

HUFVUDSTADEN

Interim Report January-March 2011

- Profit after tax for the period was SEK 257 million (126), equivalent to SEK 1.25 per share (0.61). The increase can be attributed mainly to the increase in the value of the property holdings.
- Gross profit from property management totalled SEK 225 million (225).
- The fair value of the property holdings was set at SEK 20.4 billion (20.1 at the turn of the year).
- The net asset value, following a deduction for the dividend of SEK 2.30 per share, was SEK 69 per share (70 at the turn of the year).
- The equity ratio was 54 per cent, the net loan-to-value ratio was 18 per cent and the interest coverage ratio multiple was 6.9.
- Consolidated net revenue amounted to SEK 352 million (339), an increase of 4 per cent.
- The rental vacancy level at the period-end was 5.3 per cent (7.2).

GROUP

RESULTS

Property management¹

Net rents from property management during the period amounted to SEK 334.8 million (321.4), an increase of four per cent, and the gross profit was SEK 224.7 million (224.6). The profit has been affected by higher rents and lower rental losses, which have been counteracted by an increase in costs as a result of the cold and snowy winter.

The turnover-based rent supplement at the NK properties is reported during the fourth quarter. The previous year the turnover-based rent supplement was SEK 10.7 million. Apart from this there were no material seasonal variations in rents.

The property management results for each business area are reported on page 5.

Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue amounted to SEK 17.1 million (17.7), expenses amounted to SEK 12.2 million (12.1) and gross profit amounted to SEK 4.9 million (5.6).

Other profit and loss items

Central administration totalled SEK -7.6 million (-6.8). Changes in the value of investment properties totalled SEK 116.6 million (0.0) and changes in interest derivatives totalled SEK 43.0 million (-22.6).

Financial income and expense

Net financial income and expense amounted to SEK -31.8 million (-28.0). The increase in net cost can be attributed mainly to higher short-term market interest rates.

Tax

The Group's tax (actual and deferred tax) for the period was SEK -92.5 million (-46.7), of which SEK -28.1 million was actual tax (-36.5) and SEK -64.4 million was deferred tax (-10.2).

¹ 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.

Profit for the period

The consolidated profit after tax amounted to SEK 257.3 million (126.1). The improvement in the profit is due to unrealized increases in the value of the property holdings totalling SEK 116.6 million and in interest derivatives totalling SEK 43.0 million.

TAX ISSUES

In April 2011, the Administrative Court of Appeal issued a ruling dismissing a claim for a deduction for costs incurred in conjunction with the reinforcement of foundations. Taxes and charges amount to approximately SEK 12 million but do not have any impact on total reported tax expense for the Group, and only entail a shift between actual and deferred tax. The Company will apply for leave to appeal to the Supreme Administrative Court of Appeal.

ACQUISITIONS AND INVESTMENTS

Investment in properties and equipment during the period totalled SEK 152.6 million (224.1).

PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property holdings as of March 31, 2011 is estimated at SEK 20,417 million (20,148 at the turn of the year). The increase can be attributed to unrealised changes in value and investments in the property holdings. The rentable floor space was 357,000 square metres.

The total rental vacancy level as of March 31, 2011 was 5.3 per cent (5.1 at the turn of the year) and the total floor space vacancy level was 7.0 per cent (6.8 at the turn of the year).

Property value and net asset value

At the end of each quarter Hufvudstaden makes an internal valuation of each individual property. The purpose of the valuation is to assess the fair value of the property holdings. The valuation takes place on the basis of a valuation using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is put in relation to the net operating income of the properties. 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 examines 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, a change in the value of the property holdings was considered to have taken place for the first quarter of 2011 amounting to SEK 116.6 million (0.0). The total value of the property holdings as of March 31, 2011 was SEK 20.4 billion, including investments made during the year. The unrealized increase in value can be attributed to the effect of newly signed leases.

The average direct yield requirement for the property holdings was 5.0 per cent (5.0 at the turn of the year).

Net asset value

Based on the valuation of the property holdings, the net asset value following a deduction for the decided but as yet unpaid dividend was SEK 14.2 billion or SEK 69 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 for the properties. The assessment is made in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 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 11.3 billion or SEK 55 per share. If the tax rate is assumed to be 0 per cent, the net asset value would be SEK 16.0 billion or SEK 78 per share.

