

## PRESS RELEASE

### **Strong growth in profit for Hufvudstaden for 2002**

- Profit after net financial income and expense amounted to SEK 453.2 million (380.5). Adjusted for items affecting comparability, profit amounted to SEK 429.4 million (361.6).
- Net rents from property management compared with the preceding year increased by 9.0 per cent and the gross profit by 13.7 per cent.
- Rental income will increase by 32 per cent on renegotiated leases.
- The board proposes an increased dividend to SEK 1.10 (1.00) per share.
- The board proposes authorization to acquire the company's own shares.

Stockholm, February 13, 2003

HUFVUDSTADEN AB (publ)

Ivo Stopner  
President

Enclosure:           Year-end report 2002

*Questions will be answered by Ivo Stopner and Magnus Jacobson,  
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# HUFVUDSTADEN

## Year-end Report 2002

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- **Rental income will increase by 32 per cent on renegotiated leases.**
- **The board proposes a dividend of SEK 1.10 per share (1.00).**
- **The board proposes authorization to acquire company shares.**

### CONSOLIDATED RESULTS

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

Gross profit for the year totalled SEK 638.0 million (561.1), an increase of 13.7 per cent. Excluding costs for special projects, the gross profit rose by 9.5 per cent.

Net rents from property management during the year amounted to SEK 1,236.2 million (1,134.4), equivalent to an increase of 9.0 per cent.

Of the net rents from property management, the Stockholm Business Area accounted for SEK 833.5 million (764.9), the NK Business Area for SEK 279.7 million (260.5) and the Gothenburg Business Area for SEK 123.0 million (109.0). Of the NK Business Area's net sales, SEK 11.5 million (20.1) was in the form of a so-called turnover-based rent supplement and SEK 24.4 million (23.3) was in the form of an operating supplement passed on to tenants in respect of rented and common areas.

Property management expenses for the year totalled SEK 598.2 million (573.3), of which SEK 86.3 (100.3) refers to special projects. Divided according to business area, the Stockholm Business Area accounted for SEK 361.0 million (363.8), the NK Business Area for SEK 192.4 million (161.4) and the Gothenburg Business Area for SEK 44.8 million (48.1).

SEK m	Sth	NK	Gbg	Total
Net rents	833.5	279.7	123.0	1,236.2
Costs	-361.0	-192.4	-44.8	-598.2
Gross profit	472.5	87.3	78.2	638.0

#### Other operations

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

Net sales amounted to SEK 111.7 million (125.2), expenses amounted to SEK 96.7 million (101.7) and gross profit totalled SEK 15.0 million (23.5).

#### Other income statement items

Central administration totalled SEK -35.9 million (-32.0).

Items affecting comparability totalled SEK 23.8 million (18.9), which mainly refer to the affect of a change in conditions in conjunction with the refund from Alecta.

Net financial income and expense amounted to SEK -187.7 million (-191.0).

The Group's tax (both actual and deferred) for the year totalled SEK -116.0 million (+102.4).

The profit of the year amounted to 337.2 million (482.9). The profit fell as a result of a positive tax outcome in the year before.

In conjunction with a current tax audit the tax authority has questioned Hufvudstaden's calculation of the deduction for a loss made in conjunction with the liquidation of Förvaltnings AB Norrilen. The issue is the actual size of the loss. Hufvudstaden's assessment is that the deduction of SEK 293 million, which had an impact on the tax calculation in the 2001 annual accounts, is correct and will be accepted.

### SPECIAL PROJECTS

Special projects refer to measures taken to improve and develop the properties. The costs that arise in

<sup>1</sup> The property holdings remained unchanged between 2001 and 2002.

<sup>2</sup> Hotel operations were wound up in June 2002.

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 amounting to SEK 86.3 million (100.3). The costs refer mainly to the rebuilding of the lower floor of NK Stockholm and Norrmalmstorg 1.

Extensive renovation and development of Norrmalmstorg 1 has commenced, 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 majority of the project will be completed by the turn of the year 2003/2004.

Extensive rebuilding of the lower floor of NK Stockholm is continuing with the aim of improving accessibility and creating a wider range of shops. The majority of the rebuilding was completed in time for the Christmas period 2002. The whole of the reconstruction of the lower floor of NK Stockholm will be ready during the first half of 2003.

