

# Q2



HUFVUDSTADEN  
Half-year Report January – June 2012



## Half-year Report January–June 2012

- Profit after tax for the period was SEK 654 million (916), equivalent to SEK 3.17 per share (4.44). The decrease can be attributed to a lower increase in the value of the property holdings.
- Gross profit from property management increased by 13 per cent and amounted to SEK 527 million (465), due mainly to higher rents and investments in properties.
- The fair value of the property holdings was set at SEK 22.8 billion (22.3 at the turn of the year).
- The net asset value amounted to SEK 77 per share (76 at the turn of the year).
- The equity ratio was 55 per cent (56), the net loan-to-value ratio was 19 per cent (17) and the interest coverage ratio multiple was 6.2 (6.8).
- Consolidated net revenue amounted to SEK 763 million (708), an increase of 8 per cent.
- The rental vacancy level at the period-end was 3.8 per cent (3.9 at the turn of the year).

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### GROUP

### RESULTS

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

Net rents from property management during the period amounted to SEK 728.1 million (673.8), an increase of 8 per cent. The gross profit increased by 13 per cent to SEK 527.2 million (465.1). The increase in profit can be attributed to higher rents in conjunction with renegotiations and new leases, an increase in the index supplement and a lower level of vacant space. The profit was also affected by revenue from the newly acquired property in Stockholm, additional floor space in the Femman building in Gothenburg and lower operating costs.

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 9.0 million. Apart from this, there are 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 34.5 million (33.8), expenses amounted to SEK 24.3 million (24.3) and gross profit amounted to SEK 10.2 million (9.5).

#### Other profit and loss items

Central administration totalled SEK -16.4 million (-15.5). Changes in the value of investment properties totalled SEK 419.8 million (840.5) and changes in interest derivatives totalled SEK 32.6 million (10.9).

#### Financial income and expense

Net financial income and expense amounted to SEK -82.3 million (-66.1). The increase in net cost can be attributed to increased borrowing in conjunction with property acquisitions and project investments.

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<sup>1</sup> The properties Kåkenhusen 38 and Inom Vallgraven 12:2 are included from the middle of December 2011. The property Inom Vallgraven 20:4 is included up to the middle of December 2011.

## Tax

The Group's tax (actual and deferred tax) for the period was SEK -237.4 million (-328.1), of which SEK -101.8 million was actual tax (-60.4) and SEK -135.6 million was deferred tax (-267.7).

The Supreme Administrative Court has ruled against the subsidiary Stockholm City AB in the matter of a split between direct deduction and capitalization as a building. The ruling does not have any impact on the financial results and only involves a transfer from deferred tax to actual tax of SEK 17.0 million.

The Swedish Tax Agency is also considering changing the division between direct deduction and capitalization in conjunction with a completed foundation reinforcement project at Hufvudstaden AB. The amount is estimated at SEK 40.0 million and does not have any impact on the total reported tax expense for the Group, only involving a transfer between actual tax and deferred tax.

## Profit for the period

The consolidated profit after tax amounted to SEK 653.7 million (916.3). The fall is due to lower unrealized increases in the value of the property holdings.

## ACQUISITIONS AND INVESTMENTS

Investment in properties and equipment during the period totalled SEK 82.9 million (266.9).

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as of June 30, 2012 is estimated at SEK 22,753 million (22,251 at the turn of the year). The increase can be attributed to unrealized changes in value and investments in the property holdings. Rentable floor space totalled 367,000 square metres.

The rental vacancy level as of June 30, 2012 was 3.8 per cent (3.9 at the turn of the year) and the floor space vacancy level was 5.6 per cent (5.9 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. 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 requirements.

In the light of the above, a change in the value of the property holdings was estimated to have taken place amounting to SEK 419.8 million for the first half of 2012 (840.5). The total value of the property holdings as of June 30, 2012 was SEK 22.8 billion, including investments made during the period. The unrealized change in value can be attributed to the effect of increased rents and slightly lower yield requirements.

