

# HUFVUDSTADEN

## Interim Report, January – September 2004

- **Profit for the period after tax amounted to SEK 611.5 million (294.5). The increase can be attributed mainly to profit on the sale of properties during the second quarter totalling SEK 316 million after tax.**
- **Excluding special projects, gross profit from property management increased by 2.9 per cent to SEK 583.5 million (566.8).**
- **Net sales for the Group for the period amounted to SEK 1,018.5 million (1,012.6)**
- **The rental vacancy level at the period-end was 8.3 per cent (8.3 at the year-end for comparable holdings)**
- **Profit per share was SEK 2.96 (1.41).**

### CONSOLIDATED RESULTS

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

Gross profit for the period totalled SEK 557.9 million (483.3), an increase of 15.4 per cent. Excluding costs for special projects, the gross profit from property management amounted to SEK 583.5 million (566.8), an increase of 2.9 per cent. The increase can be attributed to higher rental income, mainly due to renegotiated store agreements and the fact that the project property Norrmalmstorg 1 has generated rental income since the beginning of the year.

Net rents from property management during the period amounted to SEK 959.4 million (954.5).

Of the net rents from property management, the Stockholm City East Business Area accounted for SEK 288.7 million (269.0), the Stockholm City West Business Area for SEK 333.5 million (357.8), the NK Business Area for SEK 236.2 million (229.6) and the Gothenburg Business Area for SEK 101.0 million (98.1).

Property management expenses totalled SEK 401.5 million (471.2), of which SEK 25.6 million (83.5) refers to special projects. The property tax cost has fallen due to the fact that the properties have been assigned lower taxable values in conjunction with the 2004 property tax assessment. As

the majority of the property tax is passed on to the tenants, the changes do not have any great impact on the financial results.

Of the costs, the Stockholm City East Business Area accounted for SEK 112.5 million (162.4), the Stockholm City West Business Area for SEK 129.8 million (139.0), the NK Business Area for SEK 123.6 million (134.4) and the Gothenburg Business Area for SEK 35.6 million (35.4).

SEK m	Sth East	Sth West	NK	Gbg	Total
Net rents	288.7	333.5	236.2	101.0	959.4
Costs	-112.5	-129.8	-123.6	-35.6	-401.5
Gross profit	176.2	203.7	112.6	65.4	557.9
Excl. special projects	200.6	203.7	113.8	65.4	583.5

The turnover-based rent supplement for the NK properties will be reported during the fourth quarter. In 2003, the turnover-based rent supplement totalled SEK 8.1 million. Apart from this, there are no seasonal variations with regard to rents.

#### Other operations

Other operations include parking operations at Parkaden in Stockholm and conference operations at the World Trade Center in Stockholm.

<sup>1</sup> The property Schönborg 6 is included up to May 5. The property Roddaren 58 is included up to June 29. Otherwise the property holdings remained unchanged between the first three quarters of 2003 and the same period in 2004.

Net sales amounted to SEK 59.1 million (58.1), expenses amounted to SEK 54.0 million (54.4) and gross profit amounted to SEK 5.1 million (3.7).

#### Other income statement items

Central administration totalled SEK -18.5 million (-17.6).

Profit on the sale of properties totalled SEK 263.8 million (0.0) before dissolution of deferred tax.

Net financial income and expense amounted to SEK -130.7 million (-140.5).

#### Tax

The Group's tax (both actual and deferred) for the period totalled SEK -66.1 million (-34.4).

#### Profit for the period

The profit for the period after tax was SEK 611.5 million (294.5).

#### SPECIAL PROJECTS

Special projects refer to measures taken to improve and develop the properties. The costs that arise in conjunction with this 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 25.6 million (83.5). The costs for the period refer mainly to the refurbishment of Norrmalmstorg 1.

The property Norrmalmstorg 1 has undergone extensive refurbishment and refinement, the overall aim being to recreate the character of the building as a leading centre for business, finance and law. The project was largely completed during the third quarter of 2004. The remaining parts of the project mainly take the form of adaptation of premises in conjunction with new tenants taking up occupancy.

#### SALES AND INVESTMENTS

During the second quarter of 2004 two office and residential properties were sold with an impact on profit after tax of SEK 316 million, of which SEK 52 million refers to the dissolution of deferred tax.

Investments in property and equipment during the period totalled SEK 41.9 million (100.0). The largest individual item was the refurbishment of Norrmalmstorg 1.

#### PROPERTY PORTFOLIO

The book value of Hufvudstaden's property portfolio as of September 30, 2004 was SEK 10,345.4 million (10,611.8 at the turn of the year) and the rentable space was 407,334 square metres (437,994 at the turn of the year).

