



HUFVUDSTADEN
Half-year Report January – June 2016

Half-year Report January–June 2016

- Profit after tax for the period was SEK 1,649 million (1,221), equivalent to SEK 7.99 per share (5.92). The increase is due mainly to higher unrealized changes in the value of the property holdings.
- Gross profit increased by 9 per cent, totalling SEK 616 million (565). The increase can be attributed largely to higher rental revenue.
- Net revenue amounted to SEK 870 million (822), an increase of 6 per cent.
- The fair value of the property holdings was SEK 33.7 billion (31.7 at the turn of the year), resulting in a net asset value of SEK 124 per share (118 at the turn of the year). Unrealized changes in value for the period totalled SEK 1,582 million (1,097).
- The equity ratio was 60 per cent (58), the net loan-to-value ratio was 17 per cent (19), and the interest coverage ratio multiple was 8.3 (8.9).
- The rental vacancy level at the period-end was 4.2 per cent (6.3). Excluding vacant space resulting from projects in progress, the rental vacancy level was 2.3 per cent (5.1).

GROUP

RESULTS

Property management¹⁾

Net rents from property management during the period amounted to SEK 827.0 million (785.8). Gross profit was SEK 598.0 million (553.3). The increase can be attributed mainly to higher gross rents in conjunction with new leases and renegotiations and reduced costs for vacant space.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 18.1 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 the provision of parking facilities within Parkaden AB in Stockholm. Net revenue was SEK 43.3 million (36.1). Expenses totalled SEK 25.1 million (24.5) and gross profit SEK 18.2 million (11.6).

Other profit and loss items

Central administration totalled SEK -18.4 million (-18.4). Changes in the value of investment properties totalled SEK 1,582.4 million (1,097.4) and changes in interest derivatives totalled SEK 6.1 million (-1.8).

Financial income and expense

Net financial income and expense amounted to SEK -72.2 million (-60.2). The increase is due mainly to higher borrowing.

Tax

The Group's tax for the period was SEK -465.6 million (-361.1), of which SEK -57.0 million (-50.4) was current tax and SEK -408.6 million (-310.7) was deferred tax. The increase in deferred tax is the result of higher unrealized changes in the value of the property holdings.

Profit for the period

The consolidated profit after tax amounted to SEK 1,648.5 million (1,220.8). The increase in profit can be attributed to higher unrealized changes in the value of the property holdings and higher gross profit.

¹⁾ The acquired property Inom Vallgraven 3:2 in Gothenburg is included with effect from March 1, 2016.

ACQUISITIONS AND INVESTMENTS

The total investment in properties during the period, including company acquisitions and equipment, was SEK 336.5 million (218.0). The increase is the result of the acquisition of the property Inom Vallgraven 3:2 in Gothenburg and increased investment in development projects, primarily in Gothenburg.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where classification takes place as Level 3 according to IFRS 13. As at June 30, 2016, it was estimated to be SEK 33,676 million (31,740 at the turn of the year). The increase is the result of unrealized changes in value, investment in the property holdings and property acquisitions. Rentable floor space was approximately 389,000 square metres (387,000 at the turn of the year).

The rental vacancy level as at June 30, 2016 was 4.2 per cent (4.5 at the turn of the year) and the floor space vacancy level was 5.8 per cent (6.1 at the turn of the year). The decrease in vacant space can be attributed mainly to offices in Stockholm and Gothenburg. The rental vacancy level, excluding current development projects, was 2.3 per cent (3.2 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, 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 the first half of 2016 was estimated at SEK 1,582.4 million (1,097.4). The value of the property holdings as at June 30, 2016 was SEK 33.7 billion, including investments for the period. The unrealized increase in value is the result of rising market rents and a slightly lower yield requirement.

The average yield requirement on the above valuation date was 4.0 per cent (4.1 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 regions and between 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 were applied:

Yield requirements, property valuation

Stockholm	3.7-4.2 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	4.0 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 33.7 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed fair value varies by +/- SEK 1.7 billion. Below are the most important factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sqm	SEK 970 m
Property costs	SEK 50/sqm	SEK 485 m
Rental vacancy level	1.0 percentage points	SEK 450 m
Yield requirement	0.25 percentage points	SEK 2,100 m

¹⁾ Valuation date: June 30, 2016

External valuation

To guarantee the valuation, external estimates were obtained from three valuation companies, Forum Fastighetsekonomi AB, JLL and Newsec Advice AB. The external valuations covered 10 properties and are equivalent to 36 per cent of the internally assessed fair value. The basis for the selection of the properties was that the properties should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Grönlandet Södra 11, Järnplåten 28, Kungliga Trädgården 5, Orgelpipan 7, Oxhuvudet 18, Packarhuset 4, Rännilen 8, Rännilen 18 and Skären 9 in Stockholm and Inom Vallgraven 10:9 (NK Gothenburg).