The average yield requirement for the property holdings at the above valuation point was 4.8 per cent (4.8 at the turn of the year).

## Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The valuation was 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 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, the 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 equivalent 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	4.9-6.0 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, however, can 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 22.8 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 770 m
Property costs	SEK 50/m <sup>2</sup>	SEK 385 m
Rental vacancy level	1.0 percentage points	SEK 310 m
Yield requirement	0.25 percentage points	SEK 1,200 m

## External valuation

To guarantee the valuation, external valuations were obtained from three valuation companies, Forum Fastighetsekonomi AB, Newsec Advice AB and NAI Svefa. The external valuations cover eight proper-

ties and are equivalent to 24 per cent of the internally assessed fair value. 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 Rännilen 8, Kvasten 2, Pumpstocken 10 (part of), Oxhuvudet 18, Orgelpipan 7, Achilles 1, Kungliga Trädgården 5 in Stockholm, and Inom Vallgraven 10:9 (NK) in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 5.7 billion. Hufvudstaden's internal valuation of the same properties was SEK 5.4 billion. The internal valuations thus concur generally with the external valuations.

#### *Net asset value*

Based on the valuation of the property holdings, the net asset value after deduction of the dividend was SEK 15.8 billion or SEK 77 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. 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 12.6 billion or SEK 61 per share. If the tax rate were assumed to be 0 per cent, the net asset value would have been SEK 17.8 billion or SEK 86 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 continued to remain low and rents 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 Hötorget area, rents 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 13,000 to SEK 19,000 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 have risen slightly and were between SEK 1,800 and SEK 2,600 per square metre per year, excluding the property tax supplement. 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 renegotiations of retail and office leases have proceeded slightly better than expected. In total, 37,500 square metres were renegotiated during the period at a rental value of SEK 136 million. On average, these renegotiations resulted in a rent increase of approximately 9 per cent.

#### **FINANCING STRUCTURE**

Hufvudstaden's borrowing as of June 30, 2012 amounted to SEK 4,550.0 million (4,375.0 at the turn of the year), of which SEK 700.0 million referred to outstanding commercial paper. Hufvudstaden ensures that at any given point in time there are unutilized loan assurances to cover all outstanding paper. The average fixed interest period was 34 months (24 at the turn of the year), the average capital tie-up period was 48 months (54 at the turn of the year) and the average annual equivalent rate was 3.6 per cent (3.8 at the turn of the year). The net interest-bearing debt was SEK 4,318.2 million (4,028.3 at the turn of the year).

The fair value of interest swaps as of June 30, 2012 was SEK -151.0 million (-183.6 at the turn of the year).

#### **Capital tie-up structure, June 30, 2012**

Maturity Date	Volume, SEK m	Share, %
2012	250.0	6
2013	950.0	21
2016	700.0	15
2017	2,650.0	58
Total	4,550.0	100

#### **Fixed interest structure, June 30, 2012**

Maturity Date	Volume, SEK m		Share, %	Average AER, %
	Loans	Commercial Paper		
2012	500.0	300.0	18	3.5
2013	700.0	400.0	24	3.6
2014	200.0		4	3.6
2015	300.0		7	3.6
2016	400.0		9	3.5
2017	1,500.0		33	3.8
2018	250.0		5	2.1
Total	3,850.0	700.0	100	3.6

#### **SHARES AND SHAREHOLDERS**

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 17,911 shareholders at the end of the period. The proportion of foreign ownership as of June 30, 2012 was 27.6 per cent of the total number of outstanding shares (26.5 at the turn of the year). The series A share price as of June 30, 2012 was SEK 74.00 and market capitalization was SEK 16.2 billion.

#### **Shares bought back**

The total number of shares held by Hufvudstaden as of June 30, 2012 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 2012 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, 2012, million shares**

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2012	211.3	5.0	206.3
Buy-back	-	-	-
As of June 30, 2012	211.3	5.0	206.3

## SECOND QUARTER

The gross profit from property management amounted to SEK 263.7 million (240.4), an increase of 10 per cent. The change can be attributed mainly to higher gross rents and a lower level of vacant space. Net rents amounted to SEK 364.9 million (339.0). Property management costs amounted to SEK 101.2 million (98.6).

