

HUFVUDSTADEN

Interim Report January – March 2007

- **Profit for the period after tax amounted to SEK 131.4 million (109.7), equivalent to SEK 0.64 per share (0.53).**
- **The gross profit from property management increased by 19.3 per cent to SEK 202.4 million (169.6) for comparable holdings. The improvement in profit can be attributed mainly to reduced vacant space and lower maintenance costs.**
- **Net sales for the Group for the period amounted to SEK 303.8 million (281.7).**
- **The rental vacancy level at the period-end was 5.2 per cent (6.5 at the turn of the year).**

CONSOLIDATED RESULTS

Property management ¹

Gross profit for the period totalled SEK 202.4 million (169.6) an increase of 19.3 per cent. The increase can be explained mainly by lower rental losses on vacant space and lower maintenance costs. Net rents from property management during the period amounted to SEK 288.4 million (269.3).

The turnover-based rent supplement at the NK department stores is reported in the fourth quarter. The turnover-based rent supplement for the previous year was SEK 10.3 million. Apart from this, there are no seasonal variations in rents.

The property management profit for each business area is reported on page 6.

Reported discontinued operations

The sale in December of the World Trade Center in Stockholm, i. e. Vasaterminalen AB including the subsidiaries World Trade Center Stockholm AB and WTC Parkering AB, with completion date February 1, 2007, was classified as discontinued operations. This means that the item Profit from discontinued operations for the first quarter of 2007 refers to adjustment of consideration, and for the same period 2006 to profit in respect of WTC.

¹ Apart from the sold property Terminalen 1 (World Trade Center), which is reported as discontinued operations, the property holdings remain unchanged compared with the same period the previous year.

Other operations

Other operations include parking operations at Parkaden in Stockholm.

Net revenue amounted to SEK 15.4 million (12.4), expenses amounted to SEK 11.2 million (11.1) and gross profit amounted to SEK 4.2 million (1.3).

Other Income Statement items

Central administration totalled SEK -6.9 million (-6.9). Changes in the value of investment properties totalled SEK 0 million (0).

Financial income and expense

Net financial income and expense amounted to SEK -21.5 million (-34.1). The improved net financial income and expense can be attributed to interest income on the payment received following the sale of the World Trade Center.

Tax

The Group's tax (actual and deferred) for the period totalled SEK -53.4 million (-43.9), of which SEK -42.1 million was actual tax and SEK -11.3 million deferred tax.

Profit for the period

Profit for the period after tax was SEK 131.4 million (109.7).

INVESTMENTS

The total investments in properties and equipment for the period was SEK 29.8 million (31.2).

PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property portfolio as of March 31, 2007 was estimated at SEK 17,438.2 million (17,408.8 at the turn of the year). The increase can be attributed to investments in the property holdings. The rentable floor space was 350,923 square metres (350,895 at the turn of the year). The total floor space vacancy level as of March 31 was 6.7 per cent (8.1 at the turn of the year) and the total rental vacancy level was 5.2 per cent (6.5 at the turn of the year).

Property value and net asset value

At the turn of each year Hufvudstaden makes an internal valuation of the fair value of each individual property. The assessment is made using valuation according to the direct yield method as a basis. To assure the values, external valuations are obtained for part of the property holdings. The internal valuation of the properties is updated continuously during the year with purchases, sales and investments. Hufvudstaden also examines on a continuous basis if there are other indications of changes in the fair value of the properties. This could, for example, take the form of major lettings, terminations and material changes in the yield requirement. In the light of the above, no major change in the value of the property holdings is considered to have taken place during the first quarter and consequently the fair value as of March 31, 2007 is estimated at SEK 17.4 billion.

Net asset value

Based on the valuation of the property holdings, the net asset value is SEK 12.3 billion or SEK 60 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This had been calculated at 10 per cent of the difference between the assessed fair value and the residual value of the properties for tax purposes and has been assessed in the light of current tax legislation, which means that properties can be sold by a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 10 per cent. If the tax rate according to the Balance Sheet (28 per cent) is used in the calculation, the net asset value would have been SEK 9.5 billion or SEK 46 per share. If the tax rate is assumed to 0 per cent, the net asset value would have been SEK 13.8 billion or SEK 67 per share.

