

# HUFVUDSTADEN

## Half-year Report January-June 2010

- The gross profit from property management fell by 2 per cent to SEK 451 million (461). The change can be attributed mainly to a slight increase in vacancy.
- The profit after tax for the period was SEK 391 million (-502), equivalent to SEK 1.90 per share (-2.43). The increase can be attributed to the positive change in the value of the property holdings for the period to the amount of SEK 185 million (-1,058).
- The equity ratio was 54 per cent, the net loan-to-value ratio was 18.3 per cent and the interest coverage ratio multiple was 7.7.
- The fair value of the property holdings was set at SEK 18.6 billion (18.1 at the year-end). The increase can be explained by rising rent levels and a slight fall in the direct yield requirement.
- The net asset value was SEK 62 per share (62 at the year-end).
- The consolidated net revenue amounted to SEK 681 million (682).
- The rental vacancy level at the period-end was 6.6 per cent (6.2 at the year-end).

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### GROUP

#### RESULTS

##### Property management<sup>1</sup>

Gross profit for the period totalled SEK 450.5 million (461.3), a fall of 2 per cent. The fall can be attributed to a slight increase in the rental vacancy level and increased costs as a result of the severe winter. Net rents from property management during the period totalled SEK 645.7 million (649.9).

The turnover-based rent supplement at the NK properties is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 5.6 million. Apart from this there were 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 amounted to SEK 35.1 million (32.0), expenses amounted to SEK 24.1 million (23.4) and gross profit amounted to SEK 11.0 million (8.6).

##### Other Income Statement items

Central administration totalled SEK -15.3 million (-14.7). Changes in the value of investment properties totalled SEK 184.5 million (-1,057.8) and changes in the value of interest derivatives totalled SEK -38.6 million (-6.9).

##### Financial income and expense

Net financial income and expense amounted to SEK -58.0 million (-67.0). The decrease in the net cost is a result of lower short-term market interest rates.

##### Tax

The Group's tax (actual and deferred) for the period was SEK -143.1 million (174.9), of which SEK -67.3 million was actual tax (-65.9) and SEK -75.8 million was deferred tax (240.8). The positive tax figure for the previous year can be attributed to the dissolution of deferred tax as a result of unrealized changes in value.

##### Profit for the period

The consolidated profit after tax amounted to SEK 391.0 million (-501.6). The change in the result is due to an unrealized increase in the value of the property holdings for the period of SEK 184.5 million

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<sup>1</sup> The properties Inom Vallgraven 12.1 and 12.9 in Gothenburg are included with effect from March 30, 2010. Otherwise the property holdings remained unchanged compared with the same period the previous year.

compared to an unrealized decrease in the value corresponding period previous year -1,057.8 million.

## ACQUISITIONS AND INVESTMENTS

In March, two properties were acquired in Gothenburg at a cost of SEK 175.0 million.

Investment during the period in properties and equipment totalled SEK 311.0 million (135.8).

## PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property holdings as of June 30, 2010 is estimated at SEK 18,620 million (18,125 at the year-end). The increase can be attributed to the acquisition of the properties in Gothenburg, investments in the property holdings and unrealized changes in value. The rentable floor space was 357,000 square metres (354,000 at the year-end).

The total rental vacancy level as of June 30, 2010 was 6.6 per cent (6.2 at the year-end) and the total floor space vacancy level was 8.0 per cent (7.4 at the year-end).

### Property value and net asset value

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

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, terminations and material changes in the yield requirement.

In the light of the above, the change in the value of the property holdings is set at SEK 184.5 million. The total value of the property holdings was SEK 18.6 billion, including investments made during the year. The unrealized increase in value can be explained by rising rents and a slightly lower direct yield requirement. The average direct yield requirement in conjunction with the above valuation was 5.2 per cent (5.3 at the year-end).