## INVESTMENTS

Total Investments in properties and equipment during the period totalled SEK 103.1 million (128.4). The largest single items are the planning of Norrmalmstorg 1 and the rebuilding of the lower floor of NK Stockholm.

## PROPERTY PORTFOLIO

The book value of Hufvudstaden's property portfolio as at December 31, 2002 was SEK 10,565.7 million (10,562.6) and the rentable space was 436,261 square metres (434,562).

The total rental vacancy level as of December 31 was 9.3 per cent (3.9) and the total floor space vacancy level was 9.2 per cent (3.9). The increase can be explained mainly by the release of floor space in the project property Norrmalmstorg 1 and a continued weak new rental market. Excluding the project property Norrmalmstorg 1, the rental vacancy level was 6.7 per cent and the floor space vacancy level was 6.8 per cent.

## RENTAL MARKET

Market rents for office space in central Stockholm fell during the year, mainly as a result of a continued weak level of economic growth and an increase in vacant space. Despite this, rents of SEK 4,000-4,800 per square metre per year, excluding the property tax supplement, were noted in the Golden Triangle and at Norrmalmstorg. Demand for retailing premises in the same area continued to be strong although available floor space was virtually non-existent. Rents for prime location retailing space levelled out at the historically high level of 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 has continued to be stable. On the office market vacant space in the most attractive areas remained virtually unchanged. Market rents for office premises in prime locations were SEK 1,600-2,000 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 renegotiations in respect of both office and retailing premises have continued to produce positive results. In total, around 75,000 square metres have been renegotiated during the period to a value of approximately SEK 253 million. On average, these renegotiations have resulted in an increase in rental income of 32 per cent.

## FINANCING STRUCTURE

Hufvudstaden's borrowing as of December 31, 2002 amounted to SEK 3,766.0 million (4,061.6). The average fixed interest period was 28 months (28), the average capital tie-up period was 28 months (25) and the average interest rate cost was 5.2 per cent (5.0). Net liabilities amounted to SEK 3,629.5 million (3,923.5).

### Capital tie-up structure, December 31, 2002

Maturity date	Volume SEK m	Share %
2003	780.4	21
2004	905.6	24
2005	500.0	13
2006	790.0	21
2007	790.0	21
Total	3,766.0	100

### Fixed interest structure, December 31, 2002

Maturity date	Volume SEK m	Share %	Average APR, %
2003	1,060.4	28	4.4
2004	905.6	24	5.3
2005	300.0	8	5.7
2006	1,000.0	27	5.7
2007	500.0	13	5.4
Total	3,766.0	100	5.2

## PARENT COMPANY

The profit for the year after net financial income and expense was SEK 456.5 (-58.5). Liquid funds at the year-end amounted to SEK 126.4 million (127.3). Investments in properties and equipment during the period amounted to SEK 24.9 million (95.2).

## FOURTH QUARTER<sup>3</sup>

The gross profit from property management was SEK 139.0 million (155.1). Excluding costs for special projects, the gross profit fell by SEK 5.0 million or 2.7 per cent.

Net rents totalled SEK 315.8 million (310.0), an increase of 1.9 per cent, attributable mainly to rent increases.

Property management expenses totalled SEK 176.8 million (154.9), an increase of 14.1 per cent.

The gross profit from Other operations totalled SEK 5.4 million (7.6). Net sales totalled SEK 26.2 million (37.7) and operating expenses totalled SEK 20.8 million (30.1).

<sup>3</sup> The comparative figures refer to the fourth quarter of 2001. The property holdings remained unchanged between the fourth quarter of 2001 and the fourth quarter of 2002.

## ACCOUNTING PRINCIPLES

With effect from January 1, 2002, the Swedish Financial Accounting Standards Council's new recommendations, RR1:00 Consolidated Accounts, RR15 Intangible Assets, RR16 Provisions, Contingent Liabilities and Contingent Assets, RR17 Write-downs, RR19 Operations under Liquidation, RR21 Loan Costs and RR23 Information about Affiliations, have been applied, which came into effect on the same date. This has not had any impact on the reported profit or on the balance sheet as of December 31, 2002.

