office and retailing premises have proceeded according to plan. During the period, a total of approximately 39,000 square meters, at a value of approximately SEK 125 million, have been renegotiated. On average, these negotiations have resulted in unchanged rent levels.

### FINANCING STRUCTURE

Hufvudstaden's borrowings as of September 30, 2003 amounted to SEK 3,930.6 million (3,766.0 at the turn of the year). The average fixed interest period was 31 months (28 at the turn of the year), the average capital tie-up period was 28 months (28 at the turn of the year) and the average interest rate cost was 5.1 per cent (5.2 at the turn of the year). Net liabilities amounted to SEK 3,745.3 million (3,629.5 at the turn of the year).

**Capital tie-up structure, September 30, 2003**

Maturity date	Volume, SEK m	Share, %
2003	345.0	9
2004	905.6	23
2005	500.0	13
2006	790.0	20
2007	790.0	20
2008	600.0	15
Total	3,930.6	100

**Fixed interest structure, September 30, 2003**

Maturity date	Volume, SEK m	Share, %	Average APR, %
2003	375.0	10	3.3
2004	905.6	23	5.3
2005	300.0	8	5.7
2006	1,000.0	25	5.7
2007	600.0	15	5.2
2008	750.0	19	4.9
Total	3,930.6	100	5.1

**BUY-BACK OF COMPANY SHARES**

During the period, 5,006,000 A-shares have been bought back at an average price of SEK 27.30 per share. As of September 30, 2003, the Company held a total of 5,006,000 A-shares, equivalent to 2.4 per cent of the total number of outstanding shares. No buy-backs were made after the end of the reporting period. The Annual General Meeting 2003 granted the Board authorization to buy back company shares up to a maximum of 10 per cent of the outstanding shares.

**Buy-back of shares as of September 30, 2003, million**

	Total no of shares	Held by Hufvud-staden	Other share-holders
As of Jan 1, 2003	211.3	-	211.3
Buy-backs	-	5.0	-5.0
As of Sept 30, 2003	211.3	5.0	206.3

**PARENT COMPANY**

The profit for the period after net financial income and expenses was SEK 233.7 million (253.5). Liquid funds at the end of the period amounted to SEK 174.9 million (126.4 at the turn of the year). Investments in properties and equipment during the period amounted to SEK 9.1 million (20.3).

**THIRD QUARTER<sup>3</sup>**

The gross profit for property management was SEK 154.1 million (149.8). Excluding costs for special projects, the gross profit increased by SEK 11.7 million or 6.6 per cent. The increase in profit can be explained by the fact that gross rents have increased more than the cost of vacant space.

Net rents totalled SEK 314.4 million (301.3), an increase of SEK 13.1 million or 4.3 per cent, attributable mainly to rent increases.

Property management expenses totalled SEK 160.3 million (151.5), of which SEK 34.1 million (26.7) refers to special projects.

The gross result from Other operations totalled SEK -0.1 million (0.8). Net sales totalled SEK 16.9 million (19.9) and operating expenses totalled SEK 17.0 million (19.1).

No items affecting comparability are included (0.0).

The Group's tax amounted to SEK +31.0 million (-25.6). The tax revenue can be attributed to the approval of a loss deduction claim regarding Förvaltnings AB Norrilen.

The profit for the third quarter amounted to SEK 132.2 million (71.1).

**ACCOUNTING PRINCIPLES**

This Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council recommendation RR20, Interim Reports. The same accounting principles have been applied in this Interim Report as in the 2002 Annual Report.

On January 1, 2003 the following new recommendations from the Swedish Financial Accounting Standards Council came into effect: RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment Reporting – Operating Segments and Geographical Areas, RR26 Events After the Balance Sheet Date, RR27 Financial Instruments: Disclosure and Presentation, and RR28 Accounting for Government Grants and Disclosure of Government Assistance. The application of these has not had any impact on this Interim Report.

**CALENDAR**

Year-end Report 2003

February 12, 2004

Annual Report 2003

March 2004

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

<sup>3</sup> The comparative figures refer to the third quarter of 2002. Property holdings remained unchanged between the third quarter of 2002 and the third quarter of 2003.