### Valuation method

Valuation of the property holdings has taken place by assessing the fair value of each individual property. The assessment was made on application of a valuation 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 obtained regarding the market's yield requirement for current purchases and sales of comparable properties in similar locations. The yield requirement can vary between regions and between different sub-areas within the regions. The calculation of the properties' net operating income is based on market rental income, long-term rental vacancies and normalized operating and maintenance costs. The type of property, technical standard, building design and major investment requirements are also taken into account. For properties held on leasehold the calculation is based on a yield requirement that is 0.25

percentage points higher than for equivalent properties where the land is freehold.

In the valuation the following direct yield requirement is been applied for office and retail properties:

|                            |                   |
|----------------------------|-------------------|
| Stockholm                  | 5.0-5.25 per cent |
| Gothenburg                 | 5.5-6.0 per cent  |
| Property holdings, average | 5.2 per cent      |

### Sensitivity analysis, property valuation

|                      | Change +/-             | Impact on profit before tax +/- |
|----------------------|------------------------|---------------------------------|
| Rental revenue       | SEK 100/m <sup>2</sup> | SEK 700 m                       |
| Property costs       | SEK 50/m <sup>2</sup>  | SEK 350 m                       |
| Rental vacancy level | 1.0 percentage points  | SEK 250 m                       |
| Yield requirement    | 0.25 percentage points | SEK 900 m                       |

### External valuation

To assure the valuations, external valuations were obtained at mid-year from two valuation companies, DTZ Sverige AB and Forum Fastighetsekonomi AB. The external valuations cover nine properties and are equivalent to 31 per cent of the internally assessed fair value. The properties were chosen on the basis that the objects selected should represent different property categories, towns and locations as well as technical and construction standard. The properties valued externally are Achilles 1, Inom Vallgraven 12:10, Inom Vallgraven 20:4, Kvasten 6, Kåkenhusen 39, Oxhuvudet 18, Packarhuset 4, Rännilen 19, Svärdfisken 2.

The external valuation companies have quoted a fair value of SEK 5.9 billion with a range of approximately +/- 5 per cent. Hufvudstaden's internal valuation of the same properties was SEK 5.7 billion. 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 is SEK 12.8 billion or SEK 62 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 10 per cent of the difference between the assessed fair value of the properties 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 (26.3 per cent) had been used in the calculation, the net asset value would have been SEK 10.2 billion or SEK 49 per share. If the tax rate was assumed to be 0 per cent, the net asset value would be SEK 14.4 billion or SEK 70 per share.

## RENTAL MARKET

Interest in modern, flexible office space in prime locations in central Stockholm increased during the period. Vacant space in this category has continued to remain low and rents have risen 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 Hötorg area, rents were noted of SEK 3,700-4,700 per square metre per year, excluding the property tax supplement. Interest in well-situated

retail premises in the same sub-markets has also been high. Rents for prime-location retailing space are in the range SEK 12,000-18,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg has been stable. Market rents for modern, well-planned office premises in prime locations were between SEK 1,600 and SEK 2,400 per square metre per year, excluding the property tax supplement. For retail premises the market rents were between SEK 5,000 and SEK 11,000 per square metre per year, excluding the property tax supplement.

### FINANCING STRUCTURE

Hufvudstaden's borrowing as of June 30, 2010 amounted to SEK 3,600.0 million (3,400.0 at the year-end). The average fixed interest period was 35 months (36 at the year-end), the average capital tie-up period was 49 months (39 at the year-end) and the average annual equivalent interest rate was 3.4 per cent (3.7 at the year-end). Interest-bearing net liabilities amounted to SEK 3,460.0 million (2,990.0 at the year-end).

The fair value of interest swaps as of June 30, 2010 was SEK -174.4 million (-135.8 at the year-end).