The total rental vacancy level as of September 30 was 8.3 per cent (8.1 at the turn of the year or 8.3 for comparable holdings) and the total floor space vacancy level was 9.5 per cent (8.7 at the turn of the year or 9.2 for comparable holdings).

#### Net asset value

The market value of the property holdings as of December 31, 2003 was SEK 14.7 billion, excluding the properties sold. No new valuation was made during the period. With this valuation as a basis and in the light of the profit during the period, the buy-back of shares and a tax effect of 10 per cent, the net asset value as of September 30, 2004 is calcu-

lated at SEK 9.0 billion or SEK 44 per share. Investments during the period have been valued at the cost incurred and thus do not affect the net asset value.

#### RENTAL MARKET

Market rents for office space in central Stockholm stabilized slightly during the period, mainly as a result of improved economic growth and an unchanged level of vacant space in modern, efficient centrally located premises. For new office leases in Stockholm's most attractive locations within the Golden Triangle, at Norrmalmstorg and in the Hötorget area, rents were noted of SEK 3,000-3,800 per square metre per year, excluding the property tax supplement. Demand for retailing premises in the same area continued to be good. 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 continued to be stable despite a slightly higher level of vacant space. 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 for both office and retail premises have proceeded according to expectations. Approximately 41,000 square metres have been renegotiated during the period to a rental value of approximately SEK 128 million. On average these renegotiations have resulted in a reduction of 22 per cent, which can be explained by the fact that the renegotiated contracts were signed during the boom period 1999-2001, when market rents were considerably higher.

#### FINANCING STRUCTURE

Hufvudstaden's borrowing as of September 30, 2004 amounted to SEK 3,110.0 million (3,750.6 at the turn of the year). The average fixed interest period was 26 months (29 at the turn of the year), the average capital tie-up period was 22 months (26 at the turn of the year) and the average interest rate cost was 5.3 per cent (5.3 at the turn of the year). Net liabilities amounted to SEK 3,093.3 million (3,588.2 at the turn of the year).

The true value of interest rate swaps as of September 30 was SEK 77 million below the book value.

#### Capital tie-up structure, September 30, 2004

Maturity date	Volume SEK m	Share, %
2004	430.0	14
2005	500.0	16
2006	790.0	25
2007	790.0	25
2008	600.0	20
Total	3,110.0	100

**Fixed interest structure, September 30, 2004**

Maturity date	Volume, SEK m	Share, %	Average APR, %
2004	460.0	15	5.3
2005	300.0	10	5.7
2006	1,000.0	32	5.7
2007	600.0	19	5.2
2008	750.0	24	4.9
Total	3,110.0	100	5.3

**BUY-BACK OF COMPANY SHARES**

As of September 30, 2004, the Company held a total of 5,006,000 A shares, equivalent to 2.4 per cent of the total number of shares issued. No buy-backs were made during the period or after the end of the reporting period. At the 2004 Annual General Meeting the Board was granted renewed authorization to acquire and assign company shares. The board then reached a decision to exercise this authorization as and when it was deemed necessary, which permits the buy-back of company shares up to a maximum of 10 per cent of the shares issued.

**Buy-back of shares as of September 30, 2004, million shares**

	Total no. of shares	Held by Hufvud- staden	Other share- holders
As of Jan 1, 2004	211.3	5.0	206.3
Buy-back	-	-	-
As of Sep 30, 2004	211.3	5.0	206.3

**PARENT COMPANY**

The profit for the period after net financial income and expense was SEK 681.1 million (233.7). Liquid funds at the period-end amounted to SEK 14.0 million (159.2 at the turn of the year). Investments in property and equipment during the period amounted to SEK 15.7 million (9.1).

**THIRD QUARTER<sup>2</sup>**

The gross profit on property management totalled SEK 183.1 million (154.1). Excluding costs for special projects the gross profit was SEK 192.1 million (188.2).

Net rents totalled SEK 312.7 million (316.7). The fall in revenue can be explained by a lower property tax supplement following a reduction in taxable values.

Property management costs totalled SEK 129.6 million (162.6). The lower costs can be explained by the fall in costs for the refurbishment of Norrmalmstorg 1.

The gross profit for Other operations totalled SEK 1.3 million (-0.1). Net sales totalled SEK 18.4 million (16.9) and operating costs SEK 17.1 million (17.0).

No items affecting comparability are included (0.0).

Tax for the Group amounted to SEK -39.7 million (+31.0). Last year's positive tax figure can be attributed to loss deduction in conjunction with the liquidation of a subsidiary.

Profit for the third quarter after tax was SEK 99.3 million (132.2).

**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 2003 Annual Report. On January 1, 2004 Swedish Financial Accounting Standards Council recommendation RR29, Employee Benefits, came into effect. The application of this recommendation has not had any impact on this interim report.

