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HUFVUDSTADEN
Year-End Report 2014

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- **Gross profit from property management amounted to SEK 1,145 million (1,135), the increase can be attributed mainly to higher rents.**
- **Profit for the year before tax increased by SEK 114 million, totalling SEK 2,521 million (2,407). The increase in profit can be attributed to higher unrealized changes in value of the property holdings.**
- **Profit after tax was SEK 2,001 million (1,876), equivalent to SEK 9.70 per share (9.10).**
- **The Board proposes an increase in the dividend to SEK 2.90 per share (2.75).**
- **The fair value of the property holdings was set at SEK 27.8 billion (25.9), resulting in a net asset value of SEK 100 per share (92).**
- **The equity ratio was 59 per cent (58), the net loan-to-value ratio was 19 per cent (20) and the interest coverage ratio multiple was 8.5 (8.3).**
- **Consolidated net revenue amounted to SEK 1,665 million (1,640), an increase of 2 per cent.**
- **The rental vacancy level at the period-end was 5.6 per cent (4.0).**

GROUP

RESULTS

Property management¹

Net rents from property management during the year amounted to SEK 1,596.4 million (1,572.7), an increase of 2 per cent. Gross profit was SEK 1,144.7 million (1,134.6). The increase can be attributed mainly to higher rents in conjunction with renegotiations and new leases as well as the Fyran property, which was acquired in 2013. In addition, the cost of vacant rental space has risen slightly. Operating and administration costs have increased as a result of insurance losses, increased surveillance and staff costs of a non-recurring nature.

The turnover-based rent supplement was SEK 10.9 million (10.3) of which the NK properties accounted for SEK 10.0 million (9.6). Otherwise, there are no material seasonal variations in rents.

The property management results for each business area are reported on page 6.

Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 68.9 million

(67.7), expense SEK 49.8 million (49.7) and gross profit SEK 19.1 million (18.0).

Other profit and loss items

Central administration totalled SEK -36.2 million (-35.7). Changes in the value of properties totalled SEK 1,708.6 million (1,357.9) and changes in interest derivatives totalled SEK -185.8 million (59.6).

Financial income and expense

Net financial income and expense amounted to SEK -129.9 million (-127.8).

Tax

The Group's tax for the period was SEK -519.2 million (-530.5), of which SEK -93.8 million was current tax (-141.0) and SEK -425.4 million was deferred tax (-389.5). Current tax has fallen by SEK 44 million after the Swedish Tax Agency amended its decision from 2012 not to grant a direct reduction in conjunction with work on foundation reinforcement. The background to this is that the Supreme Administrative Court has issued a preliminary ruling which approves a direct deduction.

¹ The acquired Fyran property in Gothenburg (part of Nordstaden 8:24) is included from March 7, 2013.

Profit for the year

The consolidated profit after tax amounted to SEK 2,001.3 million (1,876.1). The increase in profit can be attributed to higher unrealized changes in value of the property holdings.

ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 244.2 million (1,457.3). The decrease can be attributed to the property acquisition made the previous year.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation and as at December 31, 2014 it was estimated to be SEK 27,817 million (25,869). The increase can be attributed to unrealized changes in value and investments in the property holdings. Rentable floor space totalled approximately 387,000 square metres (387,500).

The rental vacancy level as at December 31 was 5.6 per cent (4.0) and the floor space vacancy level was 7.2 per cent (5.7). The increase in vacant space can be explained by the fact that after very long lease periods, a few large office tenants chose to relocate their operations. A further factor is that extensive development of the Femman Shopping Centre in Nordstan has commenced and will continue until 2017.

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 valuation, external valuations of part of the property holdings are obtained at least once a year.

A continuous update is made during the year of the internal valuation of the properties, taking 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 take the form, for example, of major leases, terminations and material changes in yield requirements.

In the light of the above, the unrealized change in value of the property holdings for 2014 was estimated at SEK 1,708.6 million (1,357.9). The value of the property holdings as at December 31, 2014 was SEK 27.8 billion, including investments. The unrealized increase in value can be attributed to the effect of slightly lower yield requirements as well as increased rents in conjunction with new and renegotiated leases.

The average yield requirement at the above valuation point was 4.5 per cent (4.7).