RENTAL MARKET

Interest in flexible, high-quality office space in prime locations in sub-markets of central Stockholm increased during the period, mainly as a result of the positive economic growth in Sweden and the Stockholm region. Vacant space in this category has fallen and rents have risen. For office leases in Stockholm's most attractive locations within the Golden Triangle, at Norrmalmstorg/Hamngatan and in the Hötorg area, rents were noted of SEK 3,800-4,300

per square metre per year, excluding the property tax supplement. Interest in well-situated retail premises in the same sub-markets remained high. Rents for prime location retailing space are in the range SEK 12,000-14,000 per square metre per year, excluding the property tax supplement.

Demand for modern, flexible office premises in the central sub-markets of Gothenburg continues to be good with a positive growth in rents as a result. However, as in Stockholm, the level of interest in properties of a low standard requiring modernization continues to be weak. Market rents for modern, well-arranged, high-quality office premises in prime locations were between SEK 1,600 and SEK 2,200 per square metre per year, excluding the property tax supplement. For prime site retail premises the market rent was SEK 5,000-9,000 per square metre per year, excluding the property tax supplement.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of March 31, 2007 amounted to SEK 3,065.0 million (3,365.0 at the turn of the year). The average fixed interest period was 23 months (23 at the turn of the year), the average capital tie-up period was 33 months (33 at the turn of the year) and the average interest cost was 4.1 per cent (4.0 at the turn of the year). Net liabilities amounted to SEK 3,043.8 million (3,324.6 at the turn of the year).

The fair value of interest rate swaps as of March 31 was SEK 21.9 million (17.5 at the turn of the year). The change in value of financial instruments from December 31, 2006 up to and including March 31, 2007 affected the hedge reserve in equity by SEK 3.2 million.

Up to and including the first quarter of 2007 interest rate swaps have been reported as cash flow hedges, which means that changes in value are reported against equity. With effect from the next quarter, new IRS agreements will be reported either as cash flow hedges or as changes in value through profit and loss.

Capital tie-up structure, March 31, 2007

Maturity date	Volume, SEK m	Share, %
2007	665.0	22
2008	600.0	20
2010	500.0	16
2011	950.0	31
2013	350.0	11
Total	3,065.0	100

Fixed interest structure, March 31, 2007

Maturity date	Volume, SEK m	Share, %	Average APR, %
2007	1,265.0	42	3.7
2008	600.0	20	4.8
2010	500.0	16	4.1
2011	350.0	11	3.9
2013	350.0	11	4.1
Total	3,065.0	100	4.1

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on the Stockholm Stock Exchange, had approximately 20,300 shareholders at the period-end. The proportion of foreign ownership as of March 31 was 14.2 per cent of the total number of outstanding shares (20.1 at the turn of the year). The A-share price as of March 31, 2007 was SEK 80.00, equivalent to a market value of SEK 16.5 billion, calculated on the total number of outstanding shares.

The largest shareholder groups as of March 31, 2007

	Shares, %	Votes, %
Lundbergs	44.2	87.6
SEB Trygg Liv	11.2	2.3
Robur Fonder	2.5	0.5
Skandia Liv	2.2	0.4
JP Morgan	2.1	0.4
Handelsbanken	2.0	0.4
Northern Trust	1.8	0.4
State Street Bank & Trust	1.4	0.3
KAS Depository Trust	1.3	0.3
Bank of New York	1.2	0.2
KK-stiftelsen	0.9	0.2
Carnegie Investment Bank	0.9	0.2
Other shareholders	25.9	6.3
Outstanding shares	97.6	99.5
Hufvudstaden	2.4	0.5
Total number of issued shares	100.0	100.0

Shares bought back

The total number of shares held by Hufvudstaden as of March 31, 2007 was 5,006,000 A-shares, equivalent to 2.4 per cent of the total number of issued shares. No buy-backs were made during the period or after the end of the reporting period. At the 2007 Annual General Meeting the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

Buy-back of shares as of March 31, 2007, million shares

	Total number of shares	Held by Hufvudstaden	Other shareholders
As of January 1, 2007	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2007	211.3	5.0	206.3

PARENT COMPANY

Net revenue amounted to SEK 176.5 million (166.1). The profit for the period after net financial income and expense was SEK 76.2 million (33.1).