# **CONSOLIDATED INCOME STATEMENTS - SUMMARY**

SEK m	July- September 2003	July- September 2002	January- September 2003	January- September 2002	January- December 2002
<b>Net sales</b>					
Property management	314.4	301.3	948.1	920.4	1,236.2
Other operations	16.9	19.9	58.1	85.5	111.7
	<b>331.3</b>	<b>321.2</b>	<b>1,006.2</b>	<b>1,005.9</b>	<b>1,347.9</b>
<b>Operating expenses</b>					
Special projects	-34.1	-26.7	-83.5	-47.3	-86.3
Maintenance	-10.4	-15.0	-29.4	-31.2	-56.0
Operations and administration	-48.9	-44.6	-152.7	-148.5	-195.7
Ground rents	-8.4	-8.4	-25.3	-24.2	-32.7
Property tax	-32.9	-32.4	-98.4	-97.1	-129.5
	<b>-134.7</b>	<b>-127.1</b>	<b>-389.3</b>	<b>-348.3</b>	<b>-500.2</b>
Other operations	-17.0	-19.1	-54.4	-75.9	-96.7
	<b>-151.7</b>	<b>-146.2</b>	<b>-443.7</b>	<b>-424.2</b>	<b>-596.9</b>
<b>Operating surplus before depreciation</b>	<b>179.6</b>	<b>175.0</b>	<b>562.5</b>	<b>581.7</b>	<b>751.0</b>
Depreciation	-25.6	-24.4	-75.5	-73.1	-98.0
<b>Gross profit</b>	<b>154.0</b>	<b>150.6</b>	<b>487.0</b>	<b>508.6</b>	<b>653.0</b>
- of which Property management	154.1	149.8	483.3	499.0	638.0
- of which Other operations	-0.1	0.8	3.7	9.6	15.0
Central administration	-4.8	-6.4	-17.6	-23.1	-35.9
Items affecting comparability	-	-	-	25.7	23.8
<b>Operating profit</b>	<b>149.2</b>	<b>144.2</b>	<b>469.4</b>	<b>511.2</b>	<b>640.9</b>
Financial income and expenses	-48.0	-47.5	-140.5	-140.2	-187.7
<b>Profit after net financial income and expenses</b>	<b>101.2</b>	<b>96.7</b>	<b>328.9</b>	<b>371.0</b>	<b>453.2</b>
Tax	31.0	-25.6	-34.4	-96.8	-116.0
<b>Profit for the period</b>	<b>132.2</b>	<b>71.1</b>	<b>294.5</b>	<b>274.2</b>	<b>337.2</b>
Number of outstanding shares after buy-backs at the end of the period, million	206.3	211.3	206.3	211.3	211.3
Average number of shares after buy-backs during the period, million	206.3	211.3	208.9	211.3	211.3
Net income per share, SEK	0.64	0.34	1.41	1.30	1.60

# **CONSOLIDATED BALANCE SHEETS - SUMMARY**

SEK m	September 30, 2003	September 30, 2002	December 31, 2002
Investment properties	10,589.6	10,558.4	10,565.7
Other fixed assets	97.9	133.8	111.1
Current assets	268.0	303.7	275.6
<b>Total assets</b>	<b>10,955.5</b>	<b>10,995.9</b>	<b>10,952.4</b>
Restricted equity	2,182.6	2,253.0	2,182.6
Non-restricted equity	2,534.1	2,475.4	2,608.8
Interest-bearing liabilities	3,930.6	3,941.3	3,766.0
Other liabilities and provisions	2,308.2	2,326.2	2,395.0
<b>Total equity and liabilities</b>	<b>10,955.5</b>	<b>10,995.9</b>	<b>10,952.4</b>
<b>Pledged assets and contingent liabilities</b>			
Mortgages	1,818.9	1,918.1	1,822.9
Endowment insurance	1.7	1.7	2.6
<b>Total pledged assets</b>	<b>1,820.6</b>	<b>1,919.8</b>	<b>1,825.5</b>
Guarantees	-	0.7	0.7
<b>Total contingent liabilities</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>