RENTAL MARKET

The high level of interest in modern, flexible office space in prime locations in central Stockholm continued during the period. Vacant space in this category has continued to remain low and rents are rising. In conjunction with renegotiations and new leases for office space in Stockholm's most attractive locations in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area, rents were noted of between SEK 4,000 and SEK 5,000 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets has also been high with rents ranging from SEK 12,000 to SEK 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 good. Market rents for modern, well-planned office premises in prime locations were between SEK 1,800 and SEK 2,400 per square metre per year, excluding the property tax supplement. For retail premises the market rents were between SEK 6,000 and SEK 12,000 per square metre per year, excluding the property tax supplement.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of March 31, 2011 amounted to SEK 3,600.0 million (3,600.0 at the turn of the year). The average fixed interest period was 32 months (31 at the turn of the year), the average capital tie-up period was 55 months (43 at the turn of the year) and the average annual interest rate was 3.7 per cent (3.6 at the turn of the year).

The fair value of interest swaps as of March 31, 2011 was SEK -41.4 million (-84.4 at the turn of the year).

Capital tie-up structure, March 31, 2011

Maturity Date	Volume, SEK m	Share, %
2011	300.0	8
2012	250.0	7
2013	950.0	26
2017	2,100.0	59
Total	3,600.0	100

Fixed interest structure, March 31, 2011

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2011	1,100.0	31	2.8
2012	450.0	12	3.9
2013	600.0	17	3.9
2014	200.0	5	3.6
2015	300.0	8	3.6
2016	200.0	6	3.7
2017	750.0	21	4.8
Total	3,600.0	100	3.7

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,704 shareholders at the end of the period. The proportion of foreign ownership as of March 31, 2011 was 22 per cent of the total number of outstanding shares (25 at the turn of the year). The series A share price as of March 31, 2011 was SEK 75.15 and market capitalization was SEK 16.3 billion.

Shares bought back

The total number of shares held by Hufvudstaden as of March 31, 2011 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 2011 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, 2011, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2011	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2011	211.3	5.0	206.3

MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks and changes in the value of the property holdings. The Company has not identified any material risks and uncertainties other than those described in the 2010 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

ACCOUNTING PRINCIPLES

Hufvudstaden applies the EU-endorsed IFRS standards and interpretations thereof (IFRIC). This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. With effect from 2011, Hufvudstaden reports costs for internal project management as part of maintenance project expense. In other respects the accounting principles and computation methods are the same as those applied in the most recent Annual Report.

FORTHCOMING INFORMATION

Interim Report, January-June 2011	August 24, 2011
Interim Report, January-September 2011	November 3, 2011
Year-End Report 2011	February 9, 2012
Annual Report 2011	March 2012
Annual General Meeting 2012 in Stockholm	March 22, 2012

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 May 4, 2011.

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

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

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	January- March 2011	January- March 2010	January- December 2010
Net revenue			
Property management	334.8	321.4	1,321.0
Parking operations	17.1	17.7	71.1
	351.9	339.1	1,392.1
Property management expenses			
Maintenance	-8.6	-4.8	-28.4
Operation and administration	-66.2	-60.7	-234.9
Ground rents	-3.8	-1.7	-13.3
Property tax	-31.5	-29.6	-124.1
Property management expenses	-110.1	-96.8	-400.7
Parking operations, expenses	-12.2	-12.1	-47.5
Operating expenses	-122.3	-108.9	-448.2
Gross profit	229.6	230.2	943.9
- of which Property management	224.7	224.6	920.3
- of which Parking operations	4.9	5.6	23.6
Central administration	-7.6	-6.8	-31.0
Operating profit before changes in value	222.0	223.4	912.9
Changes in value			
Investment properties	116.6	-	1,490.3
Interest derivatives	43.0	-22.6	51.4
Operating profit	381.6	200.8	2,454.6
Financial income and expense	-31.8	-28.0	-102.7
Profit before tax	349.8	172.8	2,351.9
Tax	-92.5	-46.7	-618.6
Result after tax	257.3	126.1	1,733.3
Other comprehensive income	-	-	-
Total comprehensive income for the period	257.3	126.1	1,733.3
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	1.25	0.61	8.40