## REPURCHASE OF COMPANY SHARES

The board has decided to present a proposal at the Annual General Meeting on March 19, 2003 that the board be granted authorization for the period up to the next Annual General Meeting to acquire shares in the company. Acquisition shall take place on the Stockholm Stock Exchange within the registered price range on each occasion between the highest bid price and the lowest selling price and subject to the provision that the company's holdings of its own shares shall at no time exceed 10 per cent of the total number of shares in the company. The aim of the repurchase is to allow the board the opportunity to adjust the capital structure and in doing so create increased value for the company's shareholders. The board will also propose that the board be granted authorization at the Annual General Meeting for the period up to the next Annual General Meeting to dispose of the company's own shares in a manner other than through the Stockholm Stock Exchange, as payment for or to finance the acquisition of a company or a property, thus deviating from the shareholder's priority right to transfer shares to a specific person as payment for such an acquisition. Authorization can be exercised on one or more occasions and covers all the shares in the company held by the company. The rules laid down in Section 7, sub-section 21-22 of the Swedish Companies Act shall be observed in this connection.

## DIVIDEND PROPOSAL

The Board proposes that a dividend per share of SEK 1.10 (1.00), totalling SEK 232.4 million (211.3) be paid for 2002.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5pm on Wednesday March 19, 2003 at the Grand Hotel, Vinterträdgården, Stockholm.

## CALENDAR

Annual Report 2002	March 2003
Annual General Meeting	March 19, 2003
Interim report, January-March 2003	May 5, 2003
Interim report, January-June 2003	August 27, 2003
Interim report, January-September 2003	October 24, 2003
Year-end report	February 12, 2004

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

# **CONSOLIDATED INCOME STATEMENTS - SUMMARY**

<b>SEK m</b>	<b>October- December 2002</b>	<b>October- December 2001</b>	<b>January- December 2002</b>	<b>January- December 2001</b>
<b>Net sales</b>				
Property management	315.8	310.0	1,236.2	1,134.4
Other operations	26.2	37.7	111.7	125.2
	<b>342.0</b>	<b>347.7</b>	<b>1,347.9</b>	<b>1,259.6</b>
<b>Operating expenses</b>				
Special projects	-39.0	-27.9	-86.3	-100.3
Maintenance	-24.8	-16.5	-56.0	-54.4
Operations and administration	-47.2	-53.6	-195.7	-192.6
Ground rents	-8.5	-7.6	-32.7	-30.5
Property tax	-32.4	-25.6	-129.5	-103.1
	<b>-151.9</b>	<b>-131.2</b>	<b>-500.2</b>	<b>-480.9</b>
Other operations	-20.8	-30.1	-96.7	-101.7
	<b>-172.7</b>	<b>-161.3</b>	<b>-596.9</b>	<b>-582.6</b>
<b>Operating surplus before depreciation</b>	<b>169.3</b>	<b>186.4</b>	<b>751.0</b>	<b>677.0</b>
Depreciation	-24.9	-23.7	-98.0	-92.4
<b>Gross profit</b>	<b>144.4</b>	<b>162.7</b>	<b>653.0</b>	<b>-584.6</b>
- of which Property management	139.0	155.1	638.0	-561.1
- of which Other operations	5.4	7.6	15.0	-23.5
Central administration	-12.8	-9.7	-35.9	-32.0
Items affecting comparability	-1.9	-	23.8	18.9
<b>Operating profit</b>	<b>129.7</b>	<b>153.0</b>	<b>640.9</b>	<b>571.5</b>
Financial income and expense	-47.5	-45.1	-187.7	-191.0
<b>Profit after net financial income and expense</b>	<b>82.2</b>	<b>107.9</b>	<b>453.2</b>	<b>380.5</b>
Tax	-19.2	64.1	-116.0	102.4
<b>Profit for the period</b>	<b>63.0</b>	<b>172.0</b>	<b>337.2</b>	<b>482.9</b>
Average number of shares, million			211.3	211.3
Average number of shares after full dilution, million			211.3	211.3
Profit per share			1.60	2.29
Profit per share after full dilution			1.60	2.29

## **CONSOLIDATED BALANCE SHEETS – SUMMARY**

<b>SEK m</b>		<b>December 31, 2002</b>	<b>December 31, 2001</b>
Properties		10,565.7	10,562.6
Other fixed assets		111.1	181.5
Current assets		275.6	246.6
<b>Total assets</b>		<b>10,952.4</b>	<b>10,990.7</b>
Restricted equity	Note 1	2,182.6	2,254.0
Non-restricted equity	Note 1	2,608.8	2,411.5
Interest-bearing liabilities		3,766.0	4,061.6
Other liabilities and provisions		2,395.0	2,263.6
<b>Total equity and liabilities</b>		<b>10,952.4</b>	<b>10,990.7</b>
Pledged assets and contingent liabilities		1,826.2	2,037.1

