

# HUFVUDSTADEN

## Year-end Report 2011

- **Profit after tax for the year was SEK 1,435 million (1,733), equivalent to SEK 6.96 per share (8.40). The decrease can be attributed mainly to the lower unrealized change in value for the year compared to the preceding year.**
- **Gross profit totalled SEK 965 million (944), an increase of 2 per cent. The improved profit is due to higher rents and a lower vacancy.**
- **The Board proposes an increase in the dividend to SEK 2.45 per share (2.30).**
- **The fair value of the property holdings was set at SEK 22.3 billion (20.1), giving a net asset value of SEK 76 per share (70).**
- **The equity ratio was 55 per cent (56), the net loan-to-value ratio was 18 per cent (16) and the interest coverage ratio multiple was 7.0 (7.7).**
- **Consolidated net revenue amounted to SEK 1,437 million (1,392), an increase of 3 per cent.**
- **The rental vacancy level at the year-end was 3.9 per cent (5.1).**

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### GROUP

#### RESULTS

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

Net rents from property management during the year amounted to SEK 1,369.4 million (1,321.0). The increase can be attributed to higher gross rents in conjunction with renegotiations and new leases, and indexing. The cost for vacant floor space also fell and the level of vacant space decreased during the year from 5.1 per cent to 3.9 per cent.

The turnover-based rent supplement at the NK properties amounted to SEK 9.0 million (10.7).

Gross profit for the year totalled SEK 944.9 million (920.3). The increase can be attributed mainly to higher rents and a reduction in vacant space, counteracted mainly by higher maintenance costs. The latter can largely be explained by costs incurred for evacuating store tenants.

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 67.9 million (71.1), the reason being a fall in short-term parking. Expenses amounted to SEK 48.2 million (47.5) and gross profit amounted to SEK 19.7 million (23.6).

##### Other Income Statement items

Central administration totalled SEK -31.7 million (-31.0). Changes in the value of investment properties totalled SEK 1,244.9 million (1,490.3) and changes in interest derivatives totalled SEK -99.2 million (51.4).

##### Financial income and expense

Net financial income and expense amounted to SEK -122.3 million (-102.7). The net cost has increased as a result of higher borrowing and high interest rates on loans with a short-term fixed interest period. The net cost also includes financial income of SEK 10.2 million (16.0) due to the dissolution of a provision for an earlier sale of a subsidiary.

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<sup>1</sup> The properties Inom Vallgraven 12:1 and 12:9 are included with effect from March 30, 2010, the property Kåkenhusen 38 from December 14, 2011, the property Inom Vallgraven 12:2 from December 15, 2011 and the property Inom Vallgraven 20:4 was included until December 14, 2011.

## Tax

The Group's tax was SEK -521.0 million (-618.6), of which SEK -140.8 million was actual tax (-165.8) and SEK -380.2 million was deferred tax (-452.8).

## Profit for the year

The consolidated profit after tax amounted to SEK 1,435.3 million (1,733.3). The fall in profit is due mainly to lower unrealized changes in value compared to the preceding year.

## ACQUISITIONS AND INVESTMENTS

In December, the property Kåkenhusen 38 in Stockholm was acquired with an underlying property value of SEK 477.5 million and with total rentable floor space of around 6,700 square metres. In Gothenburg, the property Inom Vallgraven 12:2 was acquired with an underlying property value of SEK 65 million. The property comprises an undeveloped plot with a building right totalling 2,000 square metres. At the same time, the property Inom Vallgraven 20:4, with an underlying property value of SEK 87 million, was divested. New investment in properties and equipment during the period totalled SEK 947.5 million (534.4). Apart from the property acquisitions, the majority of investments referred to the extension project at Femman in Nordstan in Gothenburg, which commenced in 2010 and will be completed in 2012.

## PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property holdings as of December 31, 2011 is estimated at SEK 22,251 million (20,148). The increase can be attributed to the net of property acquisitions and divestments, investments in the property holdings and unrealized changes in value. The rentable floor space was 365,500 square metres (358,000).

The total rental vacancy level as of December 31, 2011 was 3.9 per cent (5.1) and the total floor space vacancy level was 5.9 per cent (6.8).

