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HUFVUDSTADEN
Half-year Report January – June 2014

Half-year Report January–June 2014

- **Gross profit from property management increased by 3 per cent and amounted to SEK 572 million (558), which can be attributed mainly to the result of the property acquisition in Gothenburg during 2013 and higher rents.**
- **Profit after tax for the period was SEK 789 million (844), equivalent to SEK 3.83 per share (4.09). The decrease is due to a negative, unrealized change in the value of interest derivatives of SEK -114 million (90).**
- **The fair value of the property holdings was set at SEK 26.6 billion (25.9 at the turn of the year), resulting in a net asset value of SEK 93 per share (92 at the turn of the year).**
- **The equity ratio was 57 per cent (56), the net loan-to-value ratio was 21 per cent (23) and the interest coverage ratio multiple was 8.4 (8.2).**
- **Consolidated net revenue amounted to SEK 826 million (795), an increase of 4 per cent.**
- **The rental vacancy level at the period-end was 5.5 per cent (4.8).**

GROUP

RESULTS

Property management¹⁾

Net rents from property management during the period amounted to SEK 792.1 million (760.9), an increase of 4 per cent. The gross profit rose by 3 per cent to SEK 572.0 million (557.6). The increase can be attributed mainly to the result from the Fyran property in Gothenburg, which was acquired in March 2013, and higher rents in conjunction with renegotiations and new leases.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 10.3 million. Otherwise, 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 was SEK 33.8 million (33.6), expenses SEK 24.6 million (24.4) and gross profit SEK 9.2 million (9.2).

Other profit and loss items

Central administration totalled SEK -17.9 million (-16.9). Changes in the value of the property holdings totalled SEK 639.4 million (507.4) and changes in interest derivatives totalled SEK -114.3 million (89.6).

Financial income and expense

Net financial income and expense amounted to SEK -65.0 million (-62.4).

Tax

The Group's tax for the period was SEK -234.2 million (-240.6), of which SEK -88.0 million was actual tax (-78.5) and SEK -146.2 million was deferred tax (-162.1).

Profit for the period

The consolidated profit after tax amounted to SEK 789.2 million (843.9). The decrease in profit is due to a negative change in the value of interest derivatives compared with the positive change the previous year.

¹⁾ The acquired property Nordstaden 8:26 (Fyran in Gothenburg) is included from March 7, 2013.

ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 88.6 million (1,375.1).

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as at June 30, 2014 is set at SEK 26,594 million (25,869 at the turn of the year). The increase can be attributed to investments in the property holdings and unrealized changes in value. Rentable floor space totalled 387,000 square metres (388,000).

The rental vacancy level as at June 30, 2014 was 5.5 per cent (4.8) and the floor space vacancy level was 7.3 per cent (6.3). Vacant space has increased as a result of the commencement of an extensive project in the Femman shopping precinct in Gothenburg and a few office tenants vacating premises.

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

A continuous update is 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 take the form, for example, of major lettings, terminations and material changes in yield requirements.

In the light of the above, the unrealized change in the value of the property holdings for the first half of 2014 was estimated at SEK 639.4 million (507.4). The total value of the property holdings as at June 30, 2014 was SEK 26.6 billion, including investments for the period. The unrealized increase in value can be attributed to the effect of a slightly lower yield requirement and a slight increase in rents.

The average yield requirement at the above valuation point was 4.6 per cent (4.7 at the turn of the year).

Valuation method

Valuation of the property holdings is done by assessing each individual property's fair value. The valuation is made using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is set in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. If there have been few or no transactions within the property's sub-area, an analysis is made of transactions in neighbouring areas. Even transactions that have yet to be finalized provide guidance on market yield requirements. The yield requirement can vary between different regions and different sub-areas within the regions. Account is 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. 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.

