

A mannequin is the central focus, wearing a black and white patterned dress with a large white 'Q' and '2' overlaid on it. The mannequin is also wearing large, reflective sunglasses. The background features a large, stylized building facade with a grid of rectangular openings, some of which are illuminated from within. The overall scene is set against a blue sky with trees in the distance.

# Q2

HUFVUDSTADEN  
Half-year Report January – June 2015

# HUFVUDSTADEN

## Half-year Report January–June 2015

- Profit after tax for the period was SEK 1,221 million (789), equivalent to SEK 5.92 per share (3.83). The increase is due to higher unrealized changes in value of the property holdings.
- Gross profit from property management decreased by 3 per cent and amounted to SEK 553 million (572), which can be attributed largely to the increased cost of vacant space and the cost of development projects in the retail sector.
- The fair value of the property holdings was set at SEK 29.1 billion (27.8 at the turn of the year), resulting in a net asset value of SEK 105 per share (100 at the turn of the year).
- The equity ratio was 58 per cent (57), the net loan-to-value ratio was 19 per cent (21) and the interest coverage ratio multiple was 8.9 (8.4).
- Consolidated net revenue amounted to SEK 822 million (826).
- The rental vacancy level at the period-end was 6.3 per cent (5.6 at the turn of the year). Excluding projects in progress, the rental vacancy level was 5.1 per cent (5.2 at the turn of the year).

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### GROUP

#### RESULTS

##### Property management

Net rents from property management during the period amounted to SEK 785.8 million (792.1). The gross profit amounted to SEK 553.3 million (572.0). The decrease in profit can be attributed mainly to increased costs associated with investment in development projects in the holdings, which has led to an increase in vacant space in conjunction with projects as well as costs for reinforcing the organisation. Gross rents have risen due to higher rents in conjunction with renegotiations and new leases, which have been counteracted by costs for vacant premises.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 10.9 million. 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 36.1 million (33.8), expenses SEK 24.5 million (24.6) and gross profit SEK 11.6 million (9.2).

##### Other profit and loss items

Central administration totalled SEK -18.4 million (-17.9). Changes in the value of investment properties totalled SEK 1,097.4 million (639.4) and changes in interest derivatives totalled SEK -1.8 million (-114.3).

##### Financial income and expense

Net financial income and expense amounted to SEK -60.2 million (-65.0). The decrease can be explained by a general downturn in market interest rates.

##### Tax

The Group's tax for the period was SEK -361.1 million (-234.2), of which SEK -50.4 million (-88.0) was actual tax and SEK -310.7 million (-146.2) was deferred tax. The increase in deferred tax can be attributed to higher unrealized changes in the value of the property holdings.

##### Profit for the period

The consolidated profit after tax amounted to SEK 1,220.8 million (789.2). The increase in profit is due 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 218.0 million (88.6), which can be attributed to increased investment in development projects, mainly in Gothenburg.

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings, based on an internal valuation and assessed as at June 30, 2015, was SEK 29,131 million (27,817 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 approximately 388,000 square metres (387,000).

The rental vacancy level as at June 30, 2015 was 6.3 per cent (5.6 at the turn of the year) and the floor space vacancy level was 7.9 per cent (7.2 at the turn of the year). The increase in vacant space can be attributed to development projects commenced in Gothenburg in the Femman shopping precinct in Nordstan and on the Härbärg block. The rental vacancy level, excluding projects in progress, decreased to 5.1 per cent (5.2 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 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 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 take the form, for example, of major lettings, terminations and material changes in yield requirements.

In the light of the above, the unrealized change in the value of the property holdings for the first six months of 2015 was SEK 1,097.4 million (639.4). The total value of the property holdings as at June 30, 2015 was SEK 29.1 billion, including investments for the period. The unrealized increase in value can be attributed mainly to the effect of a lower yield requirement and a lower level of long-term vacant space.

The average yield requirement at the above valuation point was 4.3 per cent (4.5 at the turn of the year).

