

HUFVUDSTADEN

Interim Report January – September 2008

- The gross profit from property management for comparable holdings increased by 5 per cent to SEK 655 million (622). The corresponding result for the third quarter increased by 9 per cent to SEK 231 million (211). The improvement in profit can be attributed mainly to higher rents.
- The fair value of the property holdings was SEK 19.6 billion (20.5 at the year-end).
- The net asset value amounted to SEK 69 per share (73 at the year-end). The net debt/equity ratio was 0.28 (0.26 at the year-end).
- Profit for the period amounted to SEK -406 million (1,264) equivalent to SEK -1.97 per share (6.13). The fall can be attributed to an unrealised fall in the value of the property holdings for the year of SEK 1,084 million compared with the unrealised increase in value during the corresponding period last year (1,208).
- The consolidated net revenue for comparable holdings amounted to SEK 988 million (929), an increase of 6 per cent.
- The rental vacancy level at the period-end amounted to 3.0 per cent (3.3 at the year-end).
- According to the Fastighetsbarometern Customer Satisfaction Index 2008 survey, Hufvudstaden has the most satisfied office tenants.

GROUP

RESULTS

Property management ¹

Gross profit for the period totalled SEK 666.0 million (626.7). The gross profit for comparable holdings rose to SEK 655.2 million, an increase of 5 per cent. The increase can be attributed mainly to higher rents in conjunction with new leases and renegotiations as well as a slightly lower cost for rent losses. The profit

has been charged with higher maintenance costs, arising mainly during the second quarter. Net rents from property management during the period amounted to SEK 953.8 million (890.3).

The turnover-based rent supplement for the NK department stores is reported during the fourth quarter. The turnover-based rent supplement for the previous year amounted to SEK 16.8 million. Apart from this there were no material seasonal variations in rents.

The property management results for each business area for comparable holdings are reported on page 7.

Parking operations

Operations comprise parking operations at Parkaden in Stockholm.

¹ The acquired property Rännilen 15 is included with effect from June 1, 2007. Otherwise, the property holdings remain unchanged compared with the same period in 2007.

Net revenue amounted to SEK 46.9 million (44.4), expenses amounted to SEK 34.1 million (33.9) and gross profit amounted to SEK 12.8 million (10.5).

Other Income Statement items

Central administration totalled SEK -21.4 million (-21.6). Changes in the value of investment properties totalled SEK -1,083.8 million (1,208.4) and in interest derivatives SEK -18.4 million (13.1).

Financial income and expense

Net financial income and expense amounted to SEK -113.6 million (-90.6). The increased net cost can be attributed to sharp rises in short-term market interest rates as a result of uncertainty on the credit market.

Tax

The Group's tax expense for the period was positive and totalled SEK 152.5 million (-489.3), of which SEK -111.1 million (-106.8) was actual tax and SEK 263.6 million (-382.5) deferred tax.

Profit for the period

The consolidated profit after tax amounted to SEK -405.9 million (1,263.8).

ACQUISITIONS AND INVESTMENTS

Investments during the year in properties and equipment totalled SEK 135.4 million (434.2). The property Rännilen 15 was acquired the previous year for SEK 312 million.

PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property portfolio as of September 30, 2008 was estimated at SEK 19,580 million (20,530 at the year-end). The decrease can be attributed to the net of negative unrealised changes in value and investments in the property holdings. The rentable floor space was 353,883 square metres (353,685 at the year-end).

The total rental vacancy level as of September 30 was 3.0 per cent (3.3 at the year-end) and the total floor space vacancy level was 4.2 per cent (4.6 at the year-end).

On October 1, 2008 the tenant ABN AMRO vacated 5,300 square metres and in the middle of November they will vacate a further 2,200 square metres. The rental vacancy level for the Group will subsequently be 6.4 per cent and the floor space vacancy level 6.8 per cent.

Property value and net asset value

At the end of each quarter Hufvudstaden makes an internal valuation of the fair value of each individual property. The assessment is based on a valuation made using the direct yield method. To assure the evaluations, external valuations are obtained at least once a year for part of the property holdings.

