



HUFVUDSTADEN

Interim Report January – September 2012

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- **Gross profit from property management increased by 16 per cent and amounted to SEK 800 million (692), due mainly to higher rents and additional space following acquisitions and property investments.**
- **Profit after tax for the period was SEK 793 million (1,010), equivalent to SEK 3.84 per share (4.89). The fall can be attributed to a lower increase in the value of the property holdings.**
- **The fair value of the property holdings was set at SEK 22.8 billion (22.3 at the turn of the year).**
- **The net asset value amounted to SEK 77 per share (76 at the turn of the year).**
- **The equity ratio was 55 per cent (56), the net loan-to-value ratio was 18 per cent (17) and the interest coverage ratio multiple was 6.4 (6.8).**
- **Consolidated net revenue amounted to SEK 1,144 million (1,058), an increase of 8 per cent.**
- **The rental vacancy level at the period-end was 4.0 per cent (3.9 at the turn of the year).**
- **Hufvudstaden has the most satisfied office tenants according to the Fastighetsbarometern Satisfied Customer Survey.**

GROUP

RESULTS

Property management¹

Net rents from property management during the period amounted to SEK 1,093.8 million (1,008.7), an increase of 8 per cent. The gross profit increased by 16 per cent to SEK 799.6 million (692.1). The increase in profit can be attributed to higher rents in conjunction with renegotiations and new leases, an increase in the index supplement, a lower level of vacant space and lower operating and maintenance costs. The maintenance costs the previous year were charged with costs for evacuation of store tenants. Revenue from the acquired property in Stockholm and additional space in the Femmanhuset shopping precinct in Gothenburg have also had a positive impact on profit.

The turnover-based rent supplement at the NK properties is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 9.0 million. Apart from this, there are no material seasonal variations in rents.

The property management results for each business area are reported on page 5.

Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue amounted to SEK 50.1 million (49.1), expenses amounted to SEK 36.5 million (36.0) and gross profit amounted to SEK 13.6 million (13.1).

¹ The properties Kåkenhusen 38 and Inom Vallgraven 12:2 are included from the middle of December 2011. The property Inom Vallgraven 20:4 is included up to the middle of December 2011.

Other profit and loss items

Central administration totalled SEK -24.6 million (-23.5). Changes in the value of investment properties totalled SEK 419.8 million (873.8) and changes in interest derivatives totalled SEK -7.3 million (-85.4).

Financial income and expense

Net financial income and expense amounted to SEK -121.2 million (-98.5). The increase in net cost can be attributed to increased borrowing in conjunction with property acquisitions and project investments.

Tax

The Group's tax (actual and deferred tax) for the period was SEK -286.9 million (-362.0), of which SEK -147.9 million was actual tax (-90.0) and SEK -139.0 million was deferred tax (-272.0).

The Government has proposed a reduction in corporation tax to 22 per cent with effect from January 1, 2013. If the proposal is passed, this will result in a reduction in tax expense from 2013. In addition, the Company's deferred tax will be recalculated in 2012. It is estimated that the deferred tax liability as of September 30 will fall by approximately SEK 850 million, which will also affect the profit for the year.

Profit for the period

The consolidated profit after tax amounted to SEK 793.0 million (1,009.6). The fall is due to lower unrealized increases in the value of the property holdings.

ACQUISITIONS AND INVESTMENTS

Investment in properties and equipment during the period totalled SEK 125.5 million (383.6).

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as of September 30, 2012 is estimated at SEK 22,796 million (22,251 at the turn of the year). The increase can be attributed to unrealized changes in value and investments in the property holdings. Rentable floor space totalled 367,000 square metres.

The rental vacancy level as of September 30, 2012 was 4.0 per cent (3.9 at the turn of the year) and the floor space vacancy level was 5.8 per cent (5.9 at the turn of the year).

Property value and net asset value

At the end of each quarter, Hufvudstaden makes an internal valuation of each individual property. The purpose of the valuation is to assess the fair value of the property holdings. To assure the valuations, external valuations for part of the property holdings are obtained at least once a year.

There is a continuous update made during the year of the internal valuation of the properties in order to take into account purchases, sales and investments. Hufvudstaden also examines on a continuous basis whether there are other indications of changes in the fair value of the properties. This could, for example, take the form of major lettings, terminations and material changes in the yield requirements.