Valuation method

Valuation of the property holdings is done by assessing each individual property's fair value. The valuation is made using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is put in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's sub-area, an analysis is made of transactions in neighbouring areas. Even transactions not concluded provide guidance on market yield requirements. The yield requirement can vary between different regions and different sub-areas within the regions. Account is also taken of the type of property, the technical standard, the building construction and major investment needs.

For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for equivalent properties where the land is freehold. The net operating income of the properties is based on market rental income, the long-term rental vacancy level and normalized operating and maintenance costs.

When making the valuation, the following yield requirement figures for office and retailing properties have been applied:

Yield requirements, property valuation

Stockholm	4.2-4.8 per cent
Gothenburg	4.5-5.3 per cent
Property holdings, average	4.5 per cent

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In conjunction with an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 27.8 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- SEK 1.4 billion. Below are the most important factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sqm	SEK 870 m
Property costs	SEK 50/sqm	SEK 435 m
Rental vacancy level	1.0 percentage points	SEK 370 m
Yield requirement	0.25 percentage points	SEK 1,550 m

External valuation

To guarantee the valuation, external estimates were obtained from three valuation companies, Forum Fastighetsekonomi, NAI Svefa and Newsec Advice. The external valuations as at December 31, 2014 covered 11 properties and are equivalent to 32 per cent of the internally assessed fair value. The corresponding proportion at the mid-year point was 32 per cent. The basis for the selection of the properties was that the properties should represent different property categories, towns, locations and technical- and construction standards. The properties that underwent an external valuation as at December 31, 2014 were Achilles 1, Hästhuvudet 13, Hästskon 10, Järnplåten 28, Kvasten 9, Orgelpipan 7, Pumpstocken 10 (part of), Rännilen 18 and Skären 9 in Stockholm and Inom Vallgraven 10:9 and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 8.9 billion. Hufvudstaden's internal valuation of the same properties was SEK 8.9 billion. The internal valuations thus concur with the external valuations.

Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 20.7 billion or SEK 100 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 5 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 5 per cent. The table below shows the net asset value with different assumptions regarding the rate of deferred tax.

Net asset value, December 31, 2014

Tax rate	0 %	5 %	22 %
SEK bn			
Net asset value before tax	21.9	21.9	21.9
Calculated deferred tax	-	-1.2	-5.2
Net asset value after tax	21.9	20.7	16.7
Net asset value per share, SEK	106	100	81

RENTAL MARKET

Demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period. Vacant space in this category remained at normal levels and rents increased slightly. 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 5,200 per square metre per year, excluding the property tax supplement. In the same sub-markets, interest in prime-location retail premises has also been high with rents ranging from SEK 14,000 to SEK 22,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg continued to be positive with low vacancies. Market rents for modern, well-planned office premises in prime locations rose slightly and were between SEK 2,000 and SEK 3,000 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 renegotiation of retail and office leases has proceeded in line with our expectations. In total, 49,400 square metres were renegotiated during the period at a rental value of SEK 235 million. On average, these renegotiations have resulted in an increase in rent of approximately 6 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at December 31, 2014 amounted to SEK 5,650 million (5,750).

Hufvudstaden has an MTN programme in place totalling SEK 4 billion with a total outstanding amount of SEK 2,200 million. Outstanding commercial paper amounted to SEK 600 million. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper.

At the year-end, the average fixed interest period was 33 months (41), the average capital tie-up period was 32 months (44) and the average annual equivalent rate was 2.2 per cent (2.3). The net interest-bearing debt was SEK 5,176 million (5,245).

The fair value of all interest derivatives as at December 31, 2014 was SEK -149.1 million (36.6). The negative figure can be explained by a general downturn in market interest rates.

Capital tie-up structure, December 31, 2014

Maturity Date	Volume, SEK m ¹	Share, %
2015	400	7
2016	900	16
2017	2,650	47
2018	1,200	21
2019	500	9
Total	5,650	100

¹ Capital tie-up regarding commercial paper has been calculated based on underlying loan assurances.