There is a continuous update made during the year of the internal valuation of the properties in order to take into account purchases, sales and investments. Hufvudstaden also investigates on a continuous basis whether there are other indications of changes in the fair value of the properties. This

could, for example, take the form of major lettings, lease terminations and material changes in the yield requirement.

In the light of the above, the change in value of the property holdings during the period was estimated at SEK -1.1 billion. The total value of the property holdings as of September 30, 2008 was SEK 19.6 billion, including investments. The decrease during the first nine months of 2008 can be attributed mainly to a higher direct yield requirement as a result of restraint on the credit market, higher interest rates and a slowdown in the economy. The average direct yield requirement for the property holdings with the above valuation was 4.8 per cent (4.6 at the year-end).

Net asset value

Based on the valuation of the property holdings, the net asset value is SEK 14.1 billion or SEK 69 per share after tax. When calculating the net asset value, estimated deferred tax has been used. This has been calculated at 10 per cent of the difference between the assessed fair value and the residual value 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 11.0 billion or SEK 53 per share. If the tax rate is assumed to be 0 per cent, the net asset value would have been SEK 15.9 billion or SEK 77 per share.

HUFVUDSTADEN HAS THE MOST SATISFIED CUSTOMERS

Hufvudstaden was awarded the first prize in the Fastighetsbarometern Customer Satisfaction Index 2008 survey. This is the fourth time Hufvudstaden has come top in the survey, which is directed at office tenants. The results show that Hufvudstaden had improved by two units to 80 (out of a possible 100) and had the highest score in nine of the ten quality factors.

RENTAL MARKET

Interest in modern, flexible, office space in prime locations in central Stockholm was stable during the period despite the financial crisis and the slightly weaker rate of economic growth. Vacant space in this category has fallen slightly and rents have levelled off. 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 3,800-5,000 per square metre per year, excluding the property tax supplement. Interest in well-situated retail premises in the same sub-markets was also high. Rents for prime location retailing space are in the range SEK 12,000-16,000 per square metre per year, excluding the property tax supplement.

Demand for modern, flexible office premises in the central sub-markets of Gothenburg has been

stable. As in Stockholm, interest in properties requiring modernization has been low. Market rents for modern, well-arranged office premises in prime locations were SEK 1,600-2,300 per square metre per year, excluding the property tax supplement. For prime site retail premises the market rent was SEK 6,000-10,000 per square metre per year, excluding the property tax supplement.

The Group's current renegotiations for both retail and office premises have proceeded in line with our expectations. During the period a total of 31,450 square metres were renegotiated at a value of around SEK 145 million. On average, these renegotiations have resulted in an increase in rent of around 16 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of September 30, 2008 amounted to SEK 3,400.0 million (3,400.0 at the year-end). The average fixed interest period was 39 months (40 at the year-end), the average capital tie-up period was 54 months (53 at the year-end) and the average interest rate was 4.9 per cent (4.6 at the year-end). Net liabilities amounted to SEK 3,040.5 million (3,069.3 at the year-end).

The fair value of interest swaps as of September 30 was SEK 26.7 million (55.0 at the year-end). The change in value of financial instruments from December 31, 2007 to September 30, 2008 has affected the income statement to the amount of SEK -18.4 million, or SEK -13.3 million after tax, and the hedge reserve in equity by SEK -7.1 million after tax.

Capital tie-up structure, September 30, 2008

Maturity date	Volume, SEK m	Share, %
2010	500.0	15
2011	950.0	28
2012	250.0	7
2013	950.0	28
2017	750.0	22
Total	3,400.0	100

Fixed interest structure, September 30, 2008

Maturity date	Volume, SEK m	Share, %	Average AER, %
2008	1,200.0	36	5.8
2010	500.0	15	4.1
2011	350.0	10	3.9
2012	250.0	7	4.9
2013	350.0	10	4.1
2017	750.0	22	4.8
Total	3,400.0	100	4.9

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on the OMX Nordic Stock Exchange in Stockholm, had 19,535 shareholders at the year-end. The proportion of foreign ownership as of September 30, 2008 was 20 per cent of the total number of outstanding shares (20 at the year-end). The A-share price as of September 30, 2008 was SEK 53, equivalent to a stock exchange value of SEK 10.9 billion, calculated on the total number of outstanding shares.