The external valuation companies have set a market value for these properties of SEK 12,371 million. Hufvudstaden's internal valuation of the same properties was SEK 12,078 million. The internal valuations thus concur well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value according to the Balance Sheet (EPRA NAV) was SEK 27.2 billion or SEK 132 per share. The current net asset value (EPRA NNAV) was SEK 25.6 billion or SEK 124 per share following a deduction for estimated deferred tax. 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 estimated deferred tax has been set at 5 per cent.

Net asset value, June 30, 2016

	SEK m	SEK/ share
Equity according to the Balance Sheet	20,575.7	100
<i>Reversal</i>		
Derivatives according to the Balance Sheet	131.3	1
Deferred tax according to the Balance Sheet	6,473.3	31
Non-current net asset value (EPRA NAV)	27,180.3	132
<i>Deductions</i>		
Derivatives as stated above	-131.3	-1
Estimated deferred tax 5%	-1,471.2	-7
Current net asset value (EPRA NNAV)	25,577.8	124

RENTAL MARKET

In central Stockholm demand for modern, flexible office space in prime locations continued to be strong during the period. Vacant space in this category has remained low and the rent trend has been positive. Following renegotiations and the signing of 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 4,600 and SEK 6,200 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets has remained strong. In first-rate retail locations, rents range from SEK 14,000 to SEK 23,000 per square metre per year, excluding the property tax supplement.

In the central sub-markets of Gothenburg demand for modern office premises remained positive with a low vacancy level. Market rents have risen slightly and in prime locations they were between SEK 2,300 and SEK 3,100 per square metre per year, excluding the property tax supplement. For retail premises, the market rents were between SEK 6,000 and SEK 14,000 per square metre per year, excluding the property tax supplement.

The Group's renegotiation of retail and office leases has led to a positive outcome. A total of 19,800 square metres were renegotiated during the period at a rental value of SEK 89 million. The renegotiations result in an average increase in rent of about 8 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at June 30, 2016 amounted to SEK 6,250 million (5,750 at the turn of the year). Hufvudstaden has an MTN programme in place totalling SEK 4 billion with a total outstanding amount of SEK 2.3 billion. Outstanding commercial paper amounted to SEK 1.0 billion. 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 24 months (27 at the turn of the year), the average capital tie-up period was 37 months (27 at the turn of the year) and the average annual equivalent interest rate was 2.1 per cent (2.1 at the turn of the year). Net interest-bearing debt was SEK 5,708 million (5,307 at the turn of the year). The fair value of all interest derivatives as at June 30, 2016 was SEK -131.3 million (-137.4 at the turn of the year). The negative figure can be explained by a general fall in market interest rates. 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.

Net debt, June 30, 2016, SEK m

Non-current interest-bearing liabilities	4,750
Current interest-bearing liabilities	1,500
Cash and bank holdings	-542
Net debt	5,708

Fixed interest structure, June 30, 2016

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2016	1,200	19	1.1
2017	1,500	24	1.8
2018	1,800	29	2.6
2019	950	15	2.9
2021	500	8	1.8
2022	300	5	2.1
Total	6,250	100	2.1

Capital tie-up structure, June 30, 2016

Maturity Date	Volume, SEK m ¹⁾	Share, %
2017	1,750	28
2018	1,200	19
2019	500	8
2020	1,000	16
2021	1,500	24
2022	300	5
Total	6,250	100

¹⁾ Capital tie-up for commercial paper loans has been calculated according to the underlying loan assurances.

SECOND QUARTER

The gross profit from property management amounted to SEK 301.9 million (275.0), an increase of 10 per cent. Net rents amounted to SEK 416.8 million (390.6), an increase of 7 per cent. The increase can be attributed mainly to higher gross rents in conjunction with new leases and renegotiations and reduced costs for vacant space. Property management costs amounted to SEK 114.9 million (115.6).

The gross profit from parking operations was SEK 9.6 million (5.7). Net revenue was SEK 22.3 million (18.2) and costs SEK 12.7 million (12.5).

Changes in the value of investment properties amounted to SEK 893.1 million (731.5) and changes in the value of interest derivatives amounted to SEK 11.3 million (20.8). Net financial income and expense totalled SEK -39.3 million (-30.6).