## 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 acquisitions, divestments 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 during 2011 amounting to SEK 1,243.9 million (1,490.3). The total value of the property holdings as of December 31, 2011 was SEK 22.3 billion, including investments made during the year. The unrealized increase in value can be explained by rising rents and a lower yield requirement. The average yield requirement in conjunction with the above valuation was 4.8 per cent (5.0).

## Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The valuation took 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.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. The yield requirement can vary between different regions and different sub-areas within the regions. The net operating income of the properties is based on market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Account has also taken of the type of property, the technical standard, the building construction and major investment needs. For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for properties where the land is freehold.

In making the valuation, the following yield requirement figures for office and retailing properties have been applied:

Stockholm	4.5-5.1 per cent
Gothenburg	5.0-6.0 per cent
Property holdings, average	4.8 per cent

## Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. The price can, however, only be set when a transaction has been completed. In conjunction with a property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 22.3 billion with a degree of uncertainty of +/- 5 per cent and consequently this means that the assessed fair value varies by +/- SEK 1.1 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

## Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/m <sup>2</sup>	SEK 750 m
Property costs	SEK 50/m <sup>2</sup>	SEK 375 m
Rental vacancy level	1.0 percentage points	SEK 300 m
Yield requirement	0.5 percentage points	SEK 2,300 m

## External valuation

To guarantee the valuation, external valuations were obtained from two valuation companies, Newsec Advice AB and Forum Fastighetsekonomi AB. The external valuations for 2011 cover eight properties and are equivalent to 32 per cent of the internally assessed fair value. For the full year 2011, external valuations equivalent to 55 per cent were made. The starting point for the selection of the properties was that the objects selected should represent different

property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Grönlandet Södra 11, Hästhuvudet 13, Kvasten 6, Orgepipan 7, Packarhuset 4, Pumpstocken 10 (part of), Rännilen 19 (part of) in Stockholm, and Nordstaden 8:24 in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 7.4 billion. Hufvudstaden's internal valuation of the same properties was SEK 7.1 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 was SEK 15.6 billion or SEK 76 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 of the properties for tax purposes. 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 12.5 billion or SEK 61 per share. If the tax rate is assumed to be 0 per cent, the net asset value would be SEK 17.5 billion or SEK 85 per share.

#### RENTAL MARKET

Interest in modern, flexible office space in prime locations in central Stockholm continued to be good during the period. Vacant space in this category has fallen and rents are stable. 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 at the end of the period were noted of between SEK 4,200 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 stable. Market rents for modern, well-planned office premises in prime locations were between SEK 1,900 and SEK 2,400 per square metre per year, excluding the property tax supplement. Top rents are expected to exceed this level slightly. For retail premises, the market rents were between SEK 6,000 and SEK 13,000 per square metre per year, excluding the property tax supplement.

The Group's current renegotiations for both office and retail premises have proceeded in accordance with our expectations. A total of 42,200 square metres were renegotiated during the period at a rental value of SEK 215 million. On average, these renegotiations have resulted in an increase in rent levels of 8 per cent (2).

#### FINANCING STRUCTURE

Hufvudstaden's borrowing as of December 31, 2011 amounted to SEK 4,375.0 million (3,600.0). The average fixed interest period was 24 months (31),

the average capital tie-up period was 54 months (43) and the average annual interest rate was 3.8 per cent (3.6). Interest-bearing net liabilities amounted to SEK 4,028.3 million (3,252.1). To broaden the financing base, the Company has decided to embark on a certificate programme totalling SEK 1 billion.

The fair value of interest swaps as of December 31, 2011 was SEK -183.6 million (-84.4).

#### Capital tie-up structure, December 31, 2011

Maturity Date	Volume, SEK m	Share, %
2012	250.0	6
2013	950.0	22
2016	425.0	10
2017	2,750.0	62
Total	4,375.0	100

#### Fixed interest structure, December 31, 2011

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2012	2,125.0	48	3.4
2013	600.0	14	3.9
2014	200.0	5	3.6
2015	300.0	7	3.6
2016	400.0	9	3.5
2017	750.0	17	4.8
Total	4,375.0	100	3.8

#### SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,151 shareholders at the end of the period. The proportion of foreign ownership as of December 31, 2011 was 26.5 per cent of the total number of outstanding shares (25.4). The series A share price as of December 31, 2011 was SEK 70.05 and market capitalization was SEK 15.4 billion.