Shares bought back

The total number of shares held by Hufvudstaden as of September 30, 2008 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 2008 Annual General Meeting the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

Buy-back of shares as of September 30, 2008, million shares

	Total number of shares	Held by Hufvudstaden	Held by other shareholders
As of January 1, 2008	211.3	5.0	206.3
Buy-back	-	-	-
As of September 30, 2008	211.3	5.0	206.3

THIRD QUARTER

The gross profit on property management amounted to SEK 231.3 million (211.4), an increase of 9 per cent. The increase can be explained mainly by higher rents in conjunction with new leases and renegotiations. The net rental income amounted to SEK 320.1 million (308.9). Property management costs amounted to SEK 88.8 million (97.5).

The gross profit on parking operations amounted to SEK 3.5 million (2.8). Net revenue amounted to SEK 14.6 million (14.1) and operating costs amounted to SEK 11.1 million (11.3).

Changes in the value of investment properties amounted to SEK -586.7 million (0.0) and in interest derivatives SEK -44.4 million (-4.0). Financial income and expense amounted to SEK -39.0 million (-35.7). The lower financial income and expense can be explained by the rise in short-term market interest rates.

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 Annual Report for 2007.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

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.

FORTHCOMING INFORMATION

Year-End Report for 2008 February 13, 2009
Annual Report 2008 March 2009
Annual General Meeting in Stockholm 2009 March 26, 2009

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 Instrument Trading Act. The information was published on November 11, 2008.

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

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

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

INCOME STATEMENTS – SUMMARY

GROUP SEK m	July- September 2008	July- September 2007	January- September 2008	January- September 2007	January- December 2007
Net revenue					
Property management	320.1	308.9	953.8	890.3	1,213.2
Parking operations	14.6	14.1	46.9	44.4	63.0
	334.7	323.0	1,000.7	934.7	1,276.2
Property management expenses					
Maintenance	-5.7	-5.1	-31.0	-14.0	-26.4
Operations and administration	-49.2	-46.2	-155.3	-148.7	-208.3
Ground rents	-4.0	-4.0	-12.1	-12.1	-16.1
Property tax	-29.9	-42.2	-89.4	-88.8	-114.9
Property operations, expenses	-88.8	-97.5	-287.8	-263.6	-365.7
Parking operations	-11.1	-11.3	-34.1	-33.9	-45.4
Operating expenses	-99.9	-108.8	-321.9	-297.5	-411.1
Gross profit	234.8	214.2	678.8	637.2	865.1
- of which Property management	231.3	211.4	666.0	626.7	847.5
- of which Parking operations	3.5	2.8	12.8	10.5	17.6
Central administration	-7.0	-6.6	-21.4	-21.6	-30.8
Operating profit before changes in value	227.8	207.6	657.4	615.6	834.3
Changes in value					
Investment properties	-586.7	-	-1,083.8	1,208.4	2,597.7
Interest derivatives	-44.4	-4.0	-18.4	13.1	16.5
Operating profit	-403.3	203.6	-444.8	1,837.1	3,448.5
Financial income and expense	-39.0	-35.7	-113.6	-90.6	-126.6
Profit after financial interest and expense	-442.3	167.9	-558.4	1,746.5	3,321.9
Tax	122.5	-47.7	152.5	-489.3	-927.6
Profit from continuing operations	-319.8	120.2	-405.9	1,257.2	2,394.3
Profit from discontinued operations, net after tax	-	-	-	6.6	6.6
Profit for the period	-319.8	120.2	-405.9	1,263.8	2,400.9
Average number of outstanding shares after buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit per share for the period, SEK	-1.55	0.58	-1.97	6.13	11.64