MISCELLANEOUS

Åsa Roslund has been appointed as Chief Financial Officer with effect from May 18, 2016.

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 20,767 shareholders at the end of the period. The proportion of foreign ownership as at June 30, 2016 was 31.9 per cent of the total number of outstanding shares (32.1 at the turn of the year). The series A share price as at June 30, 2016 was SEK 132.10 and market capitalization was SEK 28.5 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at June 30, 2016 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 2016 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.

Buy-back of shares as at June 30, 2016, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2016	211.3	5.0	206.3
Buy-back	-	-	-
As of June 30, 2016	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 presented in the 2015 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

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. Disclosures according to IAS 34, 16A are presented in the financial statements and in other parts of this Interim Report. The accounting principles and computation base are the same as those applied in the most recent Annual Report. With effect from this report, the European Securities and Markets Authority's (ESMA)

Guidelines on Alternative Performance Measures are applied. Alternative performance measures are a set of financial metrics not defined in IFRS and are used to present the Company's development and improve comparability between periods.

FORTHCOMING INFORMATION

Interim Report, January-September 2016	November 9, 2016
Year-End Report 2016	February 16, 2017
Annual Report 2016	March 2017
Annual Meeting in Stockholm 2017	March 23, 2017

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was published under the auspices of the contact persons below on August 22, 2016.

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

Questions can be answered by Ivo Stopner, President, and Åsa Roslund, CFO, telephone +46 8-762 90 00.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	April- June 2016	April- June 2015	January- June 2016	January- June 2015	January- December 2015
Net revenue					
Property management	416.8	390.6	827.0	785.8	1,610.7
Parking operations	22.3	18.2	43.3	36.1	78.3
	439.1	408.8	870.3	821.9	1,689.0
Property management expenses					
Maintenance	-9.9	-7.9	-15.2	-16.7	-34.4
Operation and administration	-61.1	-63.5	-126.7	-128.0	-256.5
Ground rents	-5.5	-5.7	-10.9	-10.8	-21.5
Property tax	-38.4	-38.5	-76.2	-77.0	-154.1
Property management expenses	-114.9	-115.6	-229.0	-232.5	-466.5
Parking operations, expenses	-12.7	-12.5	-25.1	-24.5	-50.4
Operating expenses	-127.6	-128.1	-254.1	-257.0	-516.9
Gross profit	311.5	280.7	616.2	564.9	1,172.1
- of which Property management	301.9	275.0	598.0	553.3	1,144.2
- of which Parking operations	9.6	5.7	18.2	11.6	27.9
Central administration	-9.2	-9.4	-18.4	-18.4	-38.8
Operating profit before changes in value	302.3	271.3	597.8	546.5	1,133.3
Changes in value					
Properties	893.1	731.5	1,582.4	1,097.4	3,426.5
Interest derivatives	11.3	20.8	6.1	-1.8	11.8
Operating profit	1,206.7	1,023.6	2,186.3	1,642.1	4,571.6
Financial income/expense	-39.3	-30.6	-72.2	-60.2	-123.0
Profit before tax	1,167.4	993.0	2,114.1	1,581.9	4,448.6
Tax	-257.2	-219.0	-465.6	-361.1	-978.5
Profit after tax	910.2	774.0	1,648.5	1,220.8	3,470.1
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	910.2	774.0	1,648.5	1,220.8	3,470.1
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	4.41	3.75	7.99	5.92	16.82

BALANCE SHEETS – SUMMARY

GROUP, SEK m	June 30, 2016	June 30, 2015	December 31, 2015
Properties	33,675.6	29,131.4	31,740.5
Other non-current assets	18.9	16.5	17.7
Total non-current assets	33,694.5	29,147.9	31,758.2
Current assets	672.8	459.4	564.4
Total assets	34,367.3	29,607.3	32,322.6
Equity	20,575.7	17,317.4	19,566.7
Non-current interest-bearing liabilities	4,750.0	4,350.0	4,650.0
Deferred tax liabilities	6,637.8	5,666.9	6,229.2
Other non-current liabilities	156.2	170.7	157.6
Pension provisions	14.5	12.1	12.9
Total non-current liabilities	11,558.5	10,199.7	11,049.7
Current interest-bearing liabilities	1,500.0	1,500.0	1,100.0
Other liabilities	733.1	590.2	606.2
Total current liabilities	2,233.1	2,090.2	1,706.2
Total equity and liabilities	34,367.3	29,607.3	32,322.6