Fixed interest structure, December 31, 2014

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2015	900	16	1.2
2016	500	9	2.1
2017	1,500	26	1.8
2018	1,800	32	2.6
2019	950	17	2.9
Total	5,650	100	2.2

RESULTS, FOURTH QUARTER

The gross profit from property management amounted to SEK 287.6 million (283.3). Net rents amounted to SEK 409.5 million (420.0). Property management costs amounted to SEK 121.9 million (136.7). The decrease can be ascribed largely to the fact that property tax for the whole of 2013 was settled during the fourth quarter of 2013, which affected both net rents and costs.

The gross profit from parking operations was SEK 6.8 million (6.3). Net revenue was SEK 19.8 million (19.2) and costs SEK 13.0 million (12.9).

Changes in the value of properties amounted to SEK 1,014.7 million (806.1) and changes in the value of interest derivatives amounted to SEK -37.1 million (-28.5). Net financial income and expense totalled SEK -32.0 million (-32.4).

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 19,558 shareholders at the end of the period. The proportion of foreign ownership as at December 31, 2014 was 32.1 per cent (30.5) of the total number of outstanding shares. The series A share price as at December 31, 2014 was SEK 101.60 and market capitalization was SEK 22.1 billion.

Largest shareholders as at December 31, 2014

	Number of shares, %	Number of votes, %
L E Lundbergföretagen	44.2	87.6
State Street Bank and Trust	6.4	1.3
Citi Bank	3.9	0.8
JP Morgan Funds	3.8	0.8
Mellon Funds	2.8	0.6
Länsförsäkringar	2.0	0.4
NTC Wealth	2.0	0.4
BNP Paribas	1.6	0.3
AFA Försäkringar	1.6	0.3
Other shareholders	29.3	7.0
Outstanding shares	97.6	99.5
Company holdings	2.4	0.5
Total issued shares	100.0	100.0

Shares bought back

The total number of shares held by Hufvudstaden as at December 31, 2014 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 or after the end of the reporting period. At the 2014 Annual Meeting, the Board was granted renewed authorization to acquire series A shares up to 10 per cent of all the issued shares and to assign company shares. The Board of Directors will present a proposal at the Annual Meeting on March 26, 2015 that authorization to acquire and assign company shares be renewed.

Buy-back of shares as at December 31, 2014, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2014	211.3	5.0	206.3
Buy-back	-	-	-
As of December 31, 2014	211.3	5.0	206.3

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 2013 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 stipulations in the Annual Accounts Act. New and improved IFRS that has been applied since 2014 such as IFRS 10, IFRS 11 and IFRS 12 has not had any impact on the consolidated financial statements. Derivatives are valued at fair value in the Balance Sheet. All derivatives are classified as Level 2 according to

IFRS 13. There is no set-off of financial assets and liabilities and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

PROPOSED DIVIDEND

The Board of Directors proposes that the dividend be increased to SEK 2.90 per share.

PROPOSAL REGARDING ELECTION OF A BOARD OF DIRECTORS AND AUDITORS

The Company's main shareholders have notified the Company of the intention to present a proposal to the Annual General Meeting that the present Board members be re-elected and that KPMG be elected as the auditing company with Joakim Thilstedt as lead auditor.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 3.30 pm on Thursday, March 26, 2015 at Grand Hôtel, Vinterträdgården, Stockholm. The Annual Report for 2014 will be available in week 10 at the Company's office and on the Company's website. At the same time, it will be distributed to those shareholders who have made a request to this effect.

FORTHCOMING INFORMATION

Annual Report 2014	March 2015
Annual Meeting in Stockholm 2015	March 26, 2015
Interim Report, January-March 2015	May 5, 2015
Interim Report, January-June 2015	August 20, 2015
Interim Report, January-September 2015	November 4, 2015

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 February 12, 2015.