#### Capital tie-up structure, June 30, 2010

| Maturity Date | Volume, SEK m | Share, % |
|---------------|---------------|----------|
| 2011          | 950.0         | 26       |
| 2012          | 250.0         | 7        |
| 2013          | 950.0         | 26       |
| 2017          | 1,450.0       | 41       |
| Total         | 3,600.0       | 100      |

#### Fixed interest structure, June 30, 2010

| Maturity Date | Volume, SEK m | Share, % | Average AER, % |
|---------------|---------------|----------|----------------|
| 2010          | 900.0         | 25       | 1.0            |
| 2011          | 600.0         | 17       | 3.6            |
| 2012          | 250.0         | 7        | 4.9            |
| 2013          | 600.0         | 17       | 3.9            |
| 2014          | 200.0         | 6        | 3.6            |
| 2015          | 300.0         | 8        | 3.6            |
| 2017          | 750.0         | 20       | 4.8            |
| Total         | 3,600.0       | 100      | 3.4            |

### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,942 shareholders at the end of the period. The proportion of foreign ownership as of June 30, 2010 was 26 per cent of the total number of outstanding shares (20 at the year-end). The series A share price as of June 30, 2010 was SEK 59.65 and the market value was SEK 13.1 billion.

#### Shares bought back

The total number of shares held by Hufvudstaden as of June 30, 2010 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 the period or after the end of the reporting period. At the 2010 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 June 30, 2010, million shares

|                       | Total number of shares | Company holdings | Held by other shareholders |
|-----------------------|------------------------|------------------|----------------------------|
| As of January 1, 2010 | 211.3                  | 5.0              | 206.3                      |
| Buy-back              | -                      | -                | -                          |
| As of June 30, 2010   | 211.3                  | 5.0              | 206.3                      |

### SECOND QUARTER

The gross profit from property management amounted to SEK 225.9 million (231.3), a fall of SEK 5.4 million. The change can be attributed mainly to a slightly higher rental vacancy level and letting costs. Net rents amounted to SEK 324.3 million (324.2). Property management costs amounted to SEK 98.4 million (92.9).

The gross profit from parking operations amounted to SEK 5.4 million (4.2). Net revenue amounted to SEK 17.4 million (15.8) and costs amounted to SEK 12.0 million (11.6).

Changes in the value of investment properties amounted to SEK 184.5 million (-495.1) and for interest derivatives SEK -16.0 million (38.4). Financial income and expense amounted to SEK -30.0 million (-32.2). The improvement in net financial income and expense and can be attributed to lower short-term 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 or uncertainties other than those described in the 2009 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-adopted IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles and computation methods are the same as those applied in the most recent Annual Report.

### FORTHCOMING INFORMATION

|  |                   |
|--|-------------------|
| Interim Report, January-September 2010   | November 10, 2010 |
| Year-End Report 2010                     | February 10, 2011 |
| Annual Report 2010                       | March 2011        |
| Annual General Meeting in Stockholm 2011 | March 24, 2011    |

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 25, 2010 at 11.50 am.