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- June, 2016	January- June, 2015	January- December, 2015
Equity, opening balance	19,566.7	16,694.8	16,694.8
Total comprehensive income for the period	1,648.5	1,220.8	3,470.1
Dividend	-639.4	-598.2	-598.2
Equity, closing balance	20,575.7	17,317.4	19,566.7

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- June, 2016	January- June, 2015	January- December, 2015
Result before tax	2,114.1	1,581.9	4,448.6
Depreciation/impairments	2.7	5.8	8.2
Unrealized change in value, properties	-1,582.4	-1,097.4	-3,426.5
Unrealized change in value, interest derivatives	-6.1	1.8	-11.8
Other changes	1.6	1.4	2.3
Tax paid	-28.8	25.3	-90.0
Cash flow from current operations before changes in working capital	501.1	518.8	930.8
Increase/decrease in operating receivables	-40.0	-56.7	-35.2
Increase/decrease in operating liabilities	130.9	36.3	71.9
Cash flow from current operations	592.0	498.4	967.5
Acquisition of subsidiary	-60.9	-	-
Investments in properties	-274.3	-216.7	-496.6
Investments in equipment	-1.3	-1.3	-3.7
Cash flow from investments	-336.5	-218.0	-500.3
Loans raised	1,700.0	1,100.0	2,200.0
Amortization of loan debt	-1,217.2	-900.0	-2,100.0
Dividend paid	-639.4	-598.2	-598.2
Cash flow from financing	-156.6	-398.2	-498.2
Cash flow for the period	98.9	-117.8	-31.0
Cash and cash equivalents at the beginning of the period	443.2	474.2	474.2
Cash and cash equivalents at the period-end	542.1	356.4	443.2
Cash flow for the period per share, SEK	0.48	-0.57	-0.15

SEGMENT REPORT – SUMMARY¹⁾

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015
	Net revenue	369.8	344.7	322.8	306.1	134.4	135.0	827.0
Property costs	-86.6	-88.3	-102.0	-104.6	-40.4	-39.6	-229.0	-232.5
Gross profit, property management	283.2	256.4	220.8	201.5	94.0	95.4	598.0	553.3
Parking operations			18.2	11.6			18.2	11.6
Central administration							-18.4	-18.4
Changes in value								
Properties							1,582.4	1,097.4
Interest derivatives							6.1	-1.8
Operating profit							2,186.3	1,642.1
Financial income and expense							-72.2	-60.2
Profit before tax							2,114.1	1,581.9

¹⁾ For comparable holdings, net revenue and gross profit from property management for the Gothenburg Business Area and the Group should be increased by SEK 0.8 million and SEK 0.5 million for 2015 following the acquisition of the property Inom Vallgraven 3:2.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	June 30, 2016	June 30, 2015	December 31, 2015
Pledged assets			
Mortgages	1,451.3	1,653.1	1,451.3
Endowment insurance	11.5	9.6	10.2
Total pledged assets	1,462.8	1,662.7	1,461.5
Contingent liabilities	None	None	None

KEY RATIOS

GROUP	June 30, 2016	June 30, 2015	Full year 2015	Full year 2014	Full year 2013	Full year 2012
Property-related						
Rentable floor space, 1,000 m ²	389	388	387	387	387	367
Rental vacancy level, %	4.2	6.3	4.5	5.6	4.0	3.7
Floor space vacancy level, %	5.8	7.9	6.1	7.2	5.7	5.4
Fair value, SEK bn	33.7	29.1	31.7	27.8	25.9	23.1
Surplus ratio, %	70.8	68.7	69.4	69.9	70.3	70.4
Financial						
Return on equity, %	10.1	9.2	19.1	12.5	12.9	14.7
Return on capital employed, %	10.6	9.5	19.2	12.2	12.8	9.3
Equity ratio, %	60	59	61	59	58	59
Interest coverage ratio, multiple	8.3	8.9	9.1	8.5	8.3	6.4
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	16.9	18.9	16.7	18.6	20.3	18.2
Data per share						
Profit/loss for the period, SEK	7.99	5.92	16.82	9.70	9.10	9.40
Equity, SEK	99.75	83.96	94.86	80.94	73.99	67.49
Properties, fair value, SEK	163.26	141.23	153.88	134.86	125.42	111.79
Net asset value, (EPRA NNNNAV), SEK	124.00	105.00	118.00	100.00	92.00	84.00
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 2016	Jan-Mar 2016	Okt-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Okt-Dec 2014	Jul-Sep 2014
Net revenue, SEK m	439	431	451	416	409	413	429	410
Return on equity, %	10.2	6.8	19.7	12.0	9.3	5.8	13.5	7.6
Return on equity, adjusted, %	4.0	4.1	5.0	4.5	4.4	4.2	6.1	4.9
Equity ratio, %	60	59	61	59	59	57	59	57
Profit per share for the period, SEK	4.41	3.58	7.80	3.11	3.75	2.17	4.88	1.00
Equity per share, SEK	99.75	95.34	94.86	87.06	83.96	80.20	80.94	76.06
Net asset value (EPRA NNNNAV), per share, SEK	124.00	119.00	118.00	108.00	105.00	100.00	100.00	95.00
Cash flow per share from current operations, SEK	1.43	1.44	1.27	1.01	1.22	1.20	0.85	1.24