In the light of the above, no change in value of the property holdings is considered to have taken place during the third quarter 2012 apart from in-

vestments totalling SEK 42.5 million. Accumulated changes in value in the property holdings for the period January-September totalled SEK 419.8 million (873.8). The total value of property holdings as of September 30, 2012 was SEK 22.8 billion, including investments made during the period.

The average yield requirement for the property holdings at the above valuation point was 4.8 per cent (4.8 at the turn of the year).

Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 16.0 billion or SEK 77 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 10 per cent of the difference between the assessed fair value of the properties and the residual value for tax purposes. The assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 10 per cent. If the tax rate according to the Balance Sheet (26.3 per cent) had been used in the calculation, the net asset value would have been SEK 12.8 billion or SEK 62 per share. If the tax rate was assumed to be 0 per cent, the net asset value would have been SEK 17.9 billion or SEK 87 per share.

HUFVUDSTADEN HAS THE MOST SATISFIED OFFICE TENANTS IN THE INDUSTRY

Hufvudstaden has the most satisfied office tenants in the industry according to the Fastighetsbarometern Satisfied Customer Survey. The survey shows that Hufvudstaden has improved by three points to 81 (out of a maximum of 100). Hufvudstaden has thus come first four times during the past five years.

RENTAL MARKET

Interest in modern, flexible office space in prime locations in central Stockholm continued to be stable during the period. Vacant space in this category has continued to remain low and rents unchanged. In conjunction with renegotiations and new leases for office space in Stockholm's most attractive locations in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area, rents were noted of between SEK 4,200 and SEK 5,000 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets has also been high with rents ranging from SEK 13,000 to SEK 19,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg has been good. Market rents for modern, well-planned office premises in prime locations have risen slightly and were between SEK 1,800 and SEK 2,600 per square metre per year, excluding the property tax supplement. For retail premises, the market rents were between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

The Group's renegotiations of retail and office leases have proceeded satisfactorily. In total, 50,000 square metres were renegotiated during the period at a rental value of SEK 203 million. On average, these renegotiations resulted in a rent increase of approximately 10 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of September 30, 2012 amounted to SEK 4,550.0 million (4,375.0 at the turn of the year), of which SEK 700.0 million referred to outstanding commercial paper. Hufvudstaden ensures that at any given point in time there are unutilized loan assurances to cover all outstanding paper.

The Hufvudstaden Board of Directors has decided to set up an MTN programme totalling SEK 2 billion. The previous commercial paper has been expanded by SEK 1 billion to a total of SEK 2 billion and at the same time the Company's loan assurances have been increased by SEK 1 billion.

The average fixed interest period was 31 months (24 at the turn of the year), the average capital tie-up period was 45 months (54 at the turn of the year) and the average annual equivalent rate was 3.4 per cent (3.8 at the turn of the year). The net interest-bearing debt was SEK 4,197.5 million (4,028.3 at the turn of the year).

The fair value of interest swaps as of September 30, 2012 was SEK -190.9 million (-183.6 at the turn of the year).

Capital tie-up structure, September 30, 2012

Maturity Date	Volume, SEK m	Share, %
2012	250.0	6
2013	950.0	21
2016	700.0	15
2017	2,650.0	58
Total	4,550.0	100

Fixed interest structure, September 30, 2012

Maturity Date	Volume, SEK m		Share, %	Average AER, %
	Loans	Commercial Paper		
2012	400.0	300.0	15	2.3
2013	800.0	400.0	26	3.5
2014	200.0		4	3.7
2015	300.0		7	3.7
2016	400.0		9	3.5
2017	1,500.0		33	3.9
2018	250.0		6	2.2
Total	3,850.0	700.0	100	3.4

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 17,615 shareholders at the end of the period. The proportion of foreign ownership as of September 30, 2012 was 28.3 per cent of the total number of outstanding shares (26.5 at the turn of the year). The series A share price as of September 30, 2012 was SEK 81.45 and market capitalization was SEK 17.7 billion.