BALANCE SHEETS – SUMMARY

GROUP SEK m	September 30 2008	September 30 2007	December 31 2007
Investment properties	19,580.4	19,048.1	20,530.5
Other fixed assets	40.4	15.5	69.1
Total fixed assets	19,620.8	19,063.6	20,599.6
Current assets	367.0	164.2	349.5
Total assets	19,987.8	19,227.8	20,949.1
Equity	11,034.7	10,672.8	11,808.7
Non-current, interest-bearing liabilities	3,400.0	2,300.0	2,800.0
Other liabilities	3.4	3.7	3.7
Pension provisions	5.2	6.2	5.7
Deferred tax liability	5,056.9	4,882.4	5,323.3
Total non-current liabilities	8,465.5	7,192.3	8,132.7
Other current, interest-bearing liabilities	0.0	915.0	600.0
Other liabilities	487.6	447.7	407.7
Total current liabilities	487.6	1,362.7	1,007.7
Total equity and liabilities	19,987.8	19,227.8	20,949.1

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP SEK m	September 30 2008	September 30 2007	December 31 2007
Pledged assets			
Mortgages	1,706.4	1,556.4	1,706.4
Endowment insurance	3.8	4.1	4.1
Total pledged assets	1,710.2	1,560.5	1,710.5
Contigent liabilities	None	None	None

CHANGES IN EQUITY

GROUP SEK m	January- September 2008	January- September 2007	January- December 2007
Equity, opening balance	11,808.7	11,785.3	11,785.3
Change in hedge reserve for the period	-9.9	22.8	21.0
Tax attributable to hedge reserve	2.8	-6.4	-5.9
Total changes in assets, reported directly against equity , excluding dividends	-7.1	16.4	15.1
Profit for the period	-405.9	1,263.8	2,400.9
Total changes in assets	-413.0	1,280.2	2,416.0
Dividend	-361.0	-2,392.7	-2,392.7
Equity, closing balance	11,034.7	10,672.8	11,808.7

CASH FLOW STATEMENTS – SUMMARY

GROUP SEK m	January- September 2008	January- September 2007	January- December 2007
Profit after financial items	-558.4	1,753.1	3,328.5
Depreciation/impairments	3.3	3.5	4.7
Capital gain/loss, sale of fixed assets	0.0	-6.6	-6.6
Change, investment properties	1,083.8	-1,208.4	-2,597.7
Change, interest derivatives	18.4	-13.1	-16.5
Other changes	-0.4	0.2	-0.2
Tax paid	-63.2	-63.5	-97.1
Cash flow from current operations before changes in working capital	483.5	465.2	615.1
Increase/decrease in operating receivables	31.8	-4.6	-30.3
Increase/decrease in operating liabilities	32.5	-462.2	-465.5
Cash flow from current operations	547.8	-1.6	119.3
Proceeds from sale of subsidiary	-	3,011.7	3,011.7
Investments in investment properties	-133.7	-430.9	-524.0
Investments in equipment	-1.7	-3.3	-3.7
Change, non-current receivable	0.4	-0.2	-0.2
Cash flow from investments	-135.0	2,577.3	2,483.8
Loans raised	-	360.0	500.0
Amortization of loan liability	-	-510.0	-465.0
Dividend paid	-361.0	-2,392.7	-2,392.7
Cash flow from financing	-361.0	-2,542.7	-2,357.7
Cash flow for the period	51.8	33.0	245.4
Liquid funds at the beginning of the period	285.8	40.4	40.4
Liquid funds at the period-end	337.6	73.4	285.8

PROPERTY MANAGEMENT – PROFIT PER BUSINESS AREA (COMPARABLE HOLDINGS)

GROUP SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan- Sep 2008	Jan- Sep 2007	Jan- Sep 2008	Jan- Sep 2007	Jan- Sep 2008	Jan- Sep 2007	Jan- Sep 2008	Jan- Sep 2007
Net revenue	423.9	401.0	392.9	366.3	124.1	117.3	940.9	884.6
Property costs	-97.2	-96.6	-151.8	-127.8	-36.7	-38.3	-285.7	-262.7
Gross profit	326.7	304.4	241.1	238.5	87.4	79.0	655.2	621.9