## CONSOLIDATED CASH FLOW STATEMENTS - SUMMARY

SEK m	January- December 2002	January- December 2001
Profit after financial income and expense	453.2	380.5
Depreciation	108.2	97.3
Change in provision, property tax	4.0	-7.9
Other changes	0.1	-
Tax paid	-65.0	30.2
Cash flow from current operations before changes in working capital	500.5	500.1
Increase/decrease in operating receivables	-37.0	34.5
Increase/decrease in operating liabilities	76.5	-158.0
<b>Cash flow from current operations</b>	<b>540.0</b>	<b>376.6</b>
Property investments	-101.1	-122.8
Investments in equipment	-2.0	-5.6
Amortization – long-term receivable	68.6	30.5
<b>Cash flow from investment operations</b>	<b>-34.5</b>	<b>-97.9</b>
Loans raised	540.0	-
Amortization of loan liability	-835.8	-186.6
Dividend paid	-211.3	-179.6
<b>Cash flow from financing operations</b>	<b>-507.1</b>	<b>-366.2</b>
<b>Cash flow for the year</b>	<b>-1.6</b>	<b>-87.5</b>
Liquid funds at the beginning of the year	138.1	225.6
Liquid funds at the year-end	136.5	138.1

## PROFIT TREND - SUMMARY

SEK m	Jan- March 2002	Jan- March 2001	April- June 2002	April- June 2001	July- Sept 2002	July- Sept 2001	Oct- Dec 2002	Oct- Dec 2001	Jan- Dec 2002	Jan- Dec 2001
Net sales	343.2	302.8	341.5	306.3	321.2	302.8	342.0	347.7	1,347.9	1,259.6
Costs	-154.8	-167.6	-17.9	-170.5	-170.6	-151.9	-197.6	-185.0	-694.9	-675.0
<b>Gross profit</b>	<b>188.4</b>	<b>135.2</b>	<b>169.6</b>	<b>135.8</b>	<b>150.6</b>	<b>150.9</b>	<b>144.4</b>	<b>162.7</b>	<b>653.0</b>	<b>584.6</b>
Central administration	-7.8	-8.8	-8.9	-6.5	-6.4	-7.0	-12.8	-9.7	-35.9	-32.0
Items affecting comparability	0.0	18.7	25.7	-0.6	0.0	0.8	-1.9	0.0	23.8	18.9
Net financial income and expense	-46.6	-47.9	-46.1	-49.4	-47.5	-48.6	-47.5	-45.1	-187.7	-191.0
Tax	-40.1	-25.6	-31.1	-22.2	-25.6	86.1	-19.2	64.1	-116.0	102.4
<b>Profit for the period</b>	<b>93.9</b>	<b>71.6</b>	<b>109.2</b>	<b>57.1</b>	<b>71.1</b>	<b>182.2</b>	<b>63.0</b>	<b>172.0</b>	<b>337.2</b>	<b>482.9</b>

## NOTE 1. EQUITY AS OF DECEMBER 31, 2002

SEK m	Restricted equity	Non-restricted equity	Total
At the beginning of the year according to the adopted balance sheet for the preceding year	2,254.0	2,411.5	4,665.5
Dividend, Parent Company	-	-211.3	-211.3
Transfer between restricted and non-restricted reserves	-71.4	71.4	0.0
Profit for the year		337.2	337.2
<b>At the year-end</b>	<b>2,182.6</b>	<b>2,608.8</b>	<b>4,791.4</b>

## KEY RATIOS

	December 31, 2002	December 31, 2001
Equity ratio, %	43.7	42.4
Equity per share, kr <sup>1</sup>	22.68	22,08
Book value of properties per share, SEK <sup>1</sup>	50.01	50,00
Profit for the year per share, SEK <sup>1</sup>	1.60	2,29
Number of shares at the year-end	211,271,933	211,271,933

<sup>1</sup> Data per share is calculated according to the Swedish Financial Accounting Standards Council recommendation RR 18.

Stockholm, February 13, 2003

Ivo Stopner  
President

## 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 year-end.

*Equity ratio.* Equity at the year-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 liability.* Interest-bearing liabilities less interest-bearing assets.

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

*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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