

# HUFVUDSTADEN

## PRESS RELEASE

### **Profit for the period after net financial income and expense SEK 272.6 million**

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- Profit for the period after tax amounted to SEK 310,9 million (162,3) and has been affected by a positive impact on profit of SEK 109 million as a result of a reduction in the income tax assessment.
- For comparable property holdings, the net rents from property management rose by 14.1 per cent and the gross profit by 26.8 per cent compared with the previous year, or by 37.4 per cent if special projects are excluded.
- Rental income will increase by 69 per cent for the agreements renegotiated during the period.

Stockholm, October 24, 2001

HUFVUDSTADEN AB (publ)

Ivo Stopner  
President

Enclosure: Interim Report, January-September 2001

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# HUFVUDSTADEN

## Interim Report, January – September 2001

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- ***Rental income will increase by 69 per cent for the agreements renegotiated during the period.***

### CONSOLIDATED RESULTS

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

Gross profit for the period totalled SEK 406.0 million (329.4). Excluding costs for special projects, the gross profit rose by 33.9 per cent.

Net rents from property management for the period amounted to SEK 824.4 million (749.2), equivalent to an increase of 10.0 per cent. The increase includes SEK -26.3 million net from acquisitions and divestments. For comparable property holdings, the increase was 14.1 per cent and the increase in gross profit was 26.8 per cent or 37.4 per cent if special projects are excluded.

Of the net rents from property management, the Stockholm Business Area accounted for SEK 562.6 million (509.3), the NK Business Area for SEK 181.3 million (170.4) and the Gothenburg Business Area for SEK 80.5 million (69.5).

Property management expenses for the period totalled SEK 418.4 million (419.8). Divided according to business area, the Stockholm Business Area accounted for SEK 272.3 million (274.1), the NK Business Area for SEK 109.3 million (111.5) and the Gothenburg Business Area for SEK 36.8 million (34.2). Of the total maintenance costs for the Stockholm Business Area, special projects accounted for SEK 64.3 million (27.9).

| SEK m        | Sth    | NK     | Gbg   | Total  |
|--------------|--------|--------|-------|--------|
| Net rents    | 562.6  | 181.3  | 80.5  | 824.4  |
| Costs        | -272.3 | -109.3 | -36.8 | -418.4 |
| Gross profit | 290.3  | 72.0   | 43.7  | 406.0  |

The turnover supplement for the NK properties, which totalled SEK 20.7 million in 2000, is reported in the fourth quarter. Apart from this, there are no seasonal variations.

#### Other operations

Other operations include parking operations at Parkaden in Stockholm, conference operations at the World Trade Center in Stockholm and hotel operations at Norrmalmstorg 1 in Stockholm. With effect from 2001, parking operations at the World Trade Center are included under property management.

Net sales amounted to SEK 87.5 million (63.3), expenses amounted to 71.6 million (50.0) and the gross profit for the period totalled SEK 15.9 million (13.3).

#### Other Income Statement items

Central administration costs totalled SEK 22.3 million (18.9).

Items affecting comparability for the period totalled SEK 18.9 million (56.5)<sup>2</sup>, due mainly to the Liljeholmen properties sold in 2000.

Net financial income and expense amounted to SEK -145.9 million (-173.7).

<sup>1</sup> The 2000 figures include the Liljeholmen properties, which have now been sold, and the acquired property Pumpstocken 13 from September 1. The 2001 figures include the acquired property Norrmalmstorg 1.

<sup>2</sup> Items affecting comparability for 2000 refer entirely to SPP funds.

The Group's tax (both paid and deferred) for the period totalled SEK 38.3 million (-47.8). The positive tax situation is attributable to the fact that the tax authority in Stockholm acceded to the claim made by Förvaltnings AB Norrilen (formerly Hufvudstaden International AB) regarding the company's tax assessment for 1998, which resulted in an income tax reduction of SEK 401 million. The effect on profit is SEK 109 million.

### SPECIAL PROJECTS

Special projects refer to expensed 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 for the period was charged with costs amounting to SEK 72.4 million (27.9). The costs refer mainly to Orgelpipan 7, Klarabergsgatan 56-64 in Stockholm, which involves the conversion of over 10,000 square metres for Postgirot Bank AB, due for completion in December 2001, as well as Hästhuvudet 26, Kungsgatan/Sveavägen in Stockholm, which mainly involves work on the facade, and Femmanhuset in Gothenburg, where communication balconies and escalators have been expanded. Work on both Hästhuvudet 26 and Femmanhuset has now been completed.