Shares bought back

The total number of shares held by Hufvudstaden as of September 30, 2012 was 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during the period or after the end of the reporting period. At the 2012 Annual General Meeting, the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

Buy-back of shares as of September 30, 2012, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2012	211.3	5.0	206.3
Buy-back	-	-	-
As of September 30, 2012	211.3	5.0	206.3

THIRD QUARTER

The gross profit from property management amounted to SEK 272.4 million (227.0), an increase of 20 per cent. The change can be attributed mainly to higher gross rents and lower maintenance costs as a result of costs incurred during the previous year for evacuation of store tenants. Net rents amounted to SEK 365.7 million (334.9), an increase of 9 per cent. Property management costs amounted to SEK 93.3 million (107.9).

The gross profit from parking operations amounted to SEK 3.4 million (3.6). Net revenue amounted to SEK 15.6 million (15.3) and costs amounted to SEK 12.2 million (11.7).

Changes in the value of investment properties amounted to 0.0 million (33.3) and for interest derivatives SEK -39.9 million (-96.3). Net financial income and expense amounted to SEK -38.9 million (-32.4). The increase in net cost can be explained by increased borrowing.

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2011 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

There were no material transactions with associated parties during the period.

ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. Accounting principles and computation methods are the same as those applied in the most recent Annual Report.

FORTHCOMING INFORMATION

Year-End Report 2012	February 14, 2013
Annual Report 2012	March 2013
Annual General Meeting in Stockholm 2013	March 21, 2013

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on November 19, 2012.

This information is also published on Hufvudstaden's website, www.hufvudstaden.se

Questions can be answered by Ivo Stopner, President, or Magnus Jacobson, Head of Finance, telephone +46 8-762 90 00.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	July- September 2012	July- September 2011	January- September 2012	January- September 2011	January- December 2011
Net revenue					
Property management	365.7	334.9	1,093.8	1,008.7	1,369.4
Parking operations	15.6	15.3	50.1	49.1	67.9
	381.3	350.2	1,143.9	1,057.8	1,437.3
Property management expenses					
Maintenance	-6.4	-22.1	-23.6	-37.7	-46.8
Operation and administration	-50.7	-50.4	-162.4	-172.7	-236.1
Ground rents	-4.2	-3.9	-12.1	-11.7	-15.5
Property tax	-32.0	-31.5	-96.1	-94.5	-126.1
Property management expenses	-93.3	-107.9	-294.2	-316.6	-424.5
Parking operations, expenses	-12.2	-11.7	-36.5	-36.0	-48.2
Operating expenses	-105.5	-119.6	-330.7	-352.6	-472.7
Gross profit	275.8	230.6	813.2	705.2	964.6
- of which Property management	272.4	227.0	799.6	692.1	944.9
- of which Parking operations	3.4	3.6	13.6	13.1	19.7
Central administration	-8.2	-8.0	-24.6	-23.5	-31.7
Operating profit before changes in value	267.6	222.6	788.6	681.7	932.9
Changes in value					
Investment properties	0.0	33.3	419.8	873.8	1,244.9
Interest derivatives	-39.9	-96.3	-7.3	-85.4	-99.2
Operating profit	227.7	159.6	1,201.1	1,470.1	2,078.6
Financial income and expense	-38.9	-32.4	-121.2	-98.5	-122.3
Profit before tax	188.8	127.2	1,079.9	1,371.6	1,956.3
Tax	-49.5	-33.9	-286.9	-362.0	-521.0
Profit after tax	139.3	93.3	793.0	1,009.6	1,435.3
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	139.3	93.3	793.0	1,009.6	1,435.3
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	0.68	0.45	3.84	4.89	6.96

BALANCE SHEETS – SUMMARY

GROUP, SEK m	September 30, 2012	September 30, 2011	December 31, 2011
Investment properties	22,795.8	21,403.8	22,251.2
Other non-current assets	10.9	11.5	11.7
Total non-current assets	22,806.7	21,415.3	22,262.9
Current assets	425.6	288.1	432.1
Total assets	23,232.3	21,703.4	22,695.0
Equity	12,774.5	12,061.3	12,486.9
Non-current liabilities to credit institutions	2,650.0	3,900.0	4,125.0
Deferred tax liabilities	5,310.3	5,060.8	5,171.4
Other non-current liabilities	195.9	170.9	187.9
Pension provisions	8.2	7.2	7.7
Total non-current liabilities	8,164.4	9,138.9	9,492.0
Current, interest-bearing liabilities	1,900.0	-	250.0
Other liabilities	393.4	503.2	466.1
Total current liabilities	2,293.4	503.2	716.1
Total equity and liabilities	23,232.3	21,703.4	22,695.0