KEY RATIOS

GROUP SEK m	Sep 30 2008	Sep 30 2007	Full-year 2007	Full-year 2006	Full-year 2005	Fullyear 2004
Property-related						
Rentable floor space, sq. M	353,883	353,863	353,685	350,895	407,694	407,375
Rental vacancy level, %	3.0	4.6	3.3	6.5	7.1	8.2
Floor space vacancy level, %	4.2	5.7	4.6	8.1	8.7	9.5
Fair value, SEK bn	19.6	19.0	20.5	17.4	16.3	15.0
Financial						
Return on equity, %	-2.4	12.4	20.4	33.6	15.9	9.8
Return on capital employed, %	-1.4	13.8	22.3	23.9	16.5	9.7
Equity ratio, %	55.2	55.5	56.4	57.4	52.2	53.8
Interest coverage ratio, multiple	5.5	6.3	6.2	5.1	5.7	3.5
Debt/equity ratio, multiple	0.28	0.29	0.26	0.3	0.4	0.4
Loan to value ratio, properties, %	17.4	16.9	16.6	19.3	21.7	20.9
Data per share						
Profit for the period, SEK	-1.97	6.13	11.64	16.60	6.47	3.74
Equity, SEK	53.50	51.74	57.25	57.14	41.77	39.46
Properties, fair value, SEK	94.93	92.35	99.53	84.40	78.91	72.72
Net asset value, SEK	69.00	66.00	73.00	71.00	53.00	50.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266

PARENT COMPANY
PROFIT AND FINANCIAL POSITION

Net revenue amounted to SEK 592.3 million (548.0). Profit after net financial income and expense for the period was SEK 162.1 million (185.4).

Liquid funds at the period-end amounted to SEK 337.3 million (73.2). Investments in properties and equipment during the period amounted to SEK 33.7 million (335.9).

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks. The Company has not identified any material risks and uncertainties other than those described in the Annual Report for 2007.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

ACCOUNTING PRINCIPLES

The Parent Company applies the same accounting principles as in the most recent Annual Report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY SEK m	July- September 2008	July- September 2007	January- September 2008	January- September 2007	January- December 2007
Net revenue	199.1	191.7	592.4	548.0	740.1
Operating expenses	-91.9	-109.5	-276.9	-259.0	-398.0
Gross profit	107.2	82.2	315.5	289.0	342.1
Central administration	-7.0	-6.6	-21.4	-21.6	-30.8
Changes in value, interest derivatives	-44.4	-	-18.4	-	16.5
Operating profit	55.8	75.6	275.7	267.4	327.8
Financial income and expense	-39.0	-33.7	-113.6	-88.6	-125.1
Capital gain on sale of subsidiary	-	-	-	6.6	6.6
Operating profit after net interest income/expense	16.8	41.9	162.1	185.4	209.3
Appropriations	-	-	-	-	-100.9
Profit before tax	16.8	41.9	162.1	185.4	108.4
Tax	-6.1	-12.9	-49.6	-53.1	-22.7
Profit for the period	10.7	29.0	112.5	132.3	85.7

BALANCE SHEETS – SUMMARY

PARENT COMPANY SEK m	September 30 2008	September 30 2007	December 31 2007
Investment properties	5,967.4	5,952.7	5,972.9
Other fixed assets	2,863.3	2,837.6	2,891.5
Total fixed assets	8,830.7	8,790.3	8,864.4
Current assets	381.7	93.9	328.4
Total assets	9,212.4	8,884.2	9,192.8
Restricted equity	1,968.2	1,982.2	1,978.7
Non-restricted equity	1,279.8	1,401.9	1,524.9
Total equity	3,248.0	3,384.1	3,503.6
Untaxed reserves	661.5	560.6	661.5
Non-current liabilities	4,628.1	3,530.0	4,035.8
Current liabilities	674.8	1,409.5	991.9
Total liabilities	5,964.4	5,500.1	5,689.2
Total equity and liabilities	9,212.4	8,884.2	9,192.8

Stockholm, November 11, 2008

Ivo Stopner
President

This interim report has not been the subject of 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.

Debt/equity ratio. Net liabilities in relation to equity at the year-end.

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, 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 items, excluding unrealized changes in value plus interest expense minus interest contributions in relation to the interest expense minus interest contributions.

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

Loan to value ratio, properties. Interest-bearing liabilities in relation to the carrying value of the properties.

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 before 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 being 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 being 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.

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