#### Largest shareholders as of December 31, 2011

	Number of shares, %	Number of votes, %
Lundbergs	44.2	87.6
State Street Bank and Trust	4.7	1.0
Mellon Fonder	3.0	0.6
SEB Investment Management	1.8	0.4
Swedbank Robur fonder	1.7	0.4
JP Morgan fonder with Chase Bank	1.7	0.3
Handelsbanken fonder	1.6	0.3
Länsförsäkringar fondförvaltning AB	1.4	0.3
SIX SIS AG	1.2	0.2
Other shareholders	36.3	8.4
Outstanding shares	97.6	99.5
Company holding	2.4	0.5
All issued shares	100.0	100.0

#### Shares bought back

The total number of shares held by Hufvudstaden as of December 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. On March 22, 2012, the Board of Directors will propose that the Annual General Meeting renews authorization to acquire and assign company shares.

### Buy-back of shares as of December 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 December 31, 2011	211.3	5.0	206.3

### FOURTH QUARTER

Gross profit from property management amounted to SEK 252.8 million (234.3), an increase of 8 per cent. The change can be attributed mainly to higher rents in conjunction with renegotiations and new leases. Net rents amounted to SEK 360.7 million (345.1). Property management costs amounted to SEK 107.9 million (110.8).

Gross profit from parking operations amounted to SEK 6.6 million (7.9). Net revenue amounted to SEK 18.8 million (19.9) and costs amounted to SEK 12.2 million (12.0).

Changes in the value of investment properties amounted to SEK 371.1 million (938.3) and in the case of interest derivatives SEK -13.8 million (79.4). Financial income and expense amounted to SEK -23.8 million (-14.5).

### 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 the cost for

internal project management as part of the cost of maintenance projects. Otherwise, the accounting principles and computation methods are the same as those applied in the most recent Annual Report.

### PROPOSED DIVIDEND

The Board of Directors proposes an increase in the dividend to SEK 2.45 per share.

### PROPOSAL FOR THE ELECTION OF A BOARD AND AUDITORS

The Company's main shareholders have notified the Company that they intend to propose at the Annual General Meeting that the present Board members be re-elected and that KPMG be elected as auditors, with George Pettersson as lead auditor.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4pm on Thursday, March 22, 2012 at the Grand Hotel, Vinträdgården, Stockholm. The Annual Report for 2011 will be available at the Company's office in week 10 and on the Company's website. It will also be distributed to those shareholders who have expressed an interest.

### FORTHCOMING INFORMATION

Annual Report 2011	March 2012
Annual General Meeting 2012 in Stockholm	March 22, 2012
Interim Report, January-March 2012	May 10, 2012
Interim Report, January-June 2012	August 23, 2012
Interim Report, January-September 2012	November 20, 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 February 9, 2012.

*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>October- December 2011</b>	<b>October - December 2010</b>	<b>January- December 2011</b>	<b>January- December 2010</b>
<b>Net sales</b>				
Property management	360.7	345.1	1,369.4	1,321.0
Parking operations	18.8	19.9	67.9	71.1
	<b>379.5</b>	<b>365.0</b>	<b>1,437.3</b>	<b>1,392.1</b>
<b>Property management expenses</b>				
Maintenance	-9.1	-10.8	-46.8	-28.4
Operation and administration	-63.4	-66.3	-236.1	-234.9
Ground rents	-3.8	-3.9	-15.5	-13.3
Property tax	-31.6	-29.8	-126.1	-124.1
<b>Property management expenses</b>	<b>-107.9</b>	<b>-110.8</b>	<b>-424.5</b>	<b>-400.7</b>
Parking operations, costs	-12.2	-12.0	-48.2	-47.5
<b>Operating expenses</b>	<b>-120.1</b>	<b>-122.8</b>	<b>-472.7</b>	<b>-448.2</b>
<b>Gross profit</b>	<b>259.4</b>	<b>242.2</b>	<b>964.6</b>	<b>943.9</b>
- of which Property management	252.8	234.3	944.9	920.3
- of which Parking operations	6.6	7.9	19.7	23.6
Central administration	-8.2	-8.2	-31.7	-31.0
<b>Operating profit before changes in value</b>	<b>251.2</b>	<b>234.0</b>	<b>932.9</b>	<b>912.9</b>
<b>Changes in value</b>				
Investment properties	371.1	938.3	1,244.9	1,490.3
Interest derivatives	-13.8	79.4	-99.2	51.4
<b>Operating result</b>	<b>608.5</b>	<b>1,251.7</b>	<b>2,078.6</b>	<b>2,454.6</b>
Financial income and expense	-23.8	-14.5	-122.3	-102.7
<b>Result before tax</b>	<b>584.7</b>	<b>1,237.2</b>	<b>1,956.3</b>	<b>2,351.9</b>
Tax	-159.0	-321.9	-521.0	-618.6
<b>Result after tax</b>	<b>425.7</b>	<b>915.3</b>	<b>1,435.3</b>	<b>1,733.3</b>
<b>Other comprehensive income:</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>425.7</b>	<b>915.3</b>	<b>1,435.3</b>	<b>1,733.3</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933
Result for the period after tax per share before and after dilution, SEK	2.06	4.44	6.96	8.40