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-September 2012	January-September 2011	January-December 2011
Equity, opening balance	12,486.9	11,526.0	11,526.0
Total comprehensive income for the period	793.0	1,009.6	1,435.3
Dividends	-505.4	-474.4	-474.4
Equity, closing balance	12,774.6	12,061.3	12,486.9

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-September 2012	January-September 2011	January-December 2011
Result before tax	1,079.9	1,371.6	1,956.3
Depreciation/impairments	6.6	9.1	7.4
Change in value, investment properties	-419.8	-873.8	-1,244.9
Change in value, interest derivatives	7.3	85.4	99.2
Other changes	0.5	-0.1	0.4
Tax paid	-158.5	-149.1	-204.6
Cash flow from current operations before changes in working capital	516.0	443.1	613.8
Increase/decrease in operating receivables	17.7	-6.9	-34.7
Increase/decrease in operating liabilities	-72.0	12.8	-20.3
Cash flow from current operations	461.7	449.0	558.8
Disposal of investment properties	-	-	87.0
Investments in investment properties	-124.7	-381.7	-945.1
Investments in equipment	-0.8	-1.9	-2.4
Acquisition of subsidiary	-	-	-0.1
Change in financial receivable	-	0.2	-
Cash flow from investments	-125.5	-383.4	-860.6
Dividend paid	-505.4	-474.4	-474.4
Loans raised	175.0	300.0	775.0
Cash flow from financing	-330.4	-174.4	300.6
Cash flow for the period	5.8	-108.8	-1.2
Cash and cash equivalents at the beginning of the period	346.7	347.9	347.9
Cash and cash equivalents at the period-end	352.5	239.1	346.7
Cash flow for the period per share, SEK	0.03	-0.53	-0.01

SEGMENT REPORT – SUMMARY¹

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Sept 2012	Jan-Sept 2011	Jan-Sept 2012	Jan-Sept 2011	Jan-Sept 2012	Jan-Sept 2011	Jan-Sept 2012	Jan-Sept 2011
Net revenue	507.4	449.6	445.6	422.4	140.8	136.7	1,093.8	1,008.7
Property costs	-118.3	-130.3	-137.0	-144.5	-38.9	-41.8	-294.2	-316.6
Gross profit, property management	389.1	319.3	308.6	277.9	101.9	94.9	799.6	692.1
Parking operations			13.6	13.1			13.6	13.1
Central administration							-24.6	-23.5
Changes in value								
Investment properties							419.8	873.8
Interest derivatives							-7.3	-85.4
Operating profit							1,201.1	1,470.1
Financial income and expense							-121.2	-98.5
Profit before tax							1,079.9	1,371.6

¹ For comparable holdings, net revenue for the Stockholm City East Business Area should be increased for January-September 2011 by SEK 20.4 million and gross profit from property management by SEK 15.8 million. Net revenue for the Gothenburg Business Area for January-September 2011 should be reduced by SEK 4.8 million and gross profit from property management by SEK 3.1 million. For the Group for January-September 2011, net revenue should be increased by SEK 15.6 million and gross profit by SEK 12.7 million.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	September 30, 2012	September 30, 2011	December 31, 2011
Pledged assets			
Mortgages	1,956.2	1,981.2	2,457.1
Endowment insurance	6.4	5.6	6.0
Total pledged assets	1,962.6	1,986.8	2,463.1
Contingent liabilities	None	None	None