The gross profit from parking operations amounted to SEK 5.0 million (4.6). Net revenue amounted to SEK 17.1 million (16.7) and costs amounted to SEK 12.1 million (12.1).

Changes in the value of investment properties amounted to SEK 225.1 million (723.9) and for interest derivatives SEK -15.3 million (-32.1). Net financial income and expense amounted to SEK -42.6 million (-34.3). The increase in net cost can be explained by increased borrowing.

## 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 2011 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 and applicable provisions of the Annual Accounts Act. Accounting principles and computation methods are the same as those applied in the most recent Annual Report.

## FORTHCOMING INFORMATION

Interim Report, January-September 2012	November 19, 2012
	Note: Change of date
Year-End Report 2012	February 14, 2013
Annual Report 2012	March 2013
Annual General Meeting in Stockholm 2013	March 21, 2013

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 23, 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

GROUP, SEK m	April-June 2012	April-June 2011	January-June 2012	January-June 2011	January-December 2011
<b>Net revenue</b>					
Property management	364.9	339.0	728.1	673.8	1,369.4
Parking operations	17.1	16.7	34.5	33.8	67.9
	<b>382.0</b>	<b>355.7</b>	<b>762.6</b>	<b>707.6</b>	<b>1,437.3</b>
<b>Property management expenses</b>					
Maintenance	-11.4	-7.0	-17.2	-15.6	-46.8
Operation and administration	-53.7	-56.1	-111.7	-122.3	-236.1
Ground rents	-4.0	-4.0	-7.9	-7.8	-15.5
Property tax	-32.1	-31.5	-64.1	-63.0	-126.1
	<b>-101.2</b>	<b>-98.6</b>	<b>-200.9</b>	<b>-208.7</b>	<b>-424.5</b>
Parking operations, costs	-12.1	-12.1	-24.3	-24.3	-48.2
<b>Operating expenses</b>	<b>-113.3</b>	<b>-110.7</b>	<b>-225.2</b>	<b>-233.0</b>	<b>-472.7</b>
<b>Gross profit</b>	<b>268.7</b>	<b>245.0</b>	<b>537.4</b>	<b>474.6</b>	<b>964.6</b>
- of which Property management	263.7	240.4	527.2	465.1	944.9
- of which Parking operations	5.0	4.6	10.2	9.5	19.7
Central administration	-8.6	-7.9	-16.4	-15.5	-31.7
<b>Operating profit before changes in value</b>	<b>260.1</b>	<b>237.1</b>	<b>521.0</b>	<b>459.1</b>	<b>932.9</b>
<b>Changes in value</b>					
Investment properties	225.1	723.9	419.8	840.5	1,244.9
Interest derivatives	-15.3	-32.1	32.6	10.9	-99.2
	<b>469.9</b>	<b>928.9</b>	<b>973.4</b>	<b>1,310.5</b>	<b>2,078.6</b>
<b>Operating profit</b>	<b>469.9</b>	<b>928.9</b>	<b>973.4</b>	<b>1,310.5</b>	<b>2,078.6</b>
Financial income and expense	-42.6	-34.3	-82.3	-66.1	-122.3
<b>Profit before tax</b>	<b>427.3</b>	<b>894.6</b>	<b>891.1</b>	<b>1,244.4</b>	<b>1,956.3</b>
Tax	-114.2	-235.6	-237.4	-328.1	-521.0
<b>Profit after tax</b>	<b>313.1</b>	<b>659.0</b>	<b>653.7</b>	<b>916.3</b>	<b>1,435.3</b>
<b>Other comprehensive income</b>	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>313.1</b>	<b>659.0</b>	<b>653.7</b>	<b>916.3</b>	<b>1,435.3</b>
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	1.52	3.19	3.17	4.44	6.96

