

# HUFVUDSTADEN

## PRESS RELEASE

### **Profit for the period rose to SEK 440.8 M**

- Profit for the period (after tax) rose to SEK 440.8 M (H1, 1998: pro forma 119.9), corresponding to SEK 2.61 (0.71) per share. Capital gains amounted to SEK 351.9 M (78.2).
- Shopping malls in Uppsala, Västerås and Norrköping were sold.
- Property holdings in Gothenburg to be retained.

Stockholm, August 11, 1999

HUFVUDSTADEN AB (publ)

Ivo Stopner  
President

Appendix: Interim Report for six months ended June 30, 1999

*Questions will be answered by Ivo Stopner or Angela Langemar,  
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# HUFVUDSTADEN

## Interim Report, January - June 1999

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### CONSOLIDATED RESULTS

#### Real estate management

Net sales during the first half of 1999 amounted to SEK 446.1 M (403.9)<sup>1</sup>, of which the Retail Business Area accounted for SEK 191.3 M (193.5) and the Office Business Area for SEK 254.8 M (210.4). Acquired properties accounted for SEK 30.8 M and sold properties for minus SEK 8.6 M of the SEK 42.2 M sales increase.

Operating expenses amounted to SEK 238.1 M (218.1), of which the Retail Business Area accounted for SEK 127.7 M (129.4) and the Office Business Area for SEK 110.4 M (88.7). The increased expenses in the Office Business Area derived mainly from the net of properties acquired and sold. During the last six months of 1999 the maintenance costs are estimated to increase due to refurbishments.

#### Other operations

Net sales amounted to SEK 52.5 M (81.0)<sup>2</sup>, of which Parkaden accounted for SEK 24.6 M (22.6) during the period and Sheraton Hotel & Towers for SEK 27.9 M (57.6).

Operating expenses amounted to SEK 46.2 M (71.9)<sup>2</sup>, of which Parkaden accounted for SEK 18.5 M (17.0) and Sheraton Hotel & Towers for SEK 27.7 M (54.7).

Noncomparable items amounting to SEK 353.7 M consisted primarily of capital gains of SEK 307.0 M on sales of shares in Hufvudstaden Hotel AB, which owns and operates Sheraton Göteborg Hotel & Towers, and gains on sales of shares in Galleria Forum i Sundsvall AB, Galleria S:t Per i Uppsala AB, Punkt Fastighets AB (Västerås) and Galleria Domino i Norrköping AB totaling SEK 44.9 M.

Profits from participations in associated companies amounted to SEK 12.5 M (11.7), which were attributable in their entirety to Vasaterminalen.

The Group's tax expense (income tax and deferred tax) during the period amounted to SEK 10.9 M (8.3). The low tax expense was due to utilization of tax-loss carryforwards.

### ACQUISITIONS, DIVESTMENTS AND INVESTMENTS

During the first quarter, Hufvudstaden acquired the Hästhuvudet 3 office property near Hötorget, central Stockholm. The purchase price was SEK 82.0 M and the acquisition added 2,200 square metres of rentable space to the portfolio. Following the acquisition, Hufvudstaden owns the entire block, which provides attractive business potential.

Hufvudstaden sold the shares in Galleria Forum i Sundsvall AB, with a takeover date of April 1, 1999. The transaction generated a consolidated capital gain of SEK 10.7 M.

During the first quarter, all shares in Hufvudstaden Hotel AB were divested, resulting in a capital gain of SEK 307.0 M.

During the second quarter, Hufvudstaden disposed of its shares in Galleria S:t Per i Uppsala AB, Punkt Fastighets AB (Västerås), and Galleria Domino i Norrköping AB. The takeover date was July 1, 1999 and the sale generated a capital gain of SEK 34.2 M.

Total investments in properties (and equipment) during the period amounted to SEK 104.7 M, including the Hästhuvudet 3 property.

### REAL ESTATE PORTFOLIO<sup>3</sup>

The book value of Hufvudstaden's real estate portfolio amounted to SEK 7,141.2 M. Rentable space totaled 429,593 square metres. At mid-year, the total vacancy rate was 3.2 per cent (year-end 1998: 3.3) and the vacancy rate based on rental income was 2.3 per cent (year-end 1998: 2.5). The decline in the vacancy rate is due primarily to the sale of the shopping malls and new lettings in Gothenburg.

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<sup>1</sup> Unless otherwise specified, figures pertaining to the interim report for January - June 1998 have been computed on a pro forma basis.

<sup>2</sup> The result for the year-earlier period included a small amount for the operations of the subsidiary, Birger Jarl, which has since been discontinued.

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<sup>3</sup> The shopping malls sold in Sundsvall, Västerås, Uppsala and Norrköping as well as Sheraton Göteborg Hotel & Towers are not included in the real estate portfolio.