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	October- December 2014	October- December 2013	January- December 2014	January- December 2013
Net revenue				
Property management	409.5	420.0	1,596.4	1,572.7
Parking operations	19.8	19.2	68.9	67.7
	429.3	439.2	1,665.3	1,640.4
Property management expenses				
Maintenance	-11.4	-11.6	-31.9	-32.0
Operation and administration	-67.2	-69.6	-248.6	-237.8
Ground rents	-4.8	-3.6	-17.0	-16.1
Property tax	-38.5	-51.9	-154.2	-152.2
Property management expenses	-121.9	-136.7	-451.7	-438.1
Parking operations, expenses	-13.0	-12.9	-49.8	-49.7
Operating expenses	-134.9	-149.6	-501.5	-487.8
Gross profit	294.4	289.6	1,163.8	1,152.6
- of which Property management	287.6	283.3	1,144.7	1,134.6
- of which Parking operations	6.8	6.3	19.1	18.0
Central administration	-9.3	-10.3	-36.2	-35.7
Operating profit before changes in value	285.1	279.3	1,127.6	1,116.9
Changes in value				
Properties	1,014.7	806.1	1,708.6	1,357.9
Interest derivatives	-37.1	-28.5	-185.8	59.6
Operating profit	1,262.7	1,056.9	2,650.4	2,534.4
Financial income/expense	-32.0	-32.4	-129.9	-127.8
Profit before tax	1,230.7	1,024.5	2,520.5	2,406.6
Tax	-225.1	-224.2	-519.2	-530.5
Profit after tax	1,005.6	800.3	2,001.3	1,876.1
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,005.6	800.3	2,001.3	1,876.1
Average number of outstanding shares following buy-backs during the period	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	4.88	3.88	9.70	9.10

BALANCE SHEETS – SUMMARY

GROUP, SEK m	December 31, 2014	December 31, 2013
Properties	27,817.4	25,869.1
Other non-current assets	15.4	49.1
Total non-current assets	27,832.8	25,918.2
Current assets	582.5	557.5
Total assets	28,415.3	26,475.7
Equity	16,694.8	15,260.7
Non-current interest-bearing liabilities	4,650.0	4,550.0
Deferred tax liabilities	5,356.2	4,930.8
Other non-current liabilities	168.7	17.3
Pension provisions	10.6	8.8
Total non-current liabilities	10,185.5	9,506.9
Current interest-bearing liabilities	1,000.0	1,200.0
Other liabilities	535.0	508.1
Total current liabilities	1,535.0	1,708.1
Total equity and liabilities	28,415.3	26,475.7

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-December 2014	January-December 2013
Equity, opening balance	15,260.7	13,920.9
Total comprehensive income for the period	2,001.3	1,876.1
Dividend	-567.2	-536.3
Equity, closing balance	16,694.8	15,260.7

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-December 2014	January-December 2013
Result before tax	2,520.5	2,406.6
Depreciation/impairments	7.2	3.2
Unrealized change in value, properties	-1,708.6	-1,357.9
Unrealized change in value, interest derivatives	185.8	-59.6
Other changes	1.8	0.4
Tax paid	-140.0	-101.6
Cash flow from current operations before changes in working capital	866.7	891.1
Increase/decrease in operating receivables	-14.9	-6.2
Increase/decrease in operating liabilities	29.2	65.8
Cash flow from current operations	881.0	950.7
Investments in properties	-239.6	-1,453.7
Investments in equipment	-4.6	-3.6
Cash flow from investments	-244.2	-1,457.3
Loans raised	1,600.0	4,100.0
Amortization of loan debt	-1,700.0	-3,050.0
Dividend paid	-567.2	-536.3
Cash flow from financing	-667.2	513.7
Cash flow for the period	-30.4	7.1
Cash and cash equivalents at the beginning of the period	504.6	497.5
Cash and cash equivalents at the period-end	474.2	504.6
Cash flow for the period per share, SEK	-0.15	0.03

SEGMENT REPORT – SUMMARY¹

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net revenue	695.6	699.7	626.7	614.8	274.1	258.2	1,596.4	1,572.7
Property costs	-168.4	-168.8	-204.2	-196.0	-79.1	-73.3	-451.7	-438.1
Gross profit, property management	527.2	530.9	422.5	418.8	195.0	184.9	1,144.7	1,134.6
Parking operations			19.1	18.0			19.1	18.0
Central administration							-36.2	-35.7
Changes in value								
Properties							1,708.6	1,357.9
Interest derivatives							-185.8	59.6
Operating profit							2,650.4	2,534.4
Financial income and expense							-129.9	-127.8
Profit before tax							2,520.5	2,406.6