*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**

| <b>GROUP, SEK m</b>   | <b>April-<br/>June<br/>2010</b> | <b>April-<br/>June<br/>2009</b> | <b>January-<br/>June<br/>2010</b> | <b>January-<br/>June<br/>2009</b> | <b>January-<br/>December<br/>2009</b> |
|---|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| <b>Net sales</b>  |                                 |                                 |                                   |                                   |                                       |
| Property management   | 324.3                           | 324.2                           | 645.7                             | 649.9                             | 1,304.8                               |
| Parking operations  | 17.4                            | 15.8                            | 35.1                              | 32.0                              | 66.9                                  |
|   | <b>341.7</b>                    | <b>340.0</b>                    | <b>680.8</b>                      | <b>681.9</b>                      | <b>1,371.7</b>                        |
| <b>Property management expenses</b>   |                                 |                                 |                                   |                                   |                                       |
| Maintenance   | -7.6                            | -6.5                            | -12.4                             | -11.3                             | -28.5                                 |
| Operation and administration  | -57.1                           | -52.5                           | -117.8                            | -109.6                            | -219.6                                |
| Ground rents  | -3.9                            | -4.1                            | -5.6                              | -8.1                              | -16.2                                 |
| Property tax  | -29.8                           | -29.8                           | -59.4                             | -59.6                             | -116.5                                |
| <b>Property management expenses</b>   | <b>-98.4</b>                    | <b>-92.9</b>                    | <b>-195.2</b>                     | <b>-188.6</b>                     | <b>-380.8</b>                         |
| Parking operations, costs   | -12.0                           | -11.6                           | -24.1                             | -23.4                             | -47.0                                 |
| <b>Operating expenses</b>   | <b>-110.4</b>                   | <b>-104.5</b>                   | <b>-219.3</b>                     | <b>-212.0</b>                     | <b>-427.8</b>                         |
| <b>Gross profit</b>   | <b>231.3</b>                    | <b>235.5</b>                    | <b>461.5</b>                      | <b>469.9</b>                      | <b>943.9</b>                          |
| - of which Property management  | 225.9                           | 231.3                           | 450.5                             | 461.3                             | 924.0                                 |
| - of which Parking operations   | 5.4                             | 4.2                             | 11.0                              | 8.6                               | 19.9                                  |
| Central administration  | -8.5                            | -7.6                            | -15.3                             | -14.7                             | -29.2                                 |
| <b>Operating profit before changes in value</b>                               | <b>222.8</b>                    | <b>227.9</b>                    | <b>446.2</b>                      | <b>455.2</b>                      | <b>914.7</b>                          |
| <b>Changes in value</b>   |                                 |                                 |                                   |                                   |                                       |
| Investment properties   | 184.5                           | -495.1                          | 184.5                             | -1,057.8                          | -1,239.1                              |
| Interest derivatives  | -16.0                           | 38.4                            | -38.6                             | -6.9                              | -25.6                                 |
| <b>Operating result</b>   | <b>391.3</b>                    | <b>-228.8</b>                   | <b>592.1</b>                      | <b>-609.5</b>                     | <b>-350.0</b>                         |
| Financial income and expense  | -30.0                           | -32.2                           | -58.0                             | -67.0                             | -128.1                                |
| <b>Result before tax</b>  | <b>361.3</b>                    | <b>-261.0</b>                   | <b>534.1</b>                      | <b>-676.5</b>                     | <b>-478.1</b>                         |
| Tax   | -96.4                           | 67.1                            | -143.1                            | 174.9                             | 120.6                                 |
| <b>Result after tax</b>   | <b>264.9</b>                    | <b>-193.9</b>                   | <b>391.0</b>                      | <b>-501.6</b>                     | <b>-357.5</b>                         |
| <b>Other comprehensive income:</b>  |                                 |                                 |                                   |                                   |                                       |
| Change in hedging reserve   | -                               | 6.4                             | -                                 | 12.8                              | 25.5                                  |
| <b>Total comprehensive income for the period/year</b>                         | <b>264.9</b>                    | <b>-187.5</b>                   | <b>391.0</b>                      | <b>-488.8</b>                     | <b>-332.0</b>                         |
| Average number of outstanding shares following buy-back during the period     | 206,265,933                     | 206,265,933                     | 206,265,933                       | 206,265,933                       | 206,265,933                           |
| Result for the period/year after tax per share before and after dilution, SEK | 1.28                            | -0.94                           | 1.90                              | -2.43                             | -1.73                                 |