## RENTAL MARKET

The rental market continued to show a positive trend during the first six months of 1999. The primary underlying factor was the higher growth rates in business and industry, resulting in increased demand for premises. Rising private consumption favored the retail trade, leading to greater demand for retail premises.

The retail market for stores in Stockholm was buoyant, notably within the so-called Golden Triangle<sup>4</sup>. On Biblioteksgatan and adjacent streets, leases were signed that exceeded SEK 10,000 per square metre/year, excluding property taxes for prime sales space with peak quotation of SEK 15,000 per square metre/year. The corresponding rents in 1998 were SEK 8,000 - 9,000 per square metre/year.

In Gothenburg, the demand for retail premises in prime locations continued to be considerable. In Östra Nordstan, leases on prime sales space were signed at levels of SEK 5,500 per square metre/year, excluding property tax.

The rental market for offices in Stockholm was buoyant during the period and was marked by a continuing rise in rents. For new leases in prime locations, rents of SEK 4,000 per square metre/year have been noted, excluding property tax.

The rent trend for offices in Gothenburg was also positive, and leases in excess of SEK 1,500 per square metre/year, excluding property tax, were signed.

## FINANCING STRUCTURE

Hufvudstaden's borrowing at the end of the period amounted to SEK 4,533.2 M. At the beginning of May a decision was made to prolong the period of fixed interest, which at the time was 10 months. After this prolongation, the average period of fixed interest on June 30, 1999 was 24 months and the average interest rate was 4.5 per cent. Net debt amounted to SEK 4,455.7 M.

### Financing structure, June 30, 1999

Maturity date	Volume, SEK M	Percentage of total volume	Average real interest rate, %
1999	1 480.0	32.6	3.7
2000	405.9	9.0	6.1
2001	816.3	18.0	5.8
2002	630.3	13.9	4.4
2003	600.7	13.3	3.9
2004-	600.0	13.2	4.1
<b>Total</b>	<b>4 533.2</b>	<b>100.0</b>	<b>4.5</b>

Following the sale of the shopping malls, borrowing after the end of the period declined and amounted to

<sup>4</sup> The central business district between Stureplan, Norrmalmstorg and Nybroplan and bounded by Birger Jarlsgatan, Norrlandsgatan and Hamngatan is commonly referred to as the Golden Triangle.

SEK 3,751.0 M at July 30. The average period of fixed interest on the same date was 28 months and the average interest expense was 4.8 per cent.

## PARENT COMPANY

The Parent Company reported a result of SEK 173.1 M (105.6) for the period. Liquid funds on June 30, 1999 amounted to SEK 76.3 M. Investments in properties (and equipment) during the period amounted to SEK 95.1 M. The sale of the shares in Hufvudstaden Hotel AB resulted in a loss of SEK 31.4 M. Dividends from subsidiaries during the period amounted to SEK 130 M.

## NEW ORGANIZATION, BOARD OF DIRECTORS, ETC.

Effective mid-year, Hufvudstaden introduced a new organization. Operations are now organized in three business areas, Stockholm, NK and Gothenburg.

The rental market in Gothenburg has improved during the past year. Hufvudstaden expects this positive trend to continue. Hufvudstaden's property portfolio is concentrated to central sections of Gothenburg and is thus estimated to show favorable progress in terms of rental and value trends. Consequently, Hufvudstaden's Board of Directors has decided to retain the property portfolio in Gothenburg.

Bo Wikare is in charge of the Stockholm Business Area; Lars Backemar is responsible for the NK Business Area, which comprises the two NK properties in Stockholm and Gothenburg, as well as Parkaden in Stockholm, and Eric Nihlmark is in charge of the Gothenburg Business Area.

The former Board members Tomas Billing and Jan Sjöquist resigned their appointments at the Annual General Meeting in March. Mats Jansson and Ivo Stopner were appointed as new board members. Mats Jansson is President and CEO of Oy Karl Fazer Ab, and has lengthy experience of the retail trade and thus offers valuable know-how to Hufvudstaden in this area. Ivo Stopner, who has also been appointed President, has been employed at Hufvudstaden since 1990, most recently as Manager of the Office Business Area.

## INFORMATION PRIOR TO THE MILLENIUM SHIFT

Hufvudstaden has conducted an inventory of all its properties in terms of such factors as control and regulation equipment for heating, water and ventilation, fire-safety and burglar alarms, access systems and elevators. The work involved in replacing or upgrading the necessary equipment will be completed during the autumn. Hufvudstaden's administrative system is Y2K-compliant.