## CHANGE IN EQUITY

SEK m	January- September 2003	January- September 2002	January- December 2002
Opening balance	4,791.4	4,665.5	4,665.5
Dividend	-232.4	-211.3	-211.3
Buy-back of shares	-136.8	-	-
Profit for the period	294.5	274.2	337.2
<b>Closing balance</b>	<b>4,716.7</b>	<b>4,728.4</b>	<b>4,791.4</b>

## CONSOLIDATED CASH FLOW STATEMENTS - SUMMARY

SEK m	January- September 2003	January- September 2002	January- December 2002
Profit after financial income and expenses	328.9	371.0	453.2
Depreciation/write-downs	84.8	81.9	108.2
Other changes	2.9	0.5	4.1
Tax paid	-55.1	-63.8	-65.0
Cash flow from current operations before changes in working capital	361.5	389.6	500.5
Increase/decrease in operating receivables	49.1	-6.3	-37.0
Increase/decrease in operating liabilities	-68.6	45.3	76.5
<b>Cash flow from current operations</b>	<b>342.0</b>	<b>428.6</b>	<b>540.0</b>
Property investments	-98.9	-68.9	-101.1
Investments in equipment	-1.1	-2.8	-2.0
Amortization – long-term receivables	11.5	0.2	68.6
<b>Cash flow from investment operations</b>	<b>-88.5</b>	<b>-71.5</b>	<b>-34.5</b>
Loan raised	465.0	355.0	540.0
Amortization of loan liability	-300.5	-475.3	-835.8
Dividend paid	-232.4	-211.3	-211.3
Buy-back of shares	-136.8	-	-
<b>Cash flow from financing operations</b>	<b>-204.7</b>	<b>-331.6</b>	<b>-507.1</b>
<b>Cash flow for the period</b>	<b>48.8</b>	<b>25.5</b>	<b>-1.6</b>
Liquid funds at the beginning of the period	136.5	138.1	138.1
Liquid funds at the end of the period	185.3	163.6	136.5

## FINANCIAL RESULTS - SUMMARY

SEK m	Jan- March 2003	Jan- March 2002	April- June 2003	April- June 2002	July- Sept 2003	July- Sept 2002	Jan- Sept 2003	Jan- Sept 2002
Income	335.0	343.2	339.9	341.5	331.3	321.2	1,006.2	1,005.9
Costs	-188.3	-154.8	-153.6	-171.9	-177.3	-170.6	-519.2	-497.3
<b>Gross profit</b>	<b>146.7</b>	<b>188.4</b>	<b>186.3</b>	<b>169.6</b>	<b>154.0</b>	<b>150.6</b>	<b>487.0</b>	<b>508.6</b>
Central administration	-6.5	-7.8	-6.3	-8.9	-4.8	-6.4	-17.6	-23.1
Items affecting comparability	-	-	-	25.7	-	-	-	25.7
Net financial income and expenses	-45.9	-46.6	-46.6	-46.1	-48.0	-47.5	-140.5	-140.2
Tax	-26.4	-40.1	-39.0	-31.1	31.0	-25.6	-34.4	-96.8
<b>Profit for the period</b>	<b>67.9</b>	<b>93.9</b>	<b>94.4</b>	<b>109.2</b>	<b>132.2</b>	<b>71.1</b>	<b>294.5</b>	<b>274.2</b>

## KEY RATIOS

	September 30, 2003	September 30, 2002	December 31, 2002
Equity ratio, %	43.1	43.0	43.7
Equity per share, SEK	22.87	22.38	22.68
Book value of properties per share, SEK	51.34	49.98	50.01
Profit for the period per share, SEK <sup>1</sup>	1.41	1.30	1.60
Number of outstanding shares at the end of the period	206,265,933	211,271,933	211,271,933

<sup>1</sup>The average number of outstanding shares for January-September 2003 after buy-backs is 208,943,134.

Stockholm, October 24, 2003

Ivo Stopner  
President

This interim report has not been the subject of an examination by the Company's auditor.

## DEFINITIONS

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

**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. It should be noted that Central administration attributable to other operations is included in the Other operations item.

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

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

**Floor space vacancy level.** Total vacant floor space in square metres in relation to the total rentable floor space.

**Golden Triangle.** The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan

and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

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

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

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

**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.

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

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