**BALANCE SHEETS – SUMMARY**

| <b>GROUP, SEK m</b>                            | <b>June 30<br/>2010</b> | <b>June 30<br/>2009</b> | <b>December 31<br/>2009</b> |
|--|-------------------------|-------------------------|-----------------------------|
| Investment properties                          | 18,619.8                | 18,160.0                | 18,125.3                    |
| Other fixed assets                             | 13.0                    | 11.6                    | 13.5                        |
| <b>Total fixed assets</b>                      | <b>18,632.8</b>         | <b>18,171.6</b>         | <b>18,138.8</b>             |
| Current assets                                 | 213.6                   | 283.9                   | 461.2                       |
| <b>Total assets</b>                            | <b>18,846.4</b>         | <b>18,455.5</b>         | <b>18,600.0</b>             |
| Equity   | 10,183.7                | 10,069.0                | 10,225.9                    |
| Non-current liabilities to credit institutions | 2,650.0                 | 2,900.0                 | 2,900.0                     |
| Deferred tax liability                         | 4,411.7                 | 4,370.6                 | 4,335.9                     |
| Other non-current liabilities                  | 178.0                   | 129.7                   | 138.0                       |
| Pension provisions                             | 6.7                     | 5.7                     | 6.3                         |
| <b>Total non-current liabilities</b>           | <b>7,246.4</b>          | <b>7,406.0</b>          | <b>7,380.2</b>              |
| Current, interest-bearing liabilities          | 950.0                   | 500.0                   | 500.0                       |
| Other liabilities                              | 466.3                   | 480.5                   | 493.9                       |
| <b>Total current liabilities</b>               | <b>1,416.3</b>          | <b>980.5</b>            | <b>993.9</b>                |
| <b>Total equity and liabilities</b>            | <b>18,846.4</b>         | <b>18,455.5</b>         | <b>18,600.0</b>             |

**CHANGES IN EQUITY, SUMMARY**

| <b>GROUP, SEK m</b>                       | <b>January-<br/>June<br/>2010</b> | <b>January-<br/>June<br/>2009</b> | <b>January-<br/>December<br/>2009</b> |
|---|-----------------------------------|-----------------------------------|---------------------------------------|
| Equity, opening balance                   | 10,225.9                          | 10,949.7                          | 10,949.7                              |
| Total comprehensive income for the period | 391.0                             | -488.8                            | -332.0                                |
| Dividends                                 | -433.2                            | -391.9                            | -391.9                                |
| <b>Equity, closing balance</b>            | <b>10,183.7</b>                   | <b>10,069.0</b>                   | <b>10,225.9</b>                       |

**CASH FLOW STATEMENTS – SUMMARY**

| <b>GROUP, SEK m</b>  | <b>January-<br/>June<br/>2010</b> | <b>January-<br/>June<br/>2009</b> | <b>January-<br/>December<br/>2009</b> |
|--|-----------------------------------|-----------------------------------|---------------------------------------|
| Result before tax  | 534.1                             | -676.5                            | -478.1                                |
| Depreciation/impairments   | 2.3                               | 4.2                               | 6.0                                   |
| Change in value, investment properties   | -184.5                            | 1,057.8                           | 1,239.1                               |
| Change in value, interest derivatives  | 38.6                              | 6.9                               | 25.6                                  |
| Other changes  | 0.4                               | 0.7                               | 1.2                                   |
| Tax paid   | -136.0                            | -112.9                            | -165.1                                |
| <b>Cash flow from current operations<br/>before changes in working capital</b> | <b>254.9</b>                      | <b>280.2</b>                      | <b>628.7</b>                          |
| Increase/decrease in operating receivables                                     | 10.5                              | 27.0                              | 11.5                                  |
| Increase/decrease in operating liabilities                                     | 42.5                              | 33.1                              | 24.3                                  |
| <b>Cash flow from current operations</b>                                       | <b>307.9</b>                      | <b>340.3</b>                      | <b>664.5</b>                          |
| Investments in investment properties   | -310.0                            | -134.6                            | -281.2                                |
| Investments in equipment   | -1.0                              | -1.2                              | -4.2                                  |
| Change in non-current receivable   | -0.3                              | -0.5                              | -1.2                                  |
| <b>Cash flow from investments</b>  | <b>-311.3</b>                     | <b>-136.3</b>                     | <b>-286.6</b>                         |
| Dividend paid  | -433.2                            | -391.9                            | -391.9                                |
| Loans raised   | 200.0                             | -                                 | -                                     |
| <b>Cash flow from financing</b>  | <b>-233.2</b>                     | <b>-391.9</b>                     | <b>-391.9</b>                         |
| <b>Cash flow for the period</b>  | <b>-236.6</b>                     | <b>-187.9</b>                     | <b>-14.0</b>                          |
| Liquid funds at the beginning of the period                                    | 424.9                             | 438.9                             | 438.9                                 |
| Liquid funds at the period-end   | 188.3                             | 251.0                             | 424.9                                 |
| Cash flow for the period per share, SEK  | -1.15                             | -0.91                             | -0.07                                 |