PARENT COMPANY

RESULT AND POSITION

Net revenue amounted to SEK 536.6 million (511.5). The increase can be attributed mainly to higher gross rents in conjunction with new leases and renegotiations and reduced costs for vacant space. Costs totalled SEK -365.0 million (-393.9). The decrease is due mainly to lower maintenance costs. The gross profit was SEK 171.6 million (117.6). Net financial income and expense was SEK -72.1 million (-60.2).

Cash and cash equivalents at the period-end amounted to SEK 511.1 million (356.1). Investments in properties and equipment during the period totalled SEK 78.9 million (59.0).

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 2015 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

Apart from the dividend to the shareholders, there were no material transactions with associated parties during the year.

ACCOUNTING PRINCIPLES

The Interim Report for the Parent Company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Reporting. The accounting principles and computation base has been the same as those applied in the most recent Annual Report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	April- June 2016	April- June 2015	January- June 2016	January- June 2015	January- December 2015
Net revenue	271.0	254.0	536.6	511.5	1,038.4
Operating expenses	-170.8	-168.9	-365.0	-393.9	-715.5
Gross profit	100.2	85.1	171.6	117.6	322.9
Central administration	-9.2	-9.5	-18.4	-18.5	-38.8
Changes in value, interest derivatives	11.3	20.8	6.1	-1.8	11.8
Operating profit	102.3	96.4	159.3	97.3	295.9
Group contribution	-	-	-	-	331.9
Other financial income and expense	-39.2	-30.6	-72.1	-60.2	-123.0
Profit after financial items	63.1	65.8	87.2	37.1	504.8
Appropriations	-	-	-	-	1.7
Profit before tax	63.1	65.8	87.2	37.1	506.5
Tax	-13.9	-15.1	-19.5	-21.3	-111.3
Profit for the period	49.2	50.7	67.7	15.8	395.2
Statement of comprehensive income, SEK m					
Profit for the period	49.2	50.7	67.7	15.8	395.2
<i>Other comprehensive income</i>	-	-	-	-	-
Comprehensive income for the period	49.2	50.7	67.7	15.8	395.2

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	June 30, 2016	June 30, 2015	December 31, 2015
Properties	8,081.1	8,011.2	8,073.6
Other non-current assets	2,902.9	2,839.2	2,839.8
Total non-current assets	10,984.0	10,850.4	10,913.4
Current assets	839.1	713.1	900.5
Total assets	11,823.1	11,563.5	11,813.9
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,248.8	1,441.1	1,820.5
Total equity	3,227.5	3,419.8	3,799.2
Untaxed reserves	821.6	823.3	821.6
Appropriations	905.3	895.4	900.8
Non-current liabilities	4,902.7	4,369.3	4,804.0
Current liabilities	1,966.0	2,055.7	1,488.3
Total liabilities	8,595.6	8,143.7	8,014.7
Total equity and liabilities	11,823.1	11,563.5	11,813.9

BOARD CERTIFICATION

The Board of Directors and the President hereby certify that this Interim Report provides a true and fair overview of the Parent 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 22, 2016

Fredrik Lundberg
Chairman

Claes Boustedt
Board Member

Peter Egardt
Board Member

Liv Forhaug
Board Member

Louise Lindh
Board Member

Fredrik Persson
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, 2016 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 22, 2016
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

DEFINITIONS AND GLOSSARY

Annual rent. Gross rent at the period-end, including supplements, 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.

EPRA. European Public Real Estate Association. An interest organization for listed property companies in Europe.

EPRA NAV. Non-current net asset value. Shareholders' equity plus reversal of interest derivatives and deferred tax.

EPRA NNNAV. Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax.

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.

Fair 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 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 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

Founded in 1915, Hufvudstaden rapidly became one of the leading property companies in Sweden and is now 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 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.

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Company registration number: 556012-8240
Registered office: Stockholm