## MISCELLANEOUS

Following Hufvudstaden's acquisition of a majority interest in NK Cityfastigheter AB (publ) through a public offer, Hufvudstaden has commenced the compulsory redemption of the minority shareholdings.

An arbitration tribunal subsequently granted Hufvudstaden preemptive rights to all outstanding shareholdings in NK Cityfastigheter AB (publ).

The Annual General Meeting held in NK Cityfastigheter AB (publ) in June 1999 resolved to change the name of the company to AB Nordiska Kompaniet (publ).

## CALENDAR

Interim Report, nine months ending September 30, 1999

October 26, 1999

Year-end Report, 1999

February 2000

Annual Report, 1999

March 2000

Information is also presented on Hufvudstaden's web site: [www.hufvudstaden.se](http://www.hufvudstaden.se).

### CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	Jan - June 1999	Pro forma Jan - June 1998	Legal (1) Jan - June 1998
<b>Net sales</b>			
Real estate management	446.1	403.9	271.6
Other operations	52.5	81.0	81.0
	498.6	484.9	352.6
<b>Operating expenses</b>			
Maintenance, operation and administration	-126.7	-117.6	-53.3
Ground rents	-8.9	-6.4	-5.9
Property tax	-32.7	-30.6	-22.1
Depreciation	-69.8	-63.5	-29.8
Real estate management	-238.1	-218.1	-111.1
Other operations	-46.2	-71.9	-71.9
<b>Gross profit</b>	<b>214.3</b>	<b>194.9</b>	<b>169.6</b>
- of which, Real estate management	208.0	185.8	160.5
- of which, Other operations	6.3	9.1	9.1
Central administration	-19.6	-22.2	-13.5
Noncomparable items	353.7	63.0	63.0
<b>Operating profit</b>	<b>548.4</b>	<b>235.7</b>	<b>219.1</b>
Result from participations in associated companies	12.5	11.7	11.7
Financial income and expense	-109.2	-119.2	-81.0
<b>Profit before taxes</b>	<b>451.7</b>	<b>128.2</b>	<b>149.8</b>
Taxes	-10.9	-8.3	-8.1
<b>Net profit for the period</b>	<b>440.8</b>	<b>119.9</b>	<b>141.7</b>

1) The condensed income statement below is presented for legal reasons.

### CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	June 30, 1999	December 31, 1998
Properties	7 141.2	7 908.7
Other fixed assets	392.3	410.2
Current assets	(1) 821.1	142.1
<b>Total assets</b>	<b>8 354.6</b>	<b>8 461.0</b>
Restricted shareholders' equity	2 316.3	2 336.6
Unrestricted shareholders' equity	910.4	584.4
Minority interest	-	0.7
Interest-bearing liabilities	4 533.2	4 918.7
Other liabilities	594.7	620.6
<b>Total shareholders' equity and liabilities</b>	<b>8 354.6</b>	<b>8 461.0</b>

1) Including the proceeds from the sale of the shopping malls in Västerås, Uppsala and Norrköping.

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

SEK M	Jan - June 1999	Jan - Dec 1998
Cash flow before change in working capital and investments	146.9	234.3
Change in working capital	(1) -677.8	243.0
<b>Cash flow before investments</b>	<b>-530.9</b>	<b>477.3</b>
Net sales/investments	1 077.5	-3 220.7
<b>Cash flow</b>	<b>546.6</b>	<b>-2 743.4</b>

Dividends paid	-135.2	-100.3
Financing	-409.6	2 875.3
<b>Change in liquid assets</b>	<b>1.8</b>	<b>31.6</b>

1) Including the proceeds from the sale of the shopping malls in Västerås, Uppsala and Norrköping.

**KEY DATA**

<b>SEK M</b>	<b>June 30, 1999</b>	<b>June 30, 1998</b>	<b>December 31, 1998</b>
Visible equity/asset ratio, %	38.6	33.2	34.5
Shareholders' equity per share, SEK	19.09	16.71	17.28
Book value of properties per share, SEK	42.25	47.11	46.79
Earnings per share during the period, SEK	2.61	0.71	1.29
1)			
Number of shares at period-end	169 017 547	169 017 547	169 017 547

1) Earnings per share for 1998 are based on pro forma figures.

Definitions: See 1998 Annual Report.

Stockholm, August 11, 1999

Ivo Stopner  
*President*

**AUDITORS' REPORT**

We have undertaken a general examination of this quarterly report, and thus complied with the recommendation of the Swedish Association of Authorized Public Accountants.

A general examination is significantly more limited than an audit.

During our examination, nothing arose to indicate that the quarterly report does not satisfy the requirements of the Stock Exchange Act and Annual Accounts Act.

Stockholm, August 11, 1999  
SET Revisionsbyrå AB

KPMG Bohllins

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*Authorized Public Accountant*

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