BALANCE SHEETS – SUMMARY

GROUP, SEK m	March 31, 2011	March 31, 2010	December 31, 2010
Investment properties	20,417.1	18,349.2	20,148.3
Other fixed assets	11.9	13.1	12.3
Total fixed assets	20,429.0	18,362.3	20,160.6
Current assets	401.7	564.7	378.5
Total assets	20,830.7	18,927.0	20,539.1
Equity	11,309.0	9,918.8	11,526.0
Non-current liabilities to credit institutions	3,300.0	2,950.0	2,650.0
Deferred tax liabilities	4,853.2	4,346.1	4,788.8
Other non-current liabilities	46.6	152.7	87.2
Pension provisions	7.5	6.6	7.4
Total non-current liabilities	8,207.3	7,455.4	7,533.4
Current, interest-bearing liabilities	300.0	650.0	950.0
Other liabilities	1,014.4	902.8	529.7
Total current liabilities	1,314.4	1,552.8	1,479.7
Total equity and liabilities	20,830.7	18,927.0	20,539.1

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- March 2011	January- March 2010	January- December 2010
Equity, opening balance	11,526.0	10,225.9	10,225.9
Total comprehensive income for the period	257.3	126.1	1,733.3
Dividends	-474.4	-433.2	-433.2
Equity, closing balance	11,309.0	9,918.8	11,526.0

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- March 2011	January- March 2010	January- December 2010
Result before tax	349.8	172.8	2,351.9
Depreciation/impairments	2.2	1.1	4.1
Change in value, investment properties	-116.6	-	-1,490.3
Change in value, interest derivatives	-43.0	22.6	-51.4
Other changes	0.1	0.3	1.1
Tax paid	-79.4	-97.1	-195.3
Cash flow from current operations before changes in working capital	113.1	99.7	620.1
Increase/decrease in operating receivables	-4.0	-1.1	5.4
Increase/decrease in operating liabilities	64.1	28.3	65.9
Cash flow from current operations	173.2	126.9	691.4
Investments in investment properties	-152.2	-223.9	-532.7
Investments in equipment	-0.4	-0.2	-1.7
Change in non-current receivable	-0.1	-0.3	-0.8
Cash flow from investments	-152.7	-224.4	-535.2
Dividend paid	-	-	-433.2
Loans raised	-	200.0	200.0
Cash flow from financing	-	200.0	-233.2
Cash flow for the period	20.5	102.5	-77.0
Liquid funds at the beginning of the period	347.9	424.9	424.9
Liquid funds at the period-end	368.4	527.4	347.9
Cash flow for the period per share, SEK	0.10	0.50	-0.37

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	March 31, 2011	March 31, 2010	December 31, 2010
Pledged assets			
Mortgages	1,981.2	1,806.2	1,806.2
Endowment insurance	5.8	5.1	5.7
Total pledged assets	1,987.0	1,811.3	1,811.9
Contingent liabilities	None	None	None

SEGMENT REPORT – SUMMARY¹

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010
Net revenue	147.7	141.0	141.8	137.6	45.3	42.8	334.8	321.4
Property expenses	-44.4	-38.2	-49.5	-45.1	-16.2	-13.5	-110.1	-96.8
Gross profit, property management	103.3	102.8	92.3	92.5	29.1	29.3	224.7	224.6
Parking operations			4.9	5.6			4.9	5.6
Central administration							-7.6	-6.8
Changes in value								
Investment properties							116.6	-
Interest derivatives							43.0	-22.6
Operating profit							381.6	200.8
Financial income and expense							-31.8	-28.0
Profit before tax							349.8	172.8

¹ For comparable holdings, net revenue for the Gothenburg Business Area and for the Group for 2010 should be increased by SEK 2.3 million and gross profit for 2010 by SEK 1.4 million.

KEY RATIOS

GROUP	March 31, 2011	March 31, 2010	Full Year 2010	Full Year 2009	Full Year 2008	Full Year 2007
Property-related						
Rentable floor space, 1,000 m ²	357	358	358	354	354	354
Rental vacancy level, %	5.3	7.2	5.1	6.2	5.3	3.3
Floor space vacancy level, %	7.0	8.7	6.8	7.4	5.9	4.6
Fair value, SEK bn	20.4	18.3	20.1	18.1	19.1	20.5
Financial						
Surplus ratio, %	65.2	67.9	67.8	68.8	67.3	67.8
Return on equity, %	5.8	5.4	15.9	-3.4	-3.9	20.4
Return on capital employed, %	6.7	6.1	16.7	-2.4	-5.7	22.3
Equity ratio, %	54.3	52.4	56.1	55.0	55.9	56.4
Interest coverage ratio, multiple	6.9	7.9	7.7	7.0	5.5	6.2
Debt/equity ratio, multiple	0.3	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	17.6	19.1	16.1	16.4	15.6	15.8
Loan-to-value ratio, properties, %	18.2	19.6	17.9	18.8	17.8	16.6
Data per share						
Profit for the period, SEK	1.25	0.61	8.40	-1.73	-2.18	11.64
Equity, SEK	54.83	48.09	55.88	49.58	53.09	57.25
Properties, fair value, SEK	98.98	88.96	97.68	87.87	92.52	99.53
Net asset value, SEK	69.00	61.00	70.00	62.00	66.00	73.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