## BALANCE SHEETS – SUMMARY

GROUP, SEK m	June 30, 2012	June 30, 2011	December 31, 2011
Investment properties	22,753.3	21,254.4	22,251.2
Other non-current assets	11.3	12.1	11.7
<b>Total non-current assets</b>	<b>22,764.6</b>	<b>21,266.5</b>	<b>22,262.9</b>
Current assets	317.6	235.5	432.1
<b>Total assets</b>	<b>23,082.2</b>	<b>21,502.0</b>	<b>22,695.0</b>
Equity	12,635.2	11,968.0	12,486.9
Non-current liabilities to credit institutions	2,650.0	3,900.0	4,125.0
Deferred tax liabilities	5,307.0	5,056.5	5,171.4
Other non-current liabilities	152.6	79.4	187.9
Pension provisions	8.0	7.7	7.7
<b>Total non-current liabilities</b>	<b>8,117.6</b>	<b>9,043.6</b>	<b>9,492.0</b>
Current, interest-bearing liabilities	1,900.0	-	250.0
Other liabilities	429.4	490.4	466.1
<b>Total current liabilities</b>	<b>2,329.4</b>	<b>490.4</b>	<b>716.1</b>
<b>Total equity and liabilities</b>	<b>23,082.2</b>	<b>21,502.0</b>	<b>22,695.0</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- June 2012	January- June 2011	January- December 2011
Equity, opening balance	12,486.9	11,526.0	11,526.0
Total comprehensive income for the period	653.7	916.3	1,435.3
Dividends	-505.4	-474.4	-474.4
<b>Equity, closing balance</b>	<b>12,635.2</b>	<b>11,968.0</b>	<b>12,486.9</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- June 2012	January- June 2011	January- December 2011
Result before tax	891.1	1,244.4	1,956.3
Depreciation/impairments	5.1	5.5	7.4
Change in value, investment properties	-419.8	-840.5	-1,244.9
Change in value, interest derivatives	-32.6	-10.9	99.2
Other changes	0.3	0.3	0.4
Tax paid	-128.0	-126.5	-204.6
<b>Cash flow from current operations before changes in working capital</b>	<b>316.1</b>	<b>272.3</b>	<b>613.8</b>
Increase/decrease in operating receivables	21.6	3.6	-34.7
Increase/decrease in operating liabilities	-39.3	30.0	-20.3
<b>Cash flow from current operations</b>	<b>298.4</b>	<b>305.9</b>	<b>558.8</b>
Proceeds from sale of investment properties	-	-	87.0
Investments in investment properties	-82.2	-265.5	-945.1
Investments in equipment	-0.7	-1.4	-2.4
Acquisition of subsidiary	-	-	-0.1
Change in financial receivable	-	-0.2	-
<b>Cash flow from investments</b>	<b>-82.9</b>	<b>-267.1</b>	<b>-860.6</b>
Dividend paid	-505.4	-474.4	-474.4
Loans raised	175.0	300.0	775.0
<b>Cash flow from financing</b>	<b>-330.4</b>	<b>-174.4</b>	<b>300.6</b>
<b>Cash flow for the period</b>	<b>-114.9</b>	<b>-135.6</b>	<b>-1.2</b>
Cash and cash equivalents at the beginning of the period	346.7	347.9	347.9
Cash and cash equivalents at the period-end	231.8	212.3	346.7
Cash flow for the period per share, SEK	-0.56	-0.66	-0.01

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

	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
GROUP, SEK m	Jan-June 2012	Jan-June 2011	Jan-June 2012	Jan-June 2011	Jan-June 2012	Jan-June 2011	Jan-June 2012	Jan-June 2011
Net revenue	338.2	298.7	296.2	282.7	93.7	92.4	728.1	673.8
Property costs	-81.2	-80.5	-92.8	-99.0	-26.9	-29.2	-200.9	-208.7
<b>Gross profit, property management</b>	<b>257.0</b>	<b>218.2</b>	<b>203.4</b>	<b>183.7</b>	<b>66.8</b>	<b>63.2</b>	<b>527.2</b>	<b>465.1</b>
Parking operations			10.2	9.5			10.2	9.5
Central administration							-16.4	-15.5
<b>Changes in value</b>								
Investment properties							419.8	840.5
Interest derivatives							32.6	10.9
<b>Operating profit</b>							<b>973.4</b>	<b>1,310.5</b>
Financial income and expense							-82.3	-66.1
<b>Profit before tax</b>							<b>891.1</b>	<b>1,244.4</b>