**PLEGGED ASSETS AND CONTINGENT LIABILITIES**

| <b>GROUP, SEK m</b>         | <b>June 30<br/>2010</b> | <b>June 30<br/>2009</b> | <b>December 31<br/>2009</b> |
|-----------------------------|-------------------------|-------------------------|-----------------------------|
| <b>Pledged assets</b>       |                         |                         |                             |
| Mortgages                   | 1,806.2                 | 1,706.2                 | 1,706.2                     |
| Endowment insurance         | 5.2                     | 4.2                     | 4.8                         |
| <b>Total pledged assets</b> | <b>1,811.4</b>          | <b>1,710.4</b>          | <b>1,711.0</b>              |
| Contingent liabilities      | None                    | None                    | None                        |

**SEGMENT REPORT – SUMMARY<sup>1</sup>**

|  | Stockholm City<br>East Business Area |                          | Stockholm City<br>West Business Area |                          | Gothenburg<br>Business Area |                          | Total                    |                          |
|--|--------------------------------------|--------------------------|--------------------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|
|  | January-<br>June<br>2010             | January-<br>June<br>2009 | January-<br>June<br>2010             | January-<br>June<br>2009 | January-<br>June<br>2010    | January-<br>June<br>2009 | January-<br>June<br>2010 | January-<br>June<br>2009 |
| <b>GROUP, SEK m</b>                      |                                      |                          |                                      |                          |                             |                          |                          |                          |
| Net revenue                              | 279.9                                | 290.4                    | 277.5                                | 272.8                    | 88.3                        | 86.7                     | 645.7                    | 649.9                    |
| Property costs                           | -75.3                                | -70.7                    | -92.1                                | -94.0                    | -27.8                       | -23.9                    | -195.2                   | -188.6                   |
| <b>Gross profit, Property management</b> | <b>204.6</b>                         | <b>219.7</b>             | <b>185.4</b>                         | <b>178.8</b>             | <b>60.5</b>                 | <b>62.8</b>              | <b>450.5</b>             | <b>461.3</b>             |
| Parking operations                       |                                      |                          | 11.0                                 | 8.6                      |                             |                          | 11.0                     | 8.6                      |
| Central administration                   |                                      |                          |                                      |                          |                             |                          | -15.3                    | -14.7                    |
| <b>Changes in value</b>                  |                                      |                          |                                      |                          |                             |                          |                          |                          |
| Investment properties                    |                                      |                          |                                      |                          |                             |                          | 184.5                    | -1,057.8                 |
| Interest derivatives                     |                                      |                          |                                      |                          |                             |                          | -38.6                    | -6.9                     |
| <b>Operating result</b>                  |                                      |                          |                                      |                          |                             |                          | <b>592.1</b>             | <b>-609.5</b>            |
| Financial income and expense             |                                      |                          |                                      |                          |                             |                          | -58.0                    | -67.0                    |
| <b>Result before tax</b>                 |                                      |                          |                                      |                          |                             |                          | <b>534.1</b>             | <b>-676.5</b>            |

<sup>1</sup> For comparable holdings, the net revenue for the Gothenburg Business Area and for the Group must be reduced by SEK 2.7 million and the gross profit by SEK 2.0 million for 2010.