### 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 set 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 that have yet to be finalized 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 retail properties have been applied:

### Yield requirements, property valuation

Stockholm	4.0-4.6 per cent
Gothenburg	4.4-5.0 per cent
Property holdings, average	4.3 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 29.1 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.5 billion. Below are the key 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 900 m
Property costs	SEK 50/sqm	SEK 450 m
Rental vacancy level	1.0 percentage points	SEK 390 m
Yield requirement	0.25 percentage points	SEK 1,700 m

### External valuation

To guarantee the valuation, external estimates were obtained from three valuation companies, Forum Fastighetsekonomi AB, Newsec Advice AB and NAI Svefa AB. The external valuations covered 12 properties and are equivalent to 33 per cent of the internally assessed fair value. The basis for the selection of the properties was that they should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Hästhuvudet 13, Järnplåten 28, Kungliga Trädgården 5, Kvasten 6, Kåkenhusen 40 (part of), Orgelpipan 7, Packarhuset 4, Pumpstocken 10 (part of), Rännilen 19 (part of) and Svärdfisken 2 in Stockholm and Inom Vallgraven 10:9 (NK Gothenburg) and Inom Vallgraven 12:10 in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 9,861 million. Hufvudstaden's internal valuation of the same properties was SEK 9,561 million. The internal valuations thus concur well with the external valuations.

### Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 21.6 billion or SEK 105 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 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, June 30, 2015

Tax rate	0 %	5 %	22 %
SEK bn			
Net asset value before tax	22.8	22.8	22.8
Calculated deferred tax	-	-1.2	-5.5
Net asset value after tax	22.8	21.6	17.3
Net asset value per share, SEK	111	105	84

#### RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm during the period remained positive. Vacant space in this category has remained at normal levels and the rent trend has 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. Interest in prime-location retail premises in the same sub-markets continues to be strong.

For retail premises in prime locations, the market rents were between SEK 14,000 and SEK 22,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg remained good with a continued low level of vacant space. Market rents have risen slightly and in prime locations 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 turnover trend for the NK department stores in both Stockholm and Gothenburg remained strong.

The outcome from the Group's renegotiation of both retail and office premises has been positive. In total, 28,400 square metres were renegotiated during the period at the rental value of SEK 132 million. On average, these renegotiations resulted in an increase in rent of approximately 5 per cent.

#### FINANCING STRUCTURE

Hufvudstaden's borrowing as at June 30, 2015 amounted to SEK 5,850 million (5,650 at the turn of the year).

Hufvudstaden has an MTN programme totalling SEK 4 billion and the total outstanding amount is SEK 2,000 million. Outstanding commercial paper amounted to SEK 900 million. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 27 months (33 at the turn of the year), the average capital tie-up period was 27 months (32 at the turn of the year) and the average annual equivalent rate of interest was 2.0 per cent (2.2 at the turn of the year). The net interest-bearing debt was SEK 5,494 million (5,176 at the turn of the year). The fair value of all interest derivatives as at June 30, 2015 was SEK -150.9 million (-149.1 at the turn of the year). The negative figure can be attributed to a general downturn in market interest rates.

#### Capital tie-up structure, June 30, 2015

Maturity Date	Volume, SEK m <sup>1</sup>	Share, %
2015	200	3
2016	1,200	21
2017	2,750	46
2018	1,200	21
2019	500	9
Total	5,850	100

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

#### Fixed interest structure, June 30, 2015

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2015	1,100	19	0.5
2016	500	8	2.0
2017	1,500	26	1.8
2018	1,800	31	2.6
2019	950	16	2.9
Total	5,850	100	2.0

#### SECOND QUARTER

The gross profit from property management amounted to SEK 275.0 million (284.2), a decrease of 3 per cent. The current investment in development projects has resulted in an increase in the cost of vacant space, staff reinforcement and agent fees. Net rents amounted to SEK 390.6 million (394.7). Property management costs amounted to SEK 115.6 million (110.5).

The gross profit from parking operations was SEK 5.7 million (4.8). Net revenue was SEK 18.2 million (17.0) and costs SEK 12.5 million (12.2).

Changes in the value of investment properties amounted to SEK 731.5 million (578.5) and changes in the value of interest derivatives amounted to SEK 20.8 million (-59.8). Net financial income and expense totalled SEK -30.6 million (-33.7).

#### OTHER

Magnus Jacobson, CFO and member of Group Management, has resigned after 13 years in the company. He will leave the company in the autumn, and recruitment of his successor has commenced.

#### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 20,294 shareholders at the end of the period. The proportion of foreign ownership as at June 30, 2015 was 33 per cent (32 at the turn of the year) of the total number of out-standing shares. The series A share price as at June 30, 2015 was SEK 100.90 and market capitalization was SEK 22.1 billion.

#### Shares bought back

The total number of shares held by Hufvudstaden as at June 30, 2015 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 2015 Annual General 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.