### INVESTMENTS

Investments in properties and equipment during the period totalled SEK 86.4 million (80.5)<sup>3</sup>. The largest single items are the construction of a new building on the Skären block on Norrmalmstorg in Stockholm, the current investment in Orgelpipan 7, Klarabergsgatan 56-64, Stockholm, and the concluded investment in Femmanhuset in Gothenburg.

### PROPERTY PORTFOLIO

The book value of Hufvudstaden's property portfolio was SEK 10,547.8 million (10,534.8 at the beginning of the year) and the rentable space was 434,210 square metres (429,542 at the beginning of the year).

The total floor space vacancy rate as at September 30 was 2.4 per cent (2.6 at the beginning of the year) and the total vacancy rate based on rental income was 2.3 per cent (1.9 at the beginning of the year).

### THE RENTAL MARKET

In central Stockholm and central Gothenburg, the rise in rents has levelled out, due mainly to a fall-off in economic growth. However, the low level of vacant floor space has contributed to rents for well-situated office and retail premises in the most sought-after sub-markets in Stockholm remaining high.

Interest in modern office and retail premises in the most popular locations in Gothenburg has remained stable. On the office market there is a balance between supply and demand and the level

of vacant floor space in the most attractive areas is low.

The Group's current renegotiations in respect of both office and retail premises have continued to produce positive results. In total, 53,000 square metres were renegotiated during the period to a value of SEK 202 million. On average, these renegotiations have resulted in an increase in rental income of 69 per cent.

### FINANCING STRUCTURE

Hufvudstaden's borrowing amounted to SEK 4,292.8 million (4,248.1 at the beginning of the year). The average fixed interest period was 22 months, the average capital tie-up period was 26 months and the average interest rate on borrowings was 5.0 per cent. Net liabilities amounted to SEK 4,199.0 million (4,022.5 at the beginning of the year).

#### Capital tie-up structure, September 30, 2001

| Maturity date | Volume, SEK m | Share % |
|---------------|---------------|---------|
| 2001          | 491.4         | 12      |
| 2002          | 1,005.5       | 23      |
| 2003          | 600.4         | 14      |
| 2004          | 905.7         | 21      |
| 2005          | 500.0         | 12      |
| 2006          | 790.0         | 18      |
| Total         | 4,292.8       | 100     |

#### Fixed interest structure, September 30, 2001

| Maturity date | Volume, SEK m | Share, % | Average APR, % |
|---------------|---------------|----------|----------------|
| 2001          | 1,156.4       | 27       | 4.8            |
| 2002          | 830.3         | 19       | 4.8            |
| 2003          | 600.4         | 14       | 4.4            |
| 2004          | 905.7         | 21       | 5.3            |
| 2005          | 300.0         | 7        | 5.6            |
| 2006          | 500.0         | 12       | 5.7            |
| Total         | 4,292.8       | 100      | 5.0            |

### PARENT COMPANY

The loss for the period after net financial income and expense was SEK 116.3 million (+55.3), of which SEK 212.1 million refers to the write-down of shares as a result of a transfer of assets, which resulted in a corresponding increase in the write-up reserve. Liquid funds at the period-end amounted to SEK 80.4 million (106.7 at the beginning of the year). Investments in properties and equipment during the period amounted to SEK 71.0 million (245.2).

<sup>3</sup> Excluding acquisitions in 2000.

## DEPRECIATION

To maintain the high quality and standard of the buildings over the course of time, Hufvudstaden carries out ongoing maintenance. The measures taken are largely reported in the Income Statement. By reason of the above, new percentages have been applied to depreciation of buildings with effect from January 1, 2001.

|  | New | Previous |
|--|-----|----------|
| Buildings: offices   | 1%  | 2%       |
| Buildings: department stores, multi-storey car parks, hotels and restaurants | 2%  | 3%       |

With effect from January 1, 2001, the World Trade Center building is reported as an investment property.

If the new accounting principles had been applied for the first nine months of 2000, depreciation would have amounted to SEK 69.3 million.

## THIRD QUARTER<sup>4</sup>

The gross profit for property management was SEK 145.6 million (123.0). Excluding costs for special projects, the gross profit increased by SEK 39.3 million or 31.6 per cent.

Net rents totalled SEK 275.4 million (254.6), which is equivalent to an increase of 8.2 per cent, attributable mainly to rent increases. Acquisitions and divestments affected net rents by SEK -10.4 million.

Property management expenses totalled SEK 129.8 million (131.6), a decrease of SEK 1.8 million.