<sup>1</sup> For comparable holdings, net revenue for the Stockholm City East Business Area should be increased for 2011 by SEK 13.6 million and gross profit by SEK 10.3 million and net revenue for the Gothenburg Business Area should be reduced by SEK 3.2 million and gross profit by SEK 2.1 million. For the Group, net revenue should be increased by SEK 10.4 million and gross profit by SEK 8.2 million.

## PLEDGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	June 30, 2012	June 30, 2011	December 31, 2011
<b>Pledged assets</b>			
Mortgages	1,956.2	2,081.2	2,457.1
Endowment insurance	6.3	6.0	6.0
<b>Total pledged assets</b>	<b>1,962.5</b>	<b>2,087.2</b>	<b>2,463.1</b>
Contingent liabilities	None	None	None

## KEY RATIOS

GROUP	June 30, 2012	June 30, 2011	Full Year 2011	Full Year 2010	Full Year 2009	Full Year 2008
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	367	357	365	358	354	354
Rental vacancy level, %	3.8	5.7	3.9	5.1	6.2	5.3
Floor space vacancy level, %	5.6	7.6	5.9	6.8	7.4	5.9
Fair value, SEK bn	22.8	21.3	22.3	20.1	18.1	19.1
Surplus ratio, %	70.5	67.1	67.1	67.8	68.8	67.3
<b>Financial</b>						
Return on equity, %	7.7	10.1	12.0	15.9	-3.4	-3.9
Return on capital employed, %	8.5	11.0	12.8	16.7	-2.4	-5.7
Equity ratio, %	54.7	55.7	55.0	56.1	55.0	55.9
Interest coverage ratio, multiple	6.2	6.8	7.0	7.7	7.0	5.5
Debt/equity ratio, multiple	0.3	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	19.0	17.4	18.1	16.1	16.4	15.6
<b>Data per share</b>						
Profit for the period, SEK	3.17	4.44	6.96	8.40	-1.73	-2.18
Equity, SEK	61.26	58.02	60.54	55.88	49.58	53.09
Properties, fair value, SEK	110.31	103.04	107.88	97.68	87.87	92.52
Net asset value, SEK	77.00	73.00	76.00	70.00	62.00	66.00
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	Apr-June 2012	Jan-Mar 2012	Oct-Dec 2011	July-Sept 2011	Apr-June 2011	Jan-Mar 2011	Oct-Dec 2010	July-Sept 2010
Net revenue, SEK m	382	381	380	350	356	352	365	346
Return on equity, %	7.6	6.5	12.4	9.6	10.3	5.8	16.2	9.4
Return on equity, adjusted, %	5.0	5.1	5.4	4.7	5.0	4.9	6.0	5.7
Equity ratio, %	54.7	54.1	55.0	55.6	55.7	54.3	56.1	54.7
Profit/share for the period, SEK	1.52	1.65	2.06	0.45	3.19	1.25	4.44	2.07
Equity per share, SEK	61.26	59.74	60.54	58.47	58.02	54.83	55.88	51.44
Net asset value per share, SEK	77.00	75.00	76.00	73.00	73.00	69.00	70.00	65.00
Cash flow from current operations per share, SEK	0.85	0.59	0.53	0.69	0.64	0.84	0.92	0.94

## PARENT COMPANY

### RESULT AND POSITION

Net revenue amounted to SEK 442.4 million (411.1). The gross profit was SEK 238.2 million (149.6). The increase can be attributed to higher rents and lower maintenance costs. Net financial income and expense was SEK -79.1 million (-66.1).