#### Buy-back of shares as at June 30, 2015, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2015	211.3	5.0	206.3
Buy-back	-	-	-
As of June 30, 2015	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 2014 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. IFRIC 21, Levies, has been applied since January 1, 2015. The interpretation includes rules that state that government levies should be entered as a liability in total when the obligation arises, which affects the property tax for Hufvudstaden. Property tax relating to future periods are reported as prepaid expense. Expensing remains unchanged, i.e. allocated to different periods throughout the year. Otherwise the accounting principles and computation base are the same as those applied in the most recent Annual Report. 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.

## **FORTHCOMING INFORMATION**

Interim Report January-September 2015	November 4, 2015
Year-End Report 2015	February 11, 2016
Annual Report 2015	March 2016
Annual General Meeting in Stockholm 2016	March 17, 2016

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 August 20, 2015.

*This information is also published on Hufvudstaden's website, [www.hufvudstaden.se](http://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	April- June 2015	April- June 2014	January- June 2015	January- June 2014	January- December 2014
<b>Net revenue</b>					
Property management	390.6	394.7	785.8	792.1	1,596.4
Parking operations	18.2	17.0	36.1	33.8	68.9
	<b>408.8</b>	<b>411.7</b>	<b>821.9</b>	<b>825.9</b>	<b>1,665.3</b>
<b>Property management expenses</b>					
Maintenance	-7.9	-10.0	-16.7	-14.4	-31.9
Operation and administration	-63.5	-58.0	-128.0	-121.0	-248.6
Ground rents	-5.7	-4.1	-10.8	-8.2	-17.0
Property tax	-38.5	-38.4	-77.0	-76.5	-154.2
<b>Property management expenses</b>	<b>-115.6</b>	<b>-110.5</b>	<b>-232.5</b>	<b>-220.1</b>	<b>-451.7</b>
Parking operations, expenses	-12.5	-12.2	-24.5	-24.6	-49.8
<b>Operating expenses</b>	<b>-128.1</b>	<b>-122.7</b>	<b>-257.0</b>	<b>-244.7</b>	<b>-501.5</b>
<b>Gross profit</b>	<b>280.7</b>	<b>289.0</b>	<b>564.9</b>	<b>581.2</b>	<b>1,163.8</b>
- of which Property management	275.0	284.2	553.3	572.0	1,144.7
- of which Parking operations	5.7	4.8	11.6	9.2	19.1
Central administration	-9.4	-9.0	-18.4	-17.9	-36.2
<b>Operating profit before changes in value</b>	<b>271.3</b>	<b>280.0</b>	<b>546.5</b>	<b>563.3</b>	<b>1,127.6</b>
<b>Changes in value</b>					
Properties	731.5	578.5	1 097.4	639.4	1,708.6
Interest derivatives	20.8	-59.8	-1.8	-114.3	-185.8
<b>Operating profit</b>	<b>1,023.6</b>	<b>798.7</b>	<b>1,642.1</b>	<b>1,088.4</b>	<b>2,650.4</b>
Financial income/expense	-30.6	-33.7	-60.2	-65.0	-129.9
<b>Profit before tax</b>	<b>993.0</b>	<b>765.0</b>	<b>1,581.9</b>	<b>1,023.4</b>	<b>2,520.5</b>
Tax	-219.0	-170.1	-361.1	-234.2	-519.2
<b>Profit after tax</b>	<b>774.0</b>	<b>594.9</b>	<b>1,220.8</b>	<b>789.2</b>	<b>2,001.3</b>
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>774.0</b>	<b>594.9</b>	<b>1,220.8</b>	<b>789.2</b>	<b>2,001.3</b>
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	3.75	2.88	5.92	3.83	9.70

**BALANCE SHEETS – SUMMARY**

GROUP, SEK m	June 30, 2015	June 30, 2014	December 31, 2014
Properties	29,131.4	26,594.1	27,817.4
Other non-current assets	16.5	14.1	15.4
<b>Total non-current assets</b>	<b>29,147.9</b>	<b>26,608.2</b>	<b>27,832.8</b>
Current assets	459.4	550.6	582.5
<b>Total assets</b>	<b>29,607.3</b>	<b>27,158.8</b>	<b>28,415.3</b>
Equity	17,317.4	15,482.7	16,694.8
Non-current interest-bearing liabilities	4,350.0	4,850.0	4,650.0
Deferred tax liabilities	5,666.9	5,077.0	5,356.2
Other non-current liabilities	170.7	96.1	168.7
Pension provisions	12.1	9.0	10.6
<b>Total non-current liabilities</b>	<b>10,199.7</b>	<b>10,032.1</b>	<b>10,185.5</b>
Current interest-bearing liabilities	1,500.0	1,100.0	1,000.0
Other liabilities	590.2	544.0	535.0
<b>Total current liabilities</b>	<b>2,090.2</b>	<b>1,644.0</b>	<b>1,535.0</b>
<b>Total equity and liabilities</b>	<b>29,607.3</b>	<b>27,158.8</b>	<b>28,415.3</b>