The gross profit for Other operations totalled SEK 5.3 million (3.6). Net sales totalled SEK 27.4 million (19.8) and operating expenses totalled SEK 22.1 million (16.2).

Tax for the period is positive and totalled SEK 86.1 million (-11.6). This is the result of a reduction of SEK 401 million in the 1998 income tax assessment for Förvaltnings AB Norrilen.

## NEW ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation, RR20 Interim Reports.

A number of new recommendations came into force on January 1, 2001. Hufvudstaden's accounting records are affected mainly by RR9, Income Taxes. The result is an expansion in the reporting of deferred prepaid tax and tax payable on which, inter alia, the tax deficit deduction is calculated. The corresponding tax income and tax expense are reported in the Income Statement. Previously, Hufvudstaden reported write-ups of properties net, with due observance of deferred tax.

This is now reported gross to the amount of SEK 1,356.5 million.

The new Swedish Financial Accounting Standards Council's recommendations have been applied in this interim report, whereupon all comparative figures have been recalculated according to the new principles. Recalculation has taken place according to RR5, Reporting of a Change in Accounting Principles. The effect on equity brought forward can be seen in Notes 1 and 2.

## FORTHCOMING INFORMATION

Year-end Report 2001  
Annual Report 2001

February 7, 2002  
March 2002

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

<sup>4</sup> The 2000 figures include the Liljeholmen properties, which have now been sold, as well as the acquired property Pumpstocken 13 from September 1, 2000. The 2001 figures include the acquired property Norrmalmstorg 1. The comparative figures refer to the third quarter of 2000.

**CONSOLIDATED INCOME STATEMENTS - SUMMARY**

| SEK m  | July-<br>September<br>2001 | July-<br>September<br>2000 | January-<br>September<br>2001 | January-<br>September<br>2000 | January-<br>December<br>2000 |
|--|----------------------------|----------------------------|-------------------------------|-------------------------------|------------------------------|
| <b>Net sales</b>                                     |                            |                            |                               |                               |                              |
| Property management                                  | 275.4                      | 254.6                      | 824.4                         | 749.2                         | 1,049.4                      |
| Other operations                                     | 27.4                       | 19.8                       | 87.5                          | 63.3                          | 95.3                         |
|  | <b>302.8</b>               | <b>274.4</b>               | <b>911.9</b>                  | <b>812.5</b>                  | <b>1,144.7</b>               |
| <b>Operating expenses</b>                            |                            |                            |                               |                               |                              |
| Special projects                                     | -17.9                      | -1.2                       | -72.4                         | -27.9                         | -38.4                        |
| Maintenance  | -8.9                       | -27.3                      | -37.9                         | -72.6                         | -107.9                       |
| Operation and administration                         | -46.4                      | -38.7                      | -139.0                        | -128.6                        | -184.4                       |
| Ground rents   | -7.7                       | -9.5                       | -22.9                         | -28.3                         | -37.5                        |
| Property tax   | -25.9                      | -23.1                      | -77.5                         | -67.9                         | -91.3                        |
| Depreciation   | -23.0                      | -31.8                      | -68.7                         | -94.5                         | -127.8                       |
| Property management                                  | -129.8                     | -131.6                     | -418.4                        | -419.8                        | -587.3                       |
| Other operations                                     | -22.1                      | -16.2                      | -71.6                         | -50.0                         | -73.1                        |
|  | <b>-151.9</b>              | <b>-147.8</b>              | <b>-490.0</b>                 | <b>-469.8</b>                 | <b>-660.4</b>                |
| <b>Gross profit</b>                                  | <b>150.9</b>               | <b>126.6</b>               | <b>421.9</b>                  | <b>342.7</b>                  | <b>484.3</b>                 |
| - of which Property management                       | 145.6                      | 123.0                      | 406.0                         | 329.4                         | 462.1                        |
| - of which Other operations                          | 5.3                        | 3.6                        | 15.9                          | 13.3                          | 22.2                         |
| Central administration                               | -7.0                       | -5.1                       | -22.3                         | -18.9                         | -28.7                        |
| Items affecting comparability                        | 0.8                        | 0.5                        | 18.9                          | 56.5                          | 271.2                        |
| <b>Operating profit</b>                              | <b>144.7</b>               | <b>122.0</b>               | <b>418.5</b>                  | <b>380.3</b>                  | <b>726.8</b>                 |
| Result from participations in associated companies   | -                          | -                          | -                             | 3.5                           | 3.5                          |
| Financial income and expense                         | -48.6                      | -58.0                      | -145.9                        | -173.7                        | -232.6                       |
| <b>Profit after net financial income and expense</b> | <b>96.1</b>                | <b>64.0</b>                | <b>272.6</b>                  | <b>210.1</b>                  | <b>497.7</b>                 |
| Tax  | 86.1                       | -11.6                      | 38.3                          | -47.8                         | -129.1                       |
| <b>Profit for the period</b>                         | <b>182.2</b>               | <b>52.4</b>                | <b>310.9</b>                  | <b>162.3</b>                  | <b>368.6</b>                 |