¹ For comparable holdings, net revenue for the Gothenburg Business Area and the Group and gross profit from property management should be increased by SEK 14.6 million and SEK 11.0 million respectively for 2013.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	December 31, 2014	December 31, 2013
Pledged assets		
Mortgages	1,653.1	1,653.1
Endowment insurance	8.4	6.9
Total pledged assets	1,661.5	1,660.0
Contingent liabilities	None	None

KEY RATIOS

GROUP	Full year 2014	Full year 2013	Full Year 2012	Full Year 2011	Full Year 2010
Property-related					
Rentable floor space, 1,000 m ²	387	387	367	365	358
Rental vacancy level, %	5.6	4.0	3.7	3.9	5.1
Floor space vacancy level, %	7.2	5.7	5.4	5.9	6.8
Fair value, SEK bn	27.8	25.9	23.1	22.3	20.1
Surplus ratio, %	69.9	70.3	70.4	67.1	67.8
Financial					
Return on equity, %	12.5	12.9	14.7	12.0	15.9
Return on capital employed, %	12.2	12.8	9.3	13.1	17.2
Equity ratio, %	58.8	57.6	58.9	55.0	56.1
Interest coverage ratio, multiple	8.5	8.3	6.4	7.0	7.7
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	18.6	20.3	18.2	18.1	16.1
Data per share					
Profit/loss for the period, SEK	9.70	9.10	9.40	6.96	8.40
Equity, SEK	80.94	73.99	67.49	60.54	55.88
Properties, fair value, SEK	134.86	125.42	111.79	107.88	97.68
Net asset value, SEK	100.00	92.00	84.00	76.00	70.00
Number of outstanding shares, 1,000	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

KEY RATIOS PER QUARTER

GROUP	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013
Net revenue, SEK m	429	410	412	414	439	407	405	390
Return on equity, %	13.5	7.6	7.5	5.0	12.9	9.0	8.9	5.7
Return on equity, adjusted, %	6.1	4.9	4.9	4.9	5.3	5.6	5.6	5.1
Equity ratio, %	58.8	57.3	57.0	56.2	57.6	56.5	56.1	54.2
Profit per share for the period, SEK	4.88	1.00	2.88	0.94	3.88	1.12	2.80	1.29
Equity per share, SEK	80.94	76.06	75.06	72.18	73.99	70.11	68.98	66.18
Net asset value per share, SEK	100.00	95.00	93.00	90.00	92.00	87.00	86.00	83.00
Cash flow per share from current operations, SEK	0.85	1.24	0.87	1.31	0.99	1.34	1.10	1.17

PARENT COMPANY

RESULT AND POSITION

Net revenue amounted to SEK 1,031.3 million (987.9). The increase can be attributed to higher gross rents in conjunction with renegotiations and new leases and the acquisition of the Fyran property in 2013. The gross profit was SEK 530.6 million (558.0). Property management expenses have increased primarily as a result of higher maintenance costs and higher depreciation. Net financial income and expense was SEK 219.4 million (230.5). Profit for the year includes group contributions from subsidiaries totalling SEK 348.8 million (358.4).

Cash and cash equivalents at the period-end amounted to SEK 474.0 million (504.4). Investments in properties and equipment during the period totalled SEK 91.5 million (1,330.5).

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 2013 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

Apart from the dividend to the shareholders, 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 of the Annual Accounts Act, Interim Financial Statements. The Parent Company applies the same accounting principles as in the most recent annual report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	October - December 2014	October - December 2013	January - December 2014	January - December 2013
Net revenue	261.0	264.0	1,031.3	987.9
Operating expenses	-154.3	-129.4	-500.7	-429.9
Gross profit	106.7	134.6	530.6	558.0
Central administration	-9.3	-10.3	-36.2	-35.7
Changes in value, interest derivatives	-37.2	-28.5	-185.8	59.6
Operating profit	60.2	95.8	308.6	581.9
Group contribution	348.8	358.4	348.8	358.4
Other financial income and expense	-32.0	-32.6	-129.4	-127.9
Profit after financial items	377.0	421.6	528.0	812.4
Appropriations	-108.6	-105.2	-108.6	-105.2
Profit before tax	268.4	316.4	419.4	707.2
Tax	-13.0	-69.1	-56.3	-157.2
Profit for the period	255.4	247.3	363.1	550.0
Statement of comprehensive income, SEK m				
Profit for the period	255.4	247.3	363.1	550.0
<i>Other comprehensive income</i>	-	-	-	-
Comprehensive income for the period	255.4	247.3	363.1	550.0