**CHANGES IN EQUITY – SUMMARY**

	January- June 2015	January- June 2014	January- December 2014
<b>GROUP, SEK m</b>			
Equity, opening balance	16,694.8	15,260.7	15,260.7
Total comprehensive income for the period	1,220.8	789.2	2,001.3
Dividend	-598.2	-567.2	-567.2
<b>Equity, closing balance</b>	<b>17,317.4</b>	<b>15,482.7</b>	<b>16,694.8</b>

#### STATEMENTS OF CASH FLOWS – SUMMARY

	January- June 2015	January- June 2014	January- December 2014
<b>GROUP, SEK m</b>			
Result before tax	1,581.9	1,023.4	2,520.5
Depreciation/impairments	5.8	3.4	7.2
Unrealized change in value, properties	-1,097.4	-639.4	-1,708.6
Unrealized change in value, interest derivatives	1.8	114.3	185.8
Other changes	1.4	0.2	1.8
Tax paid	25.3	-55.5	-140.0
<b>Cash flow from current operations before changes in working capital</b>	<b>518.8</b>	<b>446.4</b>	<b>866.7</b>
Increase/decrease in operating receivables	-56.7	-13.0	-14.9
Increase/decrease in operating liabilities	36.3	15.1	29.2
<b>Cash flow from current operations</b>	<b>498.4</b>	<b>448.5</b>	<b>881.0</b>
Investments in properties	-216.7	-85.6	-239.6
Investments in equipment	-1.3	-3.0	-4.6
<b>Cash flow from investments</b>	<b>-218.0</b>	<b>-88.6</b>	<b>-244.2</b>
Loans raised	1,100.0	1,200.0	1,600.0
Amortization of loan debt	-900.0	-1,000.0	-1,700.0
Dividend paid	-598.2	-567.2	-567.2
<b>Cash flow from financing</b>	<b>-398.2</b>	<b>-367.2</b>	<b>-667.2</b>
<b>Cash flow for the period</b>	<b>-117.8</b>	<b>-7.3</b>	<b>-30.4</b>
Cash and cash equivalents at the beginning of the period	474.2	504.6	504.6
Cash and cash equivalents at the period-end	356.4	497.3	474.2
Cash flow for the period per share, SEK	-0.57	-0.04	-0.15

#### SEGMENT REPORT – SUMMARY

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
	Net revenue	344.7	348.0	306.1	307.2	135.0	136.9	785.8
Property costs	-88.3	-82.1	-104.6	-98.5	-39.6	-39.5	-232.5	-220.1
<b>Gross profit, property management</b>	<b>256.4</b>	<b>265.9</b>	<b>201.5</b>	<b>208.7</b>	<b>95.4</b>	<b>97.4</b>	<b>553.3</b>	<b>572.0</b>
Parking operations			11.6	9.2			11.6	9.2
Central administration							-18.4	-17.9
<b>Changes in value</b>								
Properties							1,097.4	639.4
Interest derivatives							-1.8	-114.3
<b>Operating profit</b>							<b>1,642.1</b>	<b>1,088.4</b>
Financial income and expense							-60.2	-65.0
<b>Profit before tax</b>							<b>1,581.9</b>	<b>1,023.4</b>

## PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	June 30, 2015	June 30, 2014	December 31, 2014
<b>Pledged assets</b>			
Mortgages	1,653.1	1,653.1	1,653.1
Endowment insurance	9.6	7.0	8.4
<b>Total pledged assets</b>	<b>1,662.7</b>	<b>1,660.1</b>	<b>1,661.5</b>
Contingent liabilities	None	None	None