**KEY RATIOS**

| GROUP  | 30 June<br>2010 | 30 June<br>2009 | Full year<br>2009 | Full year<br>2008 | Full year<br>2007 | Full year<br>2006 |
|--|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| <b>Property-related</b>                        |                 |                 |                   |                   |                   |                   |
| Rentable floor space, thousands m <sup>2</sup> | 357             | 354             | 354               | 354               | 354               | 351               |
| Rental vacancy level, %                        | 6.6             | 6.2             | 6.2               | 5.3               | 3.3               | 6.5               |
| Floor space vacancy level, %                   | 8.0             | 7.1             | 7.4               | 5.9               | 4.6               | 8.1               |
| Fair value, SEK bn                             | 18.6            | 18.2            | 18.1              | 19.1              | 20.5              | 17.4              |
| Surplus ratio, %                               | 67.8            | 68.9            | 68.8              | 67.3              | 67.8              | 64.7              |
| <b>Financial</b>                               |                 |                 |                   |                   |                   |                   |
| Return on equity, %                            | 6.5             | -2.1            | -3.4              | -3.9              | 20.4              | 33.6              |
| Return on capital employed, %                  | 7.3             | -1.1            | -2.4              | -5.7              | 22.3              | 23.9              |
| Equity ratio, %                                | 54.0            | 54.6            | 55.0              | 55.9              | 56.4              | 57.4              |
| Interest coverage ratio, multiple              | 7.7             | 6.9             | 7.0               | 5.5               | 6.2               | 5.1               |
| Debt/equity ratio, multiple                    | 0.3             | 0.3             | 0.3               | 0.3               | 0.3               | 0.3               |
| Net loan-to-value ratio, properties, %         | 18.3            | 17.4            | 16.4              | 15.6              | 15.8              | 19.3              |
| Loan-to-value ratio, properties, %             | 19.3            | 18.7            | 18.8              | 17.8              | 16.6              | 19.3              |
| <b>Data per share</b>                          |                 |                 |                   |                   |                   |                   |
| Result for the period, SEK                     | 1.90            | -2.43           | -1.73             | -2.18             | 11.64             | 16.60             |
| Equity, SEK                                    | 49.37           | 48.82           | 49.58             | 53.09             | 57.25             | 57.14             |
| Properties, fair value, SEK                    | 90.27           | 88.04           | 87.87             | 92.52             | 99.53             | 84.40             |
| Net asset value, SEK                           | 62.00           | 61.00           | 62.00             | 66.00             | 73.00             | 71.00             |
| 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           |

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 388.5 million (397.6). Gross profit amounted to SEK 164.8 million (175.6). The decrease can be attributed mainly to higher rental vacancy level.

The preceding year's profit includes a dividend from subsidiaries totalling SEK 718.0 million. Net financial income/expense was SEK -57.7 million (-65.4).

Liquid funds at the period-end amounted to SEK 188.1 million (250.8). Investments in properties and equipment during the period totalled SEK 222.4 million (23.6).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company 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 2009 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

Apart from a dividend to the shareholders 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