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Investment properties	22,251.2	20,148.3
Other fixed assets	11.7	12.3
<b>Total fixed assets</b>	<b>22,262.9</b>	<b>20,160.6</b>
Current assets	432.1	378.5
<b>Total assets</b>	<b>22,695.0</b>	<b>20,539.1</b>
Equity	12,486.9	11,526.0
Non-current liabilities to credit institutions	4,125.0	2,650.0
Deferred tax liability	5,171.4	4,788.8
Other non-current liabilities	187.9	87.2
Pension provisions	7.7	7.4
<b>Total non-current liabilities</b>	<b>9,492.0</b>	<b>7,533.4</b>
Current, interest-bearing liabilities	250.0	950.0
Other liabilities	466.1	529.7
<b>Total current liabilities</b>	<b>716.1</b>	<b>1,479.7</b>
<b>Total equity and liabilities</b>	<b>22,695.0</b>	<b>20,539.1</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-December 2011	January-December 2010
Equity, opening balance	11,526.0	10,225.9
Total comprehensive income for the period	1,435.3	1,733.3
Dividends	-474.4	-433.2
<b>Equity, closing balance</b>	<b>12,486.9</b>	<b>11,526.0</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-December 2011	January-December 2010
Result before tax	1,956.3	2,351.9
Depreciation/impairments	7.4	4.1
Change in value, investment properties	-1,244.9	-1,490.3
Change in value, interest derivatives	99.2	-51.4
Other changes	0.4	1.1
Tax paid	-204.6	-195.3
<b>Cash flow from current operations before changes in working capital</b>	<b>613.8</b>	<b>620.1</b>
Increase/decrease in operating receivables	-34.7	5.4
Increase/decrease in operating liabilities	-20.3	65.9
<b>Cash flow from current operations</b>	<b>558.8</b>	<b>691.4</b>
Disposal of investment properties	87.0	-
Investments in investment properties	-945.1	-532.7
Investments in equipment	-2.4	-1.7
Acquisition of subsidiary	-0.1	-
Change in financial asset	-	-0.8
<b>Cash flow from investments</b>	<b>-860.6</b>	<b>-535.2</b>
Loans raised	775.0	200.0
Dividend paid	-474.4	-433.2
<b>Cash flow from financing</b>	<b>300.6</b>	<b>-233.2</b>
<b>Cash flow for the period</b>	<b>-1.2</b>	<b>-77.0</b>
Cash and cash equivalents at the beginning of the period	347.9	424.9
Cash and cash equivalents at the period-end	346.7	347.9
Cash flow for the period per share, SEK	-0.01	-0.37

## PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	December 31, 2011	December 31, 2010
<b>Pledged assets</b>		
Mortgages	2,457.1	1,806.2
Endowment insurance	6.0	5.7
<b>Total pledged assets</b>	<b>2,463.1</b>	<b>1,811.9</b>
Contingent liabilities	None	None