## KEY RATIOS

GROUP	June 30, 2015	June 30, 2014	Full year 2014	Full year 2013	Full Year 2012	Full Year 2011
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	388	387	387	387	367	365
Rental vacancy level, %	6.3	5.5	5.6	4.0	3.7	3.9
Floor space vacancy level, %	7.9	7.3	7.2	5.7	5.4	5.9
Fair value, SEK bn	29.1	26.6	27.8	25.9	23.1	22.3
Surplus ratio, %	68.7	70.4	69.9	70.3	70.4	67.1
<b>Financial</b>						
Return on equity, %	9.2	7.5	12.5	12.9	14.7	12.0
Return on capital employed, %	9.5	7.7	12.2	12.8	9.3	13.1
Equity ratio, %	58.5	57.0	58.8	57.6	58.9	55.0
Interest coverage ratio, multiple	8.9	8.4	8.5	8.3	6.4	7.0
Debt/equity ratio, multiple	0.3	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	18.9	20.5	18.6	20.3	18.2	18.1
<b>Data per share</b>						
Profit/loss for the period, SEK	5.92	3.83	9.70	9.10	9.40	6.96
Equity, SEK	83.96	75.06	80.94	73.99	67.49	60.54
Properties, fair value, SEK	141.23	128.93	134.86	125.42	111.79	107.88
Net asset value, SEK	105.00	93.00	100.00	92.00	84.00	76.00
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	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013
Net revenue, SEK m	409	413	429	410	412	414	439	407
Return on equity, %	9.3	5.8	13.5	7.6	7.5	5.0	12.9	9.0
Return on equity, adjusted, %	4.4	4.2	6.1	4.9	4.9	4.9	5.3	5.6
Equity ratio, %	58.5	56.9	58.8	57.3	57.0	56.2	57.6	56.5
Profit per share for the period, SEK	3.75	2.17	4.88	1.00	2.88	0.94	3.88	1.12
Equity per share, SEK	83.96	80.20	80.94	76.06	75.06	72.18	73.99	70.11
Net asset value per share, SEK	105.00	100.00	100.00	95.00	93.00	90.00	92.00	87.00
Cash flow per share from current operations, SEK	1.22	1.20	0.85	1.24	0.87	1.31	0.99	1.34

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 511.5 million (514.3). The gross profit was SEK 117.6 million (286.2). The costs for property management have increased mainly as a result of higher maintenance costs in the Femman property in Gothenburg and higher depreciation. Net financial income and expense was SEK -60.2 million (-64.5).

Cash and cash equivalents at the period-end amounted to SEK 356.1 million (497.1). Investments in properties and equipment during the period totalled SEK 59.0 million (30.4).

### 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 2014 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

No material transactions with associated parties took place 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. IFRIC 21 Levies has been applied since January 1, 2015. The interpretation contains rules that stipulate that government-imposed levies must be entered as a liability in their entirety when the obligating event arises, which for Hufvudstaden is applicable with respect to property tax. Expensing continues to take place over the course of the year. Otherwise the accounting principles and computation base are the same as those applied in the most recent Annual Report.



**INCOME STATEMENTS – SUMMARY**

<b>PARENT COMPANY, SEK m</b>	<b>April- June 2015</b>	<b>April- June 2014</b>	<b>January- June 2015</b>	<b>January- June 2014</b>	<b>January- December 2014</b>
Net revenue	254.0	256.2	511.5	514.3	1,031.3
Operating expenses	-168.9	-119.0	-393.9	-228.1	-500.7
<b>Gross profit</b>	<b>85.1</b>	<b>137.2</b>	<b>117.6</b>	<b>286.2</b>	<b>530.6</b>
Central administration	-9.5	-9.0	-18.5	-17.9	-36.2
Changes in value, interest derivatives	20.8	-59.8	-1.8	-114.3	-185.8
<b>Operating profit</b>	<b>96.4</b>	<b>68.4</b>	<b>97.3</b>	<b>154.0</b>	<b>308.6</b>
Group contribution	-	-	-	-	348.8
Other financial income and expense	-30.6	-33.3	-60.2	-64.5	-129.4
<b>Profit after financial items</b>	<b>65.8</b>	<b>35.1</b>	<b>37.1</b>	<b>89.5</b>	<b>528.0</b>
Appropriations	-	-	-	-	-108.6
<b>Profit before tax</b>	<b>65.8</b>	<b>35.1</b>	<b>37.1</b>	<b>89.5</b>	<b>419.4</b>
Tax	-15.1	-9.4	-21.3	-28.1	-56.3
<b>Profit for the period</b>	<b>50.7</b>	<b>25.7</b>	<b>15.8</b>	<b>61.4</b>	<b>363.1</b>
<b>Statement of comprehensive income, SEK m</b>					
Profit for the period	50.7	25.7	15.8	61.4	363.1
<i>Other comprehensive income</i>	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>50.7</b>	<b>25.7</b>	<b>15.8</b>	<b>61.4</b>	<b>363.1</b>