KEY RATIOS

GROUP	September 30, 2012	September 30, 2011	Full Year 2011	Full Year 2010	Full Year 2009	Full Year 2008
Property-related						
Rentable floor space, 1,000 m ²	367	357	365	358	354	354
Rental vacancy level, %	4.0	4.5	3.9	5.1	6.2	5.3
Floor space vacancy level, %	5.8	6.3	5.9	6.8	7.4	5.9
Fair value, SEK bn	22.8	21.4	22.3	20.1	18.1	19.1
Surplus ratio, %	71.1	66.7	67.1	67.8	68.8	67.3
Financial						
Return on equity, %	7.5	9.7	12.0	15.9	-3.4	-3.9
Return on capital employed, %	8.4	10.6	12.8	16.7	-2.4	-5.7
Equity ratio, %	55.0	55.6	55.0	56.1	55.0	55.9
Interest coverage ratio, multiple	6.4	6.8	7.0	7.7	7.0	5.5
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	18.4	17.1	18.1	16.1	16.4	15.6
Data per share						
Profit/loss for the period, SEK	3.84	4.89	6.96	8.40	-1.73	-2.18
Equity, SEK	61.93	58.47	60.54	55.88	49.58	53.09
Properties, fair value, SEK	110.52	103.77	107.88	97.68	87.87	92.52
Net asset value, SEK	77.00	73.00	76.00	70.00	62.00	66.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

KEY RATIOS PER QUARTER

GROUP	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012	Oct-Dec 2011	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010
Net revenue, SEK m	381	382	381	380	350	356	352	365
Return on equity, %	7.7	7.6	6.5	12.4	9.6	10.3	5.8	16.2
Return on equity, adjusted, %	5.3	5.0	5.1	5.4	4.7	5.0	4.9	6.0
Equity ratio, %	55.0	54.7	54.1	55.0	55.6	55.7	54.3	56.1
Profit/share for the period, SEK	0.68	1.52	1.65	2.06	0.45	3.19	1.25	4.44
Equity per share, SEK	61.93	61.26	59.74	60.54	58.47	58.02	54.83	55.88
Net asset value per share, SEK	77.00	77.00	75.00	76.00	73.00	73.00	69.00	70.00
Cash flow from current operations per share, SEK	0.79	0.85	0.59	0.53	0.69	0.64	0.84	0.92

PARENT COMPANY**RESULT AND POSITION**

Net revenue amounted to SEK 665.0 million (614.5). The gross profit was SEK 368.6 million (224.2). The increase can be attributed to higher rents and lower maintenance costs. Net financial income and expense was SEK -118.0 million (-98.4).

Liquid funds at the period-end amounted to SEK 352.2 million (238.9). Investments in properties and equipment during the period totalled SEK 44.3 million (212.7).

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is exposed mainly to financing, interest and credit risks. The Company has not identified any

material risks and uncertainties other than those described in the 2011 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

There were no material transactions with associated parties during the period.

ACCOUNTING PRINCIPLES

The Interim Report for the Parent Company has been prepared in accordance with Section 9, Interim Financial Reporting, of the Annual Accounts Act, which are the same accounting principles as the principles applied in the most recent annual report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	July- September 2012	July- September 2011	January- September 2012	January- September 2011	January- December 2011
Net revenue	222.6	203.4	665.0	614.5	828.1
Operating expenses	-92.2	-128.8	-296.4	-390.3	-471.7
Gross profit	130.4	74.6	368.6	224.2	356.4
Central administration	-8.2	-8.0	-24.7	-23.5	-31.7
Capital loss on sale of property	-	-	-	-	-14.7
Changes in value, interest derivatives	-39.9	-96.3	-7.3	-85.4	-99.2
Operating profit	82.3	-29.7	336.6	115.3	210.8
Group contribution	-	-	-	-	319.9
Financial income and expense	-38.9	-32.3	-118.0	-98.4	-44.6
Profit after financial items	43.4	-62.0	218.6	16.9	486.1
Appropriations	-	-	-	-	-28.5
Profit before tax	43.4	-62.0	218.6	16.9	457.6
Tax	-10.9	15.1	-58.8	-7.8	-100.2
Profit for the period	32.5	-46.9	159.8	9.1	357.4
Statement of comprehensive income, SEK m					
Profit for the period	32.5	-46.9	159.8	9.1	357.4
<i>Other comprehensive income</i>	-	-	-	-	-
Comprehensive income for the period	32.5	-46.9	159.8	9.1	357.4