During 2004 Income, External premises, was reported under the item Net sales, Property management. Previously it was reported under Operations and administration. The comparison figure for 2003 has been recalculated.

The company applies the ITP plan through insurance with Alecta, which is classified as a benefit-defined plan covering several employers. This means that the Company should report its proportional part of the benefit-defined obligations and management assets and costs linked to the plan. According to information from Alecta, they are unable to furnish this information and consequently the plan will be reported as a charge-defined plan.

**TRANSFER TO IFRS**

With effect from January 1, 2005 Hufvudstaden will apply the International Financial Reporting Standards (IFRS). This is a result of an EU Ordinance, which applies to all listed companies within the EU. An account of the transfer to IFRS was given in the 2003 Annual Report, page 44. At a board meeting on October 29, Hufvudstaden decided to value investment properties at fair value, which differs from the account given in the Annual Report. Apart from this information no further material differences have been identified to date compared with the present accounting principles.

**FORTHCOMING INFORMATION**

Year-end Report 2004	February 11, 2005
Annual Report 2004	March 2005
Annual General Meeting 2005	March 17, 2005

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

In certain cases there has been rounding off, which means that tables and computations do not always tally.

<sup>2</sup> The comparison figures refer to the third quarter of 2003.

**CONSOLIDATED INCOME STATEMENTS – SUMMARY**

SEK m	July- September 2004	July- September 2003	January- September 2004	January- September 2003	January- December 2003
<b>Net sales</b>					
Property management	312.7	316.7	959.4	954.5	1,285.6
Other operations	18.4	16.9	59.1	58.1	83.2
	<b>331.1</b>	<b>333.6</b>	<b>1,018.5</b>	<b>1,012.6</b>	<b>1,368.8</b>
<b>Operating expenses</b>					
Special projects	-9.0	-34.1	-25.6	-83.5	-116.0
Maintenance	-13.9	-10.4	-33.6	-29.4	-46.4
Operations and administration	-47.3	-51.2	-156.8	-159.1	-221.9
Ground rents	-8.7	-8.4	-25.6	-25.3	-33.8
Property tax	-24.5	-32.9	-81.1	-98.4	-128.7
Depreciation	-26.2	-25.6	-78.8	-75.5	-101.2
<b>Property management expenses</b>	<b>-129.6</b>	<b>-162.6</b>	<b>-401.5</b>	<b>-471.2</b>	<b>-648.0</b>
Other operations	-17.1	-17.0	-54.0	-54.4	-73.8
<b>Operating expenses</b>	<b>-146.7</b>	<b>-179.6</b>	<b>-455.5</b>	<b>-525.6</b>	<b>-721.8</b>
<b>Gross profit</b>	<b>184.4</b>	<b>154.0</b>	<b>563.0</b>	<b>487.0</b>	<b>647.0</b>
- of which Property management	183.1	154.1	557.9	483.3	637.6
- of which Other operations	1.3	-0.1	5.1	3.7	9.4
Central administration	-5.1	-4.8	-18.5	-17.6	-28.6
Profit on property sales	-	-	263.8	-	-
<b>Operating profit</b>	<b>179.3</b>	<b>149.2</b>	<b>808.3</b>	<b>469.4</b>	<b>618.4</b>
Financial income and expense	-40.3	-48.0	-130.7	-140.5	-187.7
<b>Profit after financial income and expense</b>	<b>139.0</b>	<b>101.2</b>	<b>677.6</b>	<b>328.9</b>	<b>430.7</b>
Tax	-39.7	31.0	-66.1	-34.4	-60.6
<b>Profit for the period</b>	<b>99.3</b>	<b>132.2</b>	<b>611.5</b>	<b>294.5</b>	<b>370.1</b>
Average number of shares after buy-backs during the period	206,265,933	206,265,933	206,265,933	208,943,134	208,268,333
Net income per share for the period, SEK	0.48	0.64	2.96	1.41	1.78

**CONSOLIDATED BALANCE SHEETS – SUMMARY**

SEK m	September 30, 2004	September 30, 2003	December 31, 2003
Investment properties	10,345.4	10,589.6	10,611.8
Other fixed assets	84.0	97.9	97.3
Current assets	75.0	268.0	223.0
<b>Total assets</b>	<b>10,504.4</b>	<b>10,955.5</b>	<b>10,932.1</b>
Equity	5,156.3	4,716.7	4,792.3
Interest-bearing liabilities	3,110.0	3,930.6	3,750.6
Other liabilities and provisions	2,238.1	2,308.2	2,389.2
<b>Total equity and liabilities</b>	<b>10,504.4</b>	<b>10,955.5</b>	<b>10,932.1</b>
<b>Pledged assets and contingent liabilities</b>			
Mortgages	1,803.9	1,818.9	1,818.9
Endowment insurance	2.9	2.7	2.8
<b>Total pledged assets</b>	<b>1,806.8</b>	<b>1,821.6</b>	<b>1,821.7</b>
Contingent liabilities	None	None	None