**BALANCE SHEETS – SUMMARY**

<b>PARENT COMPANY, SEK m</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>December 31, 2014</b>
Properties	8,011.2	8,108.0	8,096.7
Other non-current assets	2,839.2	2,836.9	2,838.0
Total non-current assets	10,850.4	10,944.9	10,934.7
Current assets	713.1	804.2	949.3
<b>Total assets</b>	<b>11,563.5</b>	<b>11,749.1</b>	<b>11,884.0</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,441.1	1,721.8	2,023.5
Total equity	3,419.8	3,700.5	4,002.2
Untaxed reserves	823.3	714.6	823.2
Appropriations	895.4	905.4	892.8
Non-current liabilities	4,369.3	4,945.7	4,818.2
Current liabilities	2,055.7	1,482.9	1,347.6
Total liabilities	8,143.7	8,048.6	7,881.8
<b>Total equity and liabilities</b>	<b>11,563.5</b>	<b>11,749.1</b>	<b>11,884.0</b>

## BOARD CERTIFICATION

The Board of Directors and the President hereby certify that this Interim Report provides a true and fair overview of the Company's and the Group's operations, financial position and results and

presents material risks and uncertainties that are considered to face the Parent Company and the companies that are included in the Group.

Stockholm, August 20, 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 and  
Board Member*

## REVIEW REPORT

To the Board of Directors of Hufvudstaden AB (publ)

### Introduction

We have reviewed the Interim Report for Hufvudstaden AB (publ), registration number 556012-8240, as at June 30, 2015 and the six-month period ending as of this date. The Board of Directors and the President are responsible for the preparation and fair presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this Interim Report based on our review.

### Scope of review

We conducted our review in accordance with the Swedish Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily involving persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different orientation and is substantially more limited in scope than an audit conducted in accordance with International Auditing Standards (IAS) and generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. An opinion based on a review therefore does not have the certainty of an opinion based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report for the Group has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, August 20, 2015  
KPMG AB

Joakim Thilstedt  
*Authorized Public Accountant*

## 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.

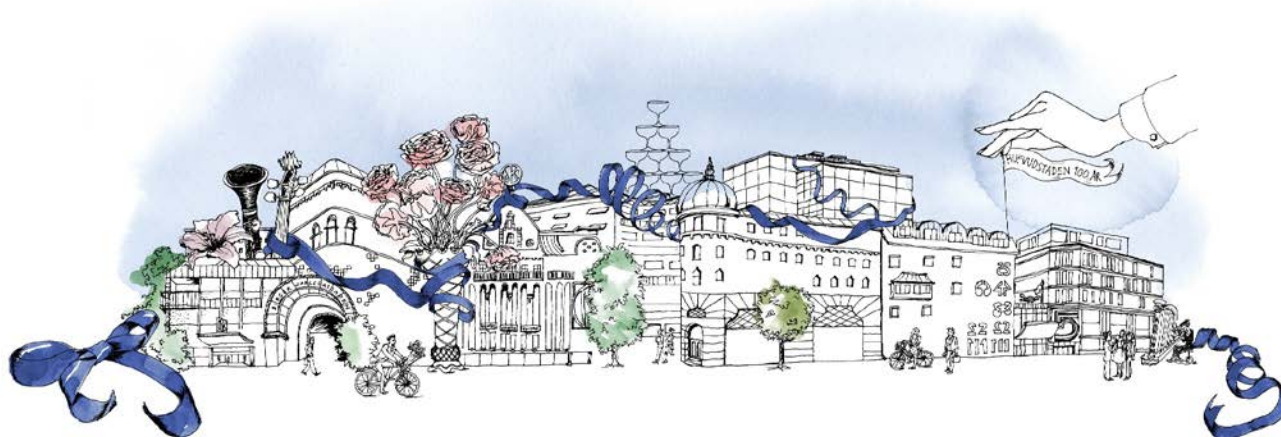
## Strategies to achieve the objectives

*Customer focus.* Hufvudstaden will work in close cooperation 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.



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Company registration number: 556012-8240  
Registered office: Stockholm