## SEGMENT REPORT – SUMMARY

	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Net revenue	607.4	569.5	578.1	571.8	183.9	179.7	1,369.4	1,321.0
Property costs	-172.0	-153.4	-194.3	-191.8	-58.2	-55.5	-424.5	-400.7
<b>Gross profit, Property management</b>	<b>435.4</b>	<b>416.1</b>	<b>383.8</b>	<b>380.0</b>	<b>125.7</b>	<b>124.2</b>	<b>944.9</b>	<b>920.3</b>
Parking operations			19.7	23.6			19.7	23.6
Central administration							-31.7	-31.0
<b>Changes in value</b>								
Investment properties							1,244.9	1,490.3
Interest derivatives							-99.2	51.4
<b>Operating profit</b>							<b>2,078.6</b>	<b>2,454.6</b>
Financial income and expense							-122.3	-102.7
<b>Profit before tax</b>							<b>1,956.3</b>	<b>2,351.9</b>

## KEY RATIOS

GROUP	Full year 2011	Full year 2010	Full Year 2009	Full Year 2008	Full Year 2007
<b>Property-related</b>					
Rentable floor space, 1,000 m <sup>2</sup>	365	358	354	354	354
Rental vacancy level, %	3.9	5.1	6.2	5.3	3.3
Floor space vacancy level, %	5.9	6.8	7.4	5.9	4.6
Fair value, SEK bn	22.3	20.1	18.1	19.1	20.5
Surplus ratio, %	67.1	67.8	68.8	67.3	67.8
<b>Financial</b>					
Return on equity, %	12.0	15.9	-3.4	-3.9	20.4
Return on capital employed, %	12.8	16.7	-2.4	-5.7	22.3
Equity ratio, %	55.0	56.1	55.0	55.9	56.4
Interest coverage ratio, multiple	7.0	7.7	7.0	5.5	6.2
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	18.1	16.1	16.4	15.6	15.8
<b>Data per share</b>					
Result for the period, SEK	6.96	8.40	-1.73	-2.18	11.64
Equity, SEK	60.54	55.88	49.58	53.09	57.25
Properties, fair value, SEK	107.88	97.68	87.87	92.52	99.53
Net asset value, SEK	76.00	70.00	62.00	66.00	73.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272

## KET RATIOS PER QUARTER

GROUP	Oct-Dec 2011	July-Sept 2011	Apr-June 2011	Jan-Mar 2011	Oct-Dec 2010	July-Sept 2010	April-June 2010	Jan-Mar 2010
Net revenue, SEK m	380	350	356	352	365	346	342	339
Return on equity, %	12.4	9.6	10.3	5.8	16.2	9.4	6.7	5.5
Return on equity, adjusted, %	5.4	4.7	5.0	4.9	6.0	5.7	5.6	5.7
Equity ratio, %	55.0	55.6	55.7	54.3	56.1	54.7	54.0	52.4
Profit/share for the period, SEK	2.06	0.45	3.19	1.25	4.44	2.07	1.29	0.61
Equity per share, SEK	60.54	58.47	58.02	54.83	55.88	51.44	49.37	48.09
Net asset value per share, SEK	76.00	73.00	73.00	69.00	70.00	65.00	62.00	61.00
Cash flow from current operations per share, SEK	0.53	0.69	0.64	0.84	0.92	0.94	0.88	0.62

## PARENT COMPANY

### RESULT AND POSITION

Gross profit amounted to SEK 356.4 million (336.0). The increase can be attributed to higher rents and lower levels of vacant space. Net revenue amounted to SEK 828.1 million (790.7).

Net financial income/expense was SEK 275.3 million (231.7). The profit for the year included group contributions from subsidiaries totalling SEK 319.9 million (334.8).

Cash and cash equivalents at the period-end amounted to SEK 346.4 million (347.6). Investments in properties and equipment during the period totalled SEK 225.0 million (347.1). Acquisitions of subsidiaries totalled SEK 266.3 million (0).

### 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

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

### ACCOUNTING PRINCIPLES

With effect from 2011, group contributions received are reported under financial items and group contributions granted are reported as an investment in shares in subsidiaries. The change has meant that group contributions received during 2010 are reported as financial income in the profit for the year instead of directly against equity. In other respects, the Parent Company applies the same accounting principles as in the most recent annual report.