Liquid funds at the period-end amounted to SEK 20.8 million (4.5). Investments in property and equipment during the period amounted to SEK 6.5 million (7.4).

ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles remained unchanged compared with the most recent annual report.

The Parent Company applied the same accounting principles as in the most recent annual report.

FORTHCOMING INFORMATION

Interim Report, January-June 2007	August 20, 2007
Interim Report, January-September 2007	November 1, 2007
Year-End Report for 2007	February 14, 2008
Annual Report 2007	March 2008
Annual General Meeting in Stockholm 2008	March 27, 2008

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

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

CONSOLIDATED INCOME STATEMENTS – SUMMARY

SEK m	January- March 2007	January- March 2006	January- December 2006
Net revenue			
Property management	288.4	269.3	1,096.5
Other operations	15.4	12.4	56.0
	303.8	281.7	1,152.5
Operating expenses			
Maintenance	-6.1	-23.6	-61.5
Operation and administration	-52.6	-48.8	-192.3
Ground rents	-4.0	-4.0	-16.1
Property tax	-23.3	-23.3	-92.5
Property management expenses	-86.0	-99.7	-362.4
Other operations	-11.2	-11.1	-45.0
Operating expenses	-97.2	-110.8	-407.4
Gross profit	206.6	170.9	745.1
- of which Property management	202.4	169.6	734.1
- of which Other operations	4.2	1.3	11.0
Central administration	-6.9	-6.9	-31.5
Operating profit before changes in value	199.7	164.0	713.6
Changes in value, investment properties	-	-	2,647.5
Operating profit	199.7	164.0	3,361.1
Financial income and expense	-21.5	-34.1	-140.3
Profit after financial income and expense	178.2	129.9	3,220.8
Tax	-53.4	-43.9	-903.9
Profit from continuing operations	124.8	86.0	2,316.9
Profit from discontinued operations, net after tax	6.6	23.7	1,106.3
Profit for the period	131.4	109.7	3,423.2
Average number of outstanding shares after buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit per share for the period, SEK	0.64	0.53	16.60

CONSOLIDATED BALANCE SHEETS – SUMMARY

SEK m	March 31, 2007	March 31, 2006	December 31, 2006
Investment properties	17,438.2	16,306.0	17,408.8
Other fixed assets	14.5	53.6	14.7
Total fixed assets	17,452.7	16,359.6	17,423.5
Current assets	82.7	72.3	3,096.6
Total assets	17,535.4	16,431.9	20,520.1
Equity	9,527.2	8,445.8	11,785.3
Non-current, interest-bearing liabilities	2,400.0	2,600.0	2,400.0
Other liabilities	3.7	2.3	3.3
Pension provisions	6.2	5.9	6.0
Deferred tax liability	4,506.1	3,859.6	4,493.6
Total non-current liabilities	6,916.0	6,467.8	6,902.9
Other current, interest-bearing liabilities	665.0	1,020.0	965.0
Other liabilities	427.2	449.8	866.9
Provisions	-	48.5	-
Total current liabilities	1,092.2	1,518.3	1,831.9
Total equity and liabilities	17,535.4	16,431.9	20,520.1

PLEGGED ASSETS AND CONTINGENT LIABILITIES

SEK m	March 31, 2007	March 31, 2006	December 31, 2006
Pledged assets			
Mortgages	1,476.3	1,816.3	1,621.3
Endowment insurance	4.1	3.8	3.9
Total pledged assets	1,480.4	1,820.1	1,625.2
Contingent liabilities	None	None	None

CHANGES IN EQUITY

SEK m	January- March 2007	January- March 2006	January- December 2006
Equity, opening balance	11,785.3	8,614.7	8,614.7
Change in hedge reserve for the period	4.4	28.5	64.7
Tax attributable to hedge reserve	-1.2	-8.0	-18.1
Total changes in assets, reported directly against equity, excluding dividends	3.2	20.5	46.6
Profit for the period	131.4	109.7	3,423.2
Total changes in assets	134.6	130.2	3,469.8
Dividend	-2,392.7	-299.1	-299.1
Equity, closing balance	9,527.2	8,445.8	11,785.3

CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

SEK m	January- March 2007	January- March 2006	January- December 2006
Profit after financial items	184.8	156.2	4,371.0
Change in value, investment properties	-	-	-2,678.0
Depreciation/impairments	1.1	1.2	4.4
Capital gain, sale of fixed assets	-6.6	-	-986.2
Change, other provisions	-	-21.6	-46.8
Other changes	0.2	0.1	0.3
Tax paid	-33.9	-45.5	-113.9
Cash flow from current operations before changes in working capital	145.6	90.4	550.8
Increase/decrease in operating receivables	-1.4	-17.1	-5.5
Increase/decrease in operating liabilities	-447.5	58.2	62.7
Cash flow from current operations	-303.3	131.5	608.0
Payment received from sale of subsidiary	3,006.8	-	-23.3
Investments in investment properties	-29.4	-30.0	-185.4
Investments in equipment	-0.4	-1.2	-8.0
Amortization, non-current receivable	-0.2	15.7	15.4
Cash flow from investments	2,976.8	-15.5	-201.3
Loan raised	-	195.0	260.0
Amortization of loan liability	-300.0	-100.0	-420.0
Dividend paid	-2,392.7	-299.1	-299.1
Cash flow from financing	-2,692.7	-204.1	-459.1
Cash flow for the period	-19.2	-88.1	-52.4
Liquid funds at the beginning of the period	40.4	92.8	92.8
Liquid funds at the period-end	21.2	4.7	40.4

PROPERTY MANAGEMENT – PROFIT PER BUSINESS AREA (COMPARABLE HOLDINGS)

SEK m	Stockholm City East Business Ara		Stockholm City West Business Area		NK Business Area		Gothenburg Business Area		Total	
	Jan-Mar 2007	Jan-Mar 2006	Jan-Mar 2007	Jan-Mar 2006	Jan-Mar 2007	Jan-Mar 2006	Jan-Mar 2007	Jan-Mar 2006	Jan-Mar 2007	Jan-Mar 2006
Net revenue	103.8	98.2	68.6	64.6	77.8	70.1	38.2	36.4	288.4	269.3
Property costs	-27.0	-32.4	-19.6	-30.0	-27.7	-26.6	-11.7	-10.7	-86.0	-99.7
Gross profit	76.8	65.8	49.0	34.6	50.1	43.5	26.5	25.7	202.4	169.6

KEY RATIOS

	March 31, 2007	March 31, 2006	Full year 2006	Full year 2005	Full year 2004	Full year 2003 ¹
Property-related						
Rentable floor space, sq m	350,923	407,228	350,895	407,694	407,375	437,994
Rental vacancy level, %	5.2	9.1	6.5	7.1	8.2	8.1
Floor space vacancy level, %	6.7	10.8	8.1	8.7	9.5	8.7
Fair value, SEK bn	17.4	16.3	17.4	16.3	15.0	15.1
Financial						
Return on equity, %	4.8	5.0	33.6	15.9	9.8	7.7
Return on capital employed, %	5.8	6.0	23.9	16.5	9.7	7.4
Equity ratio, %	54.3	51.4	57.4	52.2	53.8	43.8
Interest coverage ratio, times	6.4	5.6	5.1	5.7	3.5	3.2
Date per share						
Profit for the period, SEK	0.64	0.53	16.60	6.47	3.74	1.78
Equity, SEK	46.18	40.95	57.14	41.77	39.46	23.23
Properties, fair value, SEK	84.54	79.05	84.40	78.91	72.72	73.21
Net asset value, SEK	60.00	52.00	71.00	53.00	50.00	43.00
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

¹ No recalculation according to IFRS has been made for 2003, which would mainly have effected the items Depreciation and Changes in value in the Income Statements and the items Investment properties and Deferred tax liabilities in the Balance Sheets.

Stockholm, May 10, 2007

Ivo Stopner
President

This interim report has not been the subject of an examination by the Company's auditor.

DEFINITIONS

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

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, decided based on an evaluation according to the direct yield method.

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

Golden Triangle. The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

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

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

Net liabilities. Interest-bearing liabilities less interest-bearing assets.

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

Property tax supplement. Property tax payments received from tenants.

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

Return on capital employed. Profit after appropriations and tax plus interest expense minus interest contributions in relation to the average capital employed. In the interim accounts the return has been recalculated on a full-year basis without consideration given to seasonal variations which normally arise in operations and with the exception of changes in value.

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

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

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