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	September 30, 2012	September 30, 2011	December 31, 2011
Investment properties	6,353.7	6,403.6	6,369.6
Other non-current assets	3,102.7	2,830.5	3,101.6
Total non-current assets	9,456.4	9,234.1	9,471.2
Current assets	972.0	607.2	1,109.3
Total assets	10,428.4	9,841.3	10,580.5
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,744.0	1,741.2	2,089.5
Total equity	3,722.7	3,719.9	4,068.2
Untaxed reserves	584.5	556.0	584.5
Appropriations	1,273.9	1,104.0	1,086.4
Non-current liabilities	2,658.6	4,071.5	4,313.5
Current liabilities	2,188.7	389.9	527.9
Total liabilities	6,705.7	6,121.4	6,512.3
Total equity and liabilities	10,428.4	9,841.3	10,580.5

Stockholm, November 19, 2012

Ivo Stopner
President

This Interim Report has not been the subject of examination by the Company's auditors.

DEFINITIONS AND GLOSSARY

Annual rent. Gross rent at the period-end, calculated on an annual basis, excluding the turnover-based rent supplement. Vacant premises are reported at the market rent.

Bibliotekstan. The area between Normalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan and which contains stores with high-class brands.

Capital employed. Total assets reduced by non-interest-bearing liabilities and deferred tax liabilities.

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.

Equity per share. Equity in relation to the number of outstanding shares at the period-end.

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

Fair value. The estimated market value of the properties.

Floor space vacancy level. Vacant floor space in square metres in relation to the total lettable floor space.

Interest coverage ratio. Profit after financial items, excluding unrealized changes in value plus interest expense minus interest contributions in relation to the interest expense minus interest contributions.

Investments. Expenses related to value-enhancing improvements that entail future financial benefits are capitalized. Rebuilding costs of an ongoing maintenance nature are charged to profit.

Market value, properties. The amount at which the properties could be transferred on condition that the transaction takes place between parties that are independent of each other and which have an interest in the transaction being completed. In accounting terms, this is known as fair value.

Net liabilities. Interest-bearing liabilities, including decided dividend less current investments and cash and bank holdings.

Net loan-to-value ratio, properties. Net liabilities in relation to the carrying value of properties.

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

Property tax supplement. Property tax payments received from tenants.

Rental losses. Loss of revenue as a result of unlet space.

Rental vacancy level. Vacant floor space at an estimated market rent in relation to the total annual rent.

Return on capital employed. Profit before tax plus interest expense minus interest contributions in relation to the average capital employed. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

Return on equity. Profit after tax in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

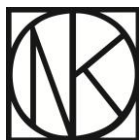
Return on equity, adjusted. Profit after tax, excluding changes in value, in relation to the average equity. In the interim accounts, the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

Surplus ratio. Gross profit in relation to net revenue.

Tax. Total tax for the Group comprises both actual tax and deferred tax.

In some cases there has been rounding off, which means the tables and calculations do not always tally.

This document is in all respects a translation of the original Interim Report in Swedish. In the event of any differences between this translation and the Swedish original, the latter shall prevail.



HUFVUDSTADEN

Hufvudstaden

Hufvudstaden, which was founded in 1915, rapidly became one of the leading property companies in Sweden and is today one of the country's strongest brands in the property sector. The brand is well known and represents high quality, good service and long-term thinking in the management and development of the Company's commercial properties in the most attractive business locations in Stockholm and Gothenburg.

Vision

Hufvudstaden shall be consistently perceived as, and prove to be, the most attractive property company in Sweden.

Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden shall offer successful companies high-quality office and retailing premises in attractive marketplaces.

Financial objectives

- Hufvudstaden shares shall have good dividend growth over time and the dividend shall account for more than half the net profit from current operations.
- The equity ratio shall be at least 40 per cent over time.

Operating objectives

Hufvudstaden will:

- gradually increase profit from current operations.
- have the most satisfied customers in the industry.
- have the most developed property holdings in the industry.
- have the most professional personnel in the industry, with firm commitment to the customer, good business acumen and professional know-how.

Strategies to achieve the objectives

Customer focus. Hufvudstaden shall work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

Quality. Quality and environmental systems shall ensure the highest possible level of quality in all the Company's products and services.

Skills development. Systematic development of the knowledge and skills of the personnel shall be ensured with a focus on professional know-how and values.

Business development. Active business development shall create added value in the property holdings.

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