## CHANGE IN EQUITY

SEK m	January- September 2004	January- September 2003	January- December 2003
Opening balance	4,792.3	4,791.4	4,791.4
Dividend	-247.5	-232.4	-232.4
Buy-back of shares	-	-136.8	-136.8
Profit for the period	611.5	294.5	370.1
<b>Closing balance</b>	<b>5,156.3</b>	<b>4,716.7</b>	<b>4,792.3</b>

## CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

SEK m	January- September 2004	January- September 2003	January- December 2003
Profit after financial income and expense	677.6	328.9	430.7
Depreciation/Write-downs	83.3	84.8	107.7
Capital gain/loss on property sales	-263.8	-	-
Changes, other provisions	-92.9	-	-
Other changes	0.1	2.9	3.6
Tax paid	-124.8	-108.4	-89.5
Cash flow from current operations before changes in working capital	279.5	308.2	452.5
Increase/decrease in operating receivables	-20.8	49.1	75.6
Increase/decrease in operating liabilities	50.1	-15.3	8.6
<b>Cash flow from current operations</b>	<b>308.8</b>	<b>342.0</b>	<b>536.7</b>
Property sales	463.3	-	-
Sale of fixed assets	-	-	0.1
Property investments	-40.3	-98.9	-135.4
Investments in equipment	-1.6	-1.1	-2.3
Investments in intangible assets	-1.1	-	-
Amortization – long term receivable	13.3	11.5	11.6
<b>Cash flow from investment operations</b>	<b>433.6</b>	<b>-88.5</b>	<b>-126.0</b>
Loans raised	400.0	465.0	300.0
Amortization of loan liability	-1,040.6	-300.5	-315.6
Dividend paid	-247.5	-232.4	-232.4
Buy-back of shares	-	-136.8	-136.8
<b>Cash flow from financing operations</b>	<b>-888.1</b>	<b>-204.7</b>	<b>-384.8</b>
<b>Cash flow for the period</b>	<b>-145.7</b>	<b>48.8</b>	<b>25.9</b>
Liquid funds at the beginning of the period	162.4	136.5	136.5
Liquid funds at the period-end	16.7	185.3	162.4

## FINANCIAL RESULTS – SUMMARY

SEK m	Jan- March 2004	Jan- March 2003	April- June 2004	April- June 2003	July- Sept 2004	July- Sept 2003	Jan- Sept 2004	Jan- Sept 2003
Income	346.1	337.2	341.3	341.8	331.1	333.6	1,018.5	1,012.6
Costs	-156.4	-190.5	-152.4	-155.5	-146.7	-179.6	-455.5	-525.6
<b>Gross profit</b>	<b>189.7</b>	<b>146.7</b>	<b>188.9</b>	<b>186.3</b>	<b>184.4</b>	<b>154.0</b>	<b>563.0</b>	<b>487.0</b>
Central administration	-6.1	-6.5	-7.3	-6.3	-5.1	-4.8	-18.5	-17.6
Profit on property sales	-	-	263.8	-	-	-	263.8	-
Net financial income/expense	-46.5	-45.9	-43.9	-46.6	-40.3	-48.0	-130.7	-140.5
Tax	-39.5	-26.4	13.1	-39.0	-39.7	31.0	66.1	-34.4
<b>Profit for the period</b>	<b>97.6</b>	<b>67.9</b>	<b>414.6</b>	<b>94.4</b>	<b>99.3</b>	<b>132.2</b>	<b>611.5</b>	<b>294.5</b>

## KEY RATIOS

SEK m	September 30, 2004	September 30, 2003	December 31, 2003
Reported equity, %	49.1	43.1	43.8
Equity per share, SEK	25.00	22.87	23.23
Book value of properties per share, SEK	50.16	51.34	51.45
Number of outstanding shares	206,265,933	206,265,933	206,265,933
Number of registered shares	211,271,933	211,271,933	211,271,933

Stockholm, October 29, 2004

Ivo Stopner  
President

This Interim Report has not been the subject of an audit by the Company's auditor.

## DEFINITIONS

*Annual rent.* Gross rent calculated on an annual basis, excluding the 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 number of outstanding shares after buy-backs at the period-end.

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

*Floor space vacancy level.* 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. Rebuilding costs of a maintenance nature are charged to profit.

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

*Profit per share.* 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 actual tax and deferred tax.

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