**CONSOLIDATED BALANCE SHEETS – SUMMARY**

| SEK m                                     |           | September 30,<br>2001 | September 30,<br>2000 | December 31,<br>2000 |
|---|-----------|-----------------------|-----------------------|----------------------|
| Properties                                |           | 10,547.8              | 10,089.5              | 10,534.8             |
| Other fixed assets                        |           | 203.4                 | 171.9                 | 212.7                |
| Current assets                            |           | 305.7                 | 146.2                 | 363.5                |
| <b>Total assets</b>                       |           | <b>11,056.9</b>       | <b>10,407.6</b>       | <b>11,111.0</b>      |
| Restricted equity                         | Note 1, 2 | 2,323.7               | 1,109.9               | 1,925.9              |
| Non-restricted equity                     | Note 1, 2 | 2,169.8               | 2,206.5               | 2,436.3              |
| Interest-bearing liabilities              |           | 4,292.8               | 4,856.8               | 4,248.1              |
| Other liabilities and provisions          |           | 2,270.6               | 2,234.4               | 2,500.7              |
| <b>Total assets and liabilities</b>       |           | <b>11,056.9</b>       | <b>10,407.6</b>       | <b>11,111.0</b>      |
| Pledged assets and contingent liabilities |           | 2,037.4               | 2,671.0               | 2,337.2              |

## CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

| SEK m   | January-<br>September<br>2001 | January-<br>September<br>2000 | January-<br>December<br>2000 |
|---|-------------------------------|-------------------------------|------------------------------|
| Profit after net financial income and expense                       | 272.6                         | 210.1                         | 497.7                        |
| Depreciation  | 72.3                          | 97.5                          | 131.0                        |
| Other adjustments   | -0.7                          | 6.5                           | -232.4                       |
| Tax paid  | -129.1                        | -12.9                         | -29.1                        |
| Cash flow from current operations before changes in working capital | 215.1                         | 301.2                         | 367.2                        |
| Decrease in operating receivables                                   | 44.3                          | 18.2                          | 33.8                         |
| Decrease in operating liabilities                                   | -171.6                        | -32.8                         | -69.4                        |
| <b>Cash flow from current operations</b>                            | <b>87.8</b>                   | <b>286.6</b>                  | <b>331.6</b>                 |
| Investments in net assets in Group companies                        | -                             | -889.6                        | -1,790.1                     |
| Property investments  | -81.4                         | -261.9                        | -318.2                       |
| Other investments   | -5.0                          | -2.6                          | -4.4                         |
| Divestment of properties and other fixed assets                     | 1.8                           | 0.2                           | 832.8                        |
| <b>Cash flow from investment operations</b>                         | <b>-84.6</b>                  | <b>-1,153.9</b>               | <b>-1,279.9</b>              |
| Loan changes  | 44.6                          | 1,018.7                       | 403.4                        |
| Dividend  | -179.6                        | -143.6                        | -143.6                       |
| New share issue   | -                             | -                             | 839.4                        |
| <b>Cash flow from financing operations</b>                          | <b>-135.0</b>                 | <b>875.1</b>                  | <b>1,099.2</b>               |
| <b>Cash flow for the period</b>                                     | <b>-131.8</b>                 | <b>7.8</b>                    | <b>150.9</b>                 |
| Liquid funds at the beginning of the period                         | 225.6                         | 74.7                          | 74.7                         |
| Liquid funds at the period-end                                      | 93.8                          | 82.5                          | 225.6                        |