**INCOME STATEMENTS – SUMMARY**

	October- December 2011	October- December 2010	January- December 2011	January- December 2010
<b>PARENT COMPANY, SEK m</b>				
Net revenue	213.6	203.0	828.1	790.7
Operating expenses	-81.4	-124.7	-471.7	-454.7
<b>Gross profit</b>	<b>132.2</b>	<b>78.3</b>	<b>356.4</b>	<b>336.0</b>
Central administration	-8.2	-8.3	-31.7	-31.0
Capital gain on sale of a property	-14.7	-	-14.7	-
Changes in value, interest derivatives	-13.8	79.4	-99.2	51.4
<b>Operating profit</b>	<b>95.5</b>	<b>149.4</b>	<b>210.8</b>	<b>356.4</b>
Contributions from subsidiaries	319.9	334.8	319.9	334.8
Other financial income and expense	53.8	-14.9	-44.6	-103.1
<b>Result after net interest income/expense</b>	<b>469.2</b>	<b>469.3</b>	<b>486.1</b>	<b>588.1</b>
Appropriations	-28.5	98.2	-28.5	98.2
<b>Profit before tax</b>	<b>440.7</b>	<b>567.5</b>	<b>457.6</b>	<b>686.3</b>
Tax	-92.4	-145.1	-100.2	-180.2
<b>Result for the period</b>	<b>348.3</b>	<b>422.4</b>	<b>357.4</b>	<b>506.1</b>
<b>Statement of comprehensive income, SEK m</b>				
Profit for the period	348.3	422.4	357.4	506.1
<i>Other comprehensive income</i>	-	-	-	-
<b>Comprehensive income for the period</b>	<b>348.3</b>	<b>422.4</b>	<b>357.4</b>	<b>506.1</b>

**BALANCE SHEETS – SUMMARY**

	December 31, 2011	December 31, 2010
<b>PARENT COMPANY, SEK m</b>		
Investment properties	6,369.6	6,240.6
Other fixed assets	3,101.6	2,835.1
Total fixed assets	9,471.2	9,075.7
Current assets	1,109.3	837.2
<b>Total assets</b>	<b>10,580.5</b>	<b>9,912.9</b>
Restricted equity	1,978.7	1,978.7
Non-restricted equity	2,089.5	2,206.5
Total equity	4,068.2	4,185.2
Untaxed reserves	584.5	556.0
Appropriations	1,086.4	1,125.5
Non-current liabilities	4,313.5	2,737.7
Current liabilities	527.9	1,308.5
Total liabilities	6,512.3	5,727.7
<b>Total equity and liabilities</b>	<b>10,580.5</b>	<b>9,912.9</b>

Stockholm, February 9, 2012

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  
Board Member  
and President

This Year-End 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 that entail future financial benefits are capitalized. Rebuilding costs of an ongoing maintenance nature are charged to profit.

**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 account being taken of 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 account being taken of seasonal variations that normally arise in operations and with the exception of changes in value.

**Return on equity, adjusted.** Profit after tax, excluding changes in value, in relation to the average equity. In the interim accounts the return has been recalculated on a full-year basis without account being taken of seasonal variations that normally arise in operations.

**Surplus ratio.** Gross profit in relation to net revenue.

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

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

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



## Hufvudstaden

Hufvudstaden, which was founded in 1915, rapidly became one of the leading property companies in Sweden and is today one of the country's strongest brands in the property sector. The brand is well-known and represents high quality, good service and long-term thinking in the management and development of the Company's commercial properties in the most attractive business locations in Stockholm and Gothenburg.

## Vision

Hufvudstaden shall be consistently perceived as, and prove to be, the most attractive property company in Sweden.

## Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden shall offer successful companies high-quality office and retailing premises in attractive marketplaces.

## Financial objectives

- Hufvudstaden shares shall have good dividend growth over time and the dividend shall account for more than half the net profit from current operations.
- The equity ratio shall be at least 40 per cent over time.

## Operating objectives

Hufvudstaden will:

- gradually increase profit from current operations.
- have the most satisfied customers in the industry.
- have the most developed property holdings in the industry.
- have the most professional personnel in the industry, with firm commitment to the customer, good business acumen and professional know-how.

## Strategies to achieve the objectives

*Customer focus.* Hufvudstaden shall work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

*Quality.* Quality and environmental systems shall ensure the highest possible level of quality in all the Company's products and services.

*Skills development.* Systematic development of the knowledge and skills of the personnel shall be ensured with a focus on professional know-how and values.

*Business development.* Active business development shall create added value in the property holdings.

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](mailto:info@hufvudstaden.se) Website: [www.hufvudstaden.se](http://www.hufvudstaden.se)  
Company registration number: 556012-8240  
Registered office: Stockholm