|  | April-<br>June<br>2010 | April-<br>June<br>2009 | January-<br>June<br>2010 | January-<br>June<br>2009 | January-<br>December<br>2009 |
|--|------------------------|------------------------|--------------------------|--------------------------|------------------------------|
| <b>PARENT COMPANY, SEK m</b>           |                        |                        |                          |                          |                              |
| Net revenue                            | 194.3                  | 198.4                  | 388.5                    | 397.6                    | 796.0                        |
| Operating expenses                     | -120.4                 | -111.6                 | -223.7                   | -222.0                   | -463.4                       |
| <b>Gross profit</b>                    | <b>73.9</b>            | <b>86.8</b>            | <b>164.8</b>             | <b>175.6</b>             | <b>332.6</b>                 |
| Central administration                 | -8.4                   | -7.6                   | -15.2                    | -14.7                    | -29.2                        |
| Changes in value, interest derivatives | -16.0                  | 38.4                   | -38.6                    | -6.9                     | -25.6                        |
| <b>Operating profit</b>                | <b>49.5</b>            | <b>117.6</b>           | <b>111.0</b>             | <b>154.0</b>             | <b>277.8</b>                 |
| Dividend from subsidiaries             | -                      | 718.0                  | -                        | 718.0                    | 718.0                        |
| Other financial income and expense     | -29.7                  | -31.0                  | -57.7                    | -65.4                    | -126.6                       |
| <b>Profit after financial items</b>    | <b>19.8</b>            | <b>804.6</b>           | <b>53.3</b>              | <b>806.6</b>             | <b>869.2</b>                 |
| Appropriations                         | -                      | -                      | -                        | -                        | 103.1                        |
| <b>Profit before tax</b>               | <b>19.8</b>            | <b>804.6</b>           | <b>53.3</b>              | <b>806.6</b>             | <b>972.3</b>                 |
| Tax                                    | -6.7                   | -23.8                  | -16.8                    | -25.9                    | -71.4                        |
| <b>Result for the period</b>           | <b>13.1</b>            | <b>780.8</b>           | <b>36.5</b>              | <b>780.7</b>             | <b>900.9</b>                 |

### BALANCE SHEETS – SUMMARY

|                                     | June 30<br>2010 | June 30<br>2009 | December 31<br>2009 |
|-------------------------------------|-----------------|-----------------|---------------------|
| <b>PARENT COMPANY, SEK m</b>        |                 |                 |                     |
| Investment properties               | 6,151.2         | 5,962.3         | 5,959.2             |
| Other fixed assets                  | 2,835.2         | 2,834.5         | 2,835.3             |
| Total fixed assets                  | 8,986.4         | 8,796.8         | 8,794.5             |
| Current assets                      | 598.7           | 652.0           | 943.0               |
| <b>Total assets</b>                 | <b>9,585.1</b>  | <b>9,448.8</b>  | <b>9,737.5</b>      |
| Restricted equity                   | 1,978.7         | 1,978.7         | 1,978.7             |
| Non-restricted equity               | 1,737.0         | 1,776.0         | 2,133.6             |
| Total equity                        | 3,715.7         | 3,754.7         | 4,112.3             |
| Untaxed reserves                    | 654.1           | 757.2           | 654.1               |
| Appropriations                      | 1,100.5         | 1,109.0         | 1,109.6             |
| Non-current liabilities             | 2,818.0         | 3,030.3         | 3,038.5             |
| Current liabilities                 | 1,296.8         | 797.6           | 823.0               |
| Total liabilities                   | 5,869.4         | 5,694.1         | 5,625.2             |
| <b>Total equity and liabilities</b> | <b>9,585.1</b>  | <b>9,448.8</b>  | <b>9,737.5</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 face the Company and the companies which are included in the Group.

Stockholm, August 25, 2010

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

### Introduction

I have reviewed the summary of the financial interim information for Hufvudstaden AB (publ), registration number 556012-8240, as of June 30, 2010 and the six-month period ending as of this date. The Board of Directors and the President are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express an opinion on this Interim Report based on my review.

### Scope of review

I conducted my review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410 *Review of Interim Report Performed by the Independent Auditor of the Company*. 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 the Auditing Standards in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures

performed in a review do not enable me to obtain assurance that I 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 my review, nothing has come to my attention that causes me 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 25, 2010

George Pettersson  
*Authorized Public Accountant*

## DEFINITIONS

*Annual rent.* Gross rent calculated on an annual basis, excluding the turnover-based rent supplement. 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 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.

*Loan-to-value ratio, properties.* Interest-bearing liabilities in relation to the properties' carrying values.

*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.

*Net liability.* Interest-bearing liabilities, including decided dividend less current investments.

*Net loan-to-value ratio, properties.* Net liability in relation to the fair value of properties.

*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 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 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 consideration being given to seasonal variations that normally arise in operations and with the exception of changes in value.

*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 Swedish original Interim Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.*

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