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	December 31, 2014	December 31, 2013
Properties	8,096.7	7,588.9
Other non-current assets	2,838.0	3,138.4
Total non-current assets	10,934.7	10,727.3
Current assets	949.3	1,216.7
Total assets	11,884.0	11,944.0
Restricted equity	1,978.7	1,978.7
Non-restricted equity	2,023.5	2,186.4
Total equity	4,002.2	4,165.1
Untaxed reserves	823.2	714.6
Appropriations	892.8	961.8
Non-current liabilities	4,818.2	4,566.9
Current liabilities	1,347.6	1,535.6
Total liabilities	7,881.8	7,778.9
Total equity and liabilities	11,884.0	11,944.0

Stockholm, February 12, 2015

Fredrik Lundberg
Chairman

Claes Boustedt
Board Member

Bengt Braun
Board Member

Peter Egardt
Board Member

Louise Lindh
Board Member

Hans Mertzig
Board Member

Sten Peterson
Board Member

Anna-Greta Sjöberg
Board Member

Ivo Stopner
President
Board Member

This Year-End Report has not been the subject of an examination by the Company's auditors.

DEFINITIONS AND GLOSSARY

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

Bibliotekstan. The area between Norrmalmstorg, 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 in relation to interest expense.

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.

MTN programme. Medium Term Note is a bond programme with a term of 1-15 years.

Net liabilities. Interest-bearing liabilities, including the 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 unleased 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 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 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 average equity. In the interim accounts, the return has been recalculated on a full-year basis without taking account 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

2015 is a major anniversary year for Hufvudstaden. On September 20 it will be 100 years since the Company was founded. Hufvudstaden rapidly became one of the leading property companies in Sweden and today it is one of the strongest property industry brands in the country. The brand is well known and represents high quality, good service and long-term thinking in the management and development of its own commercial properties in prime 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

With 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.

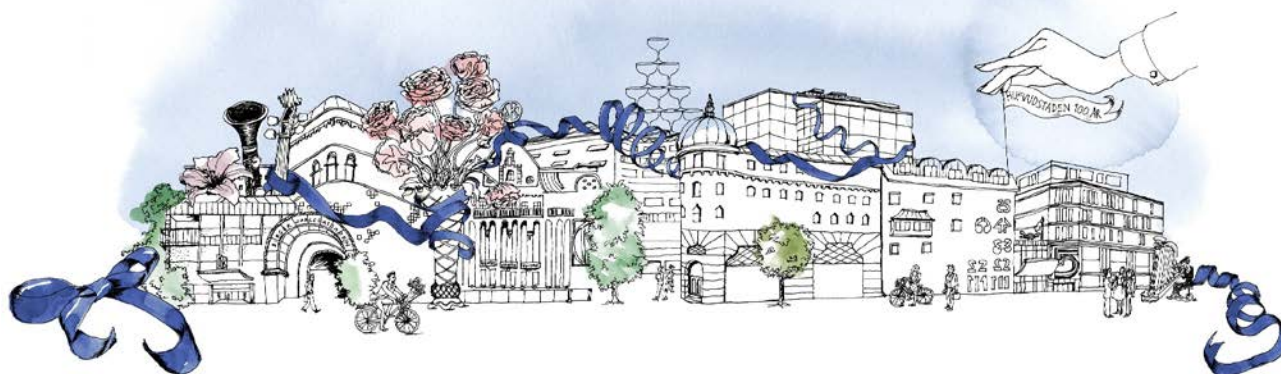
Strategies to achieve the objectives

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

Quality. Quality and environmental systems will 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 will be ensured with a focus on professional know-how and values.

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



Hufvudstaden AB (publ)
NK 100, SE-111 77 Stockholm
Visiting address: Regeringsgatan 38
Telephone: +46 8-762 90 00 Fax: +46 8-762 90 01
E-mail: info@hufvudstaden.se Website: www.hufvudstaden.se
Company registration number: 556012-8240
Registered office: Stockholm