KEY RATIOS PER QUARTER

GROUP	Jan-Mar 2011	Oct-Dec 2010	Jul-Sept 2010	Apr-June 2010	Jan-Mar 2010	Oct-Dec 2009	July-Sept 2009	Apr-June 2009
Net revenue, SEK m	352	365	346	342	339	352	338	340
Return on equity, %	5.8	16.2	9.4	6.7	5.4	-3.6	-1.9	-2.1
Return on equity, adjusted, %	4.9	6.0	5.7	5.6	5.7	5.5	5.9	5.6
Equity ratio, %	54.3	56.1	54.7	54.0	52.4	55.0	54.9	54.6
Profit/share for the period, SEK	1.25	4.44	2.07	1.29	0.61	-0.01	0.70	-0.94
Equity per share, SEK	54.83	55.88	51.44	49.37	48.09	49.58	49.55	48.82
Net asset value per share, SEK	69.00	70.00	65.00	62.00	61.00	62.00	62.00	61.00
Cash flow from current operations per share, SEK	0.84	0.92	0.94	0.88	0.62	0.82	0.75	0.81

PARENT COMPANY

RESULT AND POSITION

Net sales amounted to SEK 203.4 million (194.2). The gross profit was SEK 61.7 million (90.9). The decrease can be attributed primarily to increased costs related to adaptation of premises. Net financial income/expense was SEK -31.7 million (-28.0).

Liquid funds at the period-end amounted to SEK 368.2 million (527.2). Investments in properties and equipment during the period totalled SEK 93.2 million (190.1).

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 2010 Annual Report.

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

	January- March 2011	January- March 2010	January- December 2010
PARENT COMPANY, SEK m			
Net revenue	203.4	194.2	790.7
Operating expenses	-141.7	-103.3	-454.7
Gross profit	61.7	90.9	336.0
Central administration	-7.6	-6.8	-31.0
Changes in value, interest derivatives	43.0	-22.6	51.4
Operating profit	97.1	61.5	356.4
Financial income and expense	-31.7	-28.0	-103.1
Profit after net interest income/expense	65.4	33.5	253.3
Appropriations	-	-	98.2
Profit before tax	65.4	33.5	351.5
Tax	-18.4	-10.1	-92.2
Profit for the period	47.0	23.4	259.3
Statement of comprehensive income, SEK m			
Profit for the period	47.0	23.4	259.3
<i>Other comprehensive income</i>	-	-	-
Comprehensive income for the period	47.0	23.4	259.3

BALANCE SHEETS – SUMMARY

	March 31, 2011	March 31, 2010	December 31, 2010
PARENT COMPANY, SEK m			
Investment properties	6,317.0	6,134.6	6,240.6
Other fixed assets	2,834.6	2,835.2	2,835.1
Total fixed assets	9,151.6	8,969.8	9,075.7
Current assets	811.2	985.5	837.2
Total assets	9,962.8	9,955.3	9,912.9
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,779.0	1,723.9	2,206.5
Total equity	3,757.7	3,702.6	4,185.2
Untaxed reserves	556.0	654.1	556.0
Appropriations	1,137.3	1,104.3	1,125.5
Non-current liabilities	3,347.2	3,103.1	2,737.7
Current liabilities	1,164.6	1,391.2	1,308.5
Total liabilities	6,205.1	6,252.7	5,727.7
Total equity and liabilities	9,962.8	9,955.3	9,912.9

Stockholm, May 4, 2011

Ivo Stopner
President

This Interim Report has not been the subject of an examination by the Company's auditors.

DEFINITIONS AND GLOSSARY

Annual rent. Gross rent at the period-end, 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 an ongoing 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 liabilities. Interest-bearing liabilities, including decided dividend less current investments and cash and bank holdings.

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

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

Property tax supplement. Property tax payments received from tenants.

Rental losses. Loss of revenue as a result of unlet space.

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

Return on capital employed. Profit before tax plus interest expense 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.

Return on equity, adjusted. Profit after tax, excluding changes in value, 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.

Surplus ratio. Gross profit in relation to net revenue.

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

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

This document is in all respects a translation of the original Interim Report in Swedish. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

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