## PROFIT TREND – SUMMARY

| SEK m                            | Jan-Mar<br>2001 | Jan-Mar<br>2000 | Apr-Jun<br>2001 | Apr-Jun<br>2000 | Jul-Sep<br>2001 | Jul-Sep<br>2000 | Jan-Sep<br>2001 | Jan-Sep<br>2000 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales                        | 302.8           | 276.2           | 306.3           | 261.9           | 302.8           | 274.4           | 911.9           | 812.5           |
| Costs                            | -167.6          | -180.8          | -170.5          | -141.2          | -151.9          | -147.8          | -490.0          | -469.8          |
| <b>Gross profit</b>              | <b>135.2</b>    | <b>95.4</b>     | <b>135.8</b>    | <b>120.7</b>    | <b>150.9</b>    | <b>126.6</b>    | <b>421.9</b>    | <b>342.7</b>    |
| Central administration           | -8.8            | -7.4            | -6.5            | -6.4            | -7.0            | -5.1            | -22.3           | -18.9           |
| Items affecting comparability    | 18.7            | 0.0             | -0.6            | 56.0            | 0.8             | 0.5             | 18.9            | 56.5            |
| Net financial income and expense | -47.9           | -55.4           | -49.4           | -56.8           | -48.6           | -58.0           | -145.9          | -170.2          |
| Tax                              | -25.6           | 1.0             | -22.2           | -37.2           | 86.1            | -11.6           | 38.3            | -47.8           |
| <b>Profit for the period</b>     | <b>71.6</b>     | <b>33.6</b>     | <b>57.1</b>     | <b>76.3</b>     | <b>182.2</b>    | <b>52.4</b>     | <b>310.9</b>    | <b>162.3</b>    |

## NOTE 1. EQUITY AS AT 30-9-2001

| SEK m  | Restricted<br>equity | Non-restricted<br>equity | Total          |
|--|----------------------|--------------------------|----------------|
| At the beginning of the year according to the adopted balance sheet for the previous year    | 1,925.9              | 2,443.2                  | 4,369.1        |
| Effect of change in accounting principle   |                      | -6.9                     | -6.9           |
| <b>Adjusted at the beginning of the year in accordance with the new accounting principle</b> | <b>1,925.9</b>       | <b>2,436.3</b>           | <b>4,362.2</b> |
| Dividend, parent company   |                      | -179.6                   | -179.6         |
| Transfer between restricted and non-restricted reserves                                      | 397.8                | -397.8                   | 0.0            |
| Profit for the period  |                      | 310.9                    | 310.9          |
| <b>At the period-end</b>   | <b>2,323.7</b>       | <b>2,169.8</b>           | <b>4,493.5</b> |

## NOTE 2. EQUITY AS OF 30-9-2000

| SEK m  | Restricted<br>equity | Non-restricted<br>equity | Total          |
|--|----------------------|--------------------------|----------------|
| At the beginning of the year according to the adopted balance sheet for the previous year    | 2,300.1              | 1,009.8                  | 3,309.9        |
| Effect of change in accounting principle   |                      | -12.2                    | -12.2          |
| <b>Adjusted at the beginning of the year in accordance with the new accounting principle</b> | <b>2,300.1</b>       | <b>997.6</b>             | <b>3,297.7</b> |
| Dividend, parent company   |                      | -143.6                   | -143.6         |
| Transfer between restricted and non-restricted reserves                                      | -1,190.2             | 1,190.2                  | 0.0            |
| Profit for the period  |                      | 162.3                    | 162.3          |
| <b>At the period-end</b>   | <b>1,109.9</b>       | <b>2,206.5</b>           | <b>3,316.4</b> |

## KEY RATIOS

|  | September 30,<br>2001 | September 30,<br>2000 | December 31,<br>2000 |
|--|-----------------------|-----------------------|----------------------|
| Equity ratio, %                                      | 40.6                  | 31.9                  | 39.3                 |
| Equity per share, SEK <sup>1</sup>                   | 21.27                 | 18.10                 | 20.65                |
| Book value of properties per share, SEK <sup>1</sup> | 49.93                 | 55.08                 | 49.86                |
| Profit for the period per share, SEK <sup>1</sup>    | 1.47                  | 0.89                  | 1.96                 |
| Average number of shares during the year             | -                     | -                     | 176,059,944          |
| Number of shares at the period-end                   | 211,271,933           | 169,017,547           | 211,271,933          |

<sup>1</sup>Data per share is calculated according to Swedish Financial Accounting Standard Council recommendation No 18.

Stockholm, October 24, 2001

Ivo Stopner  
President

This interim report has not been subject to an examination by the company's auditor.

## Definitions

**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 shares at the period-end.

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

**Floor space vacancy rate.** 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 Jarlgatan, Norrlandsgatan and Hamngatan, is popularly known as the Golden Triangle.

**Investments.** Expenses relating to planned maintenance, adaptation of premises and special projects, capitalized or expensed in accordance with tax legislation.

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

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

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

**Rental vacancy rate.** 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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