Liquid funds at the period-end amounted to SEK 231.6 million (212.2). Investments in properties and equipment during the period totalled SEK 10.9 million (150.9).

### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Company is exposed mainly to financing, interest and credit risks.

The Company has not identified any material risks and uncertainties other than those described in the 2011 Annual Report.

### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

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

### ACCOUNTING PRINCIPLES

The interim report for the parent company have been prepared in accordance with the Annual Accounts Act, Chapter 9, Interim Financial Reporting, the same accounting principles as in the most recent annual report.



## INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	April- June 2012	April- June 2011	January- June 2012	January- June 2011	January- December 2011
Net revenue	221.7	207.7	442.4	411.1	828.1
Operating expenses	-109.1	-119.8	-204.2	-261.5	-471.7
<b>Gross profit</b>	<b>112.6</b>	<b>87.9</b>	<b>238.2</b>	<b>149.6</b>	<b>356.4</b>
Central administration	-8.8	-7.9	-16.5	-15.5	-31.7
Capital loss on sale of property	-	-	-	-	-14.7
Changes in value, interest derivatives	-15.3	-32.1	32.6	10.9	-99.2
<b>Operating profit</b>	<b>88.5</b>	<b>47.9</b>	<b>254.3</b>	<b>145.0</b>	<b>210.8</b>
Group contribution	-	-	-	-	319.9
Financial income and expense	-39.3	-34.4	-79.1	-66.1	-44.6
<b>Profit after financial items</b>	<b>49.2</b>	<b>13.5</b>	<b>175.2</b>	<b>78.9</b>	<b>486.1</b>
Appropriations	-	-	-	-	-28.5
<b>Profit before tax</b>	<b>49.2</b>	<b>13.5</b>	<b>175.2</b>	<b>78.9</b>	<b>457.6</b>
Tax	-13.8	-4.5	-47.9	-22.9	-100.2
<b>Profit for the period</b>	<b>35.4</b>	<b>9.0</b>	<b>127.3</b>	<b>56.0</b>	<b>357.4</b>
<b>Statement of comprehensive income, SEK m</b>					
Profit for the period	35.4	9.0	127.3	56.0	357.4
<i>Other comprehensive income</i>	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>35.4</b>	<b>9.0</b>	<b>127.3</b>	<b>56.0</b>	<b>357.4</b>

## BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	June 30, 2012	June 30, 2011	December 31, 2011
Investment properties	6,358.8	6,356.4	6,369.6
Other non-current assets	3,101.5	2,835.0	3,101.6
Total non-current assets	9,460.3	9,191.4	9,471.2
Current assets	905.8	610.0	1,109.3
<b>Total assets</b>	<b>10,366.1</b>	<b>9,801.4</b>	<b>10,580.5</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,711.5	1,788.1	2,089.5
Total equity	3,690.2	3,766.8	4,068.2
Untaxed reserves	584.5	556.0	584.5
Appropriations	1,096.2	1,129.5	1,086.4
Non-current liabilities	2,803.0	3,980.0	4,313.5
Current liabilities	2,192.2	369.1	527.9
Total liabilities	6,675.9	6,034.6	6,512.3
<b>Total equity and liabilities</b>	<b>10,366.1</b>	<b>9,801.4</b>	<b>10,580.5</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 Parent Company and the companies that are included in the Group.

Stockholm, August 23, 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  
*President and  
and Board Member*

## REVIEW REPORT

### Introduction

We have reviewed the summary of the financial interim information for Hufvudstaden AB (publ), registration number 556012-8240, as of June 30, 2012 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. Our responsibility is to express a conclusion on this Interim Report based on our review.

### Scope of review

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410 *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (ISA), and other generally accepted auditing standards in Sweden and consequently does not enable

us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report for the Group is not 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 23, 2012

KPMG AB

George Pettersson  
*Authorized Public Accountant*

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

**Investments.** Expenses related to value-enhancing improvements 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 carrying 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

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.

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