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

Yield requirements, property valuation

Stockholm	4.3-4.9 per cent
Gothenburg	4.6-5.8 per cent
Property holdings, average	4.6 per cent

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. However, the price can only be set when a transaction has been completed. In conjunction with an external property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The 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 26.6 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.3 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 ²	SEK 840 m
Property costs	SEK 50/m ²	SEK 420 m
Rental vacancy level	1.0 percentage points	SEK 360 m
Yield requirement	0.25 percentage points	SEK 1,400 m

External valuation

To guarantee the valuation, external valuations were obtained from three valuation companies, Forum Fastighetsekonomi AB, Newsec Advice AB and NAI Svefa AB. The external valuations cover 10 properties and are equivalent to 32 per cent of the internally assessed fair value. The starting point for selecting 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, Hästskon 10, Järnplåten 28, Kvasten 2, Orgelpipan 7, Packarhuset 4, Rännilen 8, Rännilen 19, Svärdfisken 2 in Stockholm and part of Nordstaden 8:24 (Fyran) in Gothenburg.

The external valuation companies set a market value for these properties of SEK 8,650 million. Hufvudstaden's internal valuation of the same properties was SEK 8,500 million. 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 19.3 billion or SEK 93 per

share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been set at 5 per cent of the difference between the 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 5 per cent. The table below shows the net asset value with different assumptions regarding the rate of deferred tax.

Net asset value, June 30, 2014

Tax rate	0%	5%	22%
SEK bn			
Net asset value before tax	20.4	20.4	20.4
Calculated deferred tax	-	-1.1	-4.9
Net asset value after tax	20.4	19.3	15.5
Net asset value per share, SEK	99	93	75

RENTAL MARKET

Demand for modern, flexible office space in prime locations in central Stockholm continued during the period. Vacant space in this category has remained normal 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 Hötorget area, rents were noted of between SEK 4,200 and SEK 5,100 per square metre per year, excluding the property tax supplement. Interest in prime-location retail premises in the same sub-markets continues to be strong. For retail premises in prime locations, the market rents were between SEK 14,000 and SEK 21,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg has been positive with slightly higher rent levels. Market rents for modern, well-planned office premises in prime locations were between SEK 2,000 and SEK 3,000 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 renegotiation of retail and office leases has proceeded in line with our expectations. In total, 30,300 square metres were renegotiated during the period at a rental value of SEK 139 million. On average, these renegotiations have resulted in a rent increase of approximately 4 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at June 30, 2014 amounted to SEK 5,950.0 million (5,750.0 at the turn of the year). During the first half of the year bonds to a value of SEK 500 million were issued and the total outstanding amount is SEK 2,400 million. Outstanding commercial paper amounted to SEK 700 million. Hufvudstaden ensures that at any point in time there are unutilized loan assurances to cover all outstanding commercial paper. The average fixed interest period was 37 months (41 at the turn of the year), the average capital tie-up period was 37 months (44 at the turn of the year) and the average

annual equivalent rate was 2.2 per cent (2.3 at the turn of the year). The net interest-bearing debt was SEK 5,453 million (5,245 at the turn of the year).

Lower market interest rates for all terms compared with the year-end have resulted in a negative change in value of outstanding swap contracts. The fair value of all interest derivatives as at June 30, 2014 was SEK -77.7 million (36.6 at the turn of the year).

Capital tie-up structure, June 30, 2014

Maturity Date	Volume, SEK m ¹⁾	Share, %
2014	200.0	3
2015	400.0	7
2016	1,000.0	17
2017	2,650.0	45
2018	1,200.0	20
2019	500.0	8
Total	5,950.0	100

Fixed interest structure, June 30, 2014

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2014	1,200.0	21	1.5
2016	500.0	8	2.0
2017	1,500.0	25	1.8
2018	1,800.0	30	2.6
2019	950.0	16	2.9
Total	5,950.0	100	2.2

¹⁾ Capital tie-up for commercial paper loans has been calculated according to the underlying loan assurances.

SECOND QUARTER

The gross profit from property management amounted to SEK 284.2 million (294.1), a decrease of 3 per cent. The fall can be attributed mainly to higher maintenance costs. Net rents amounted to SEK 394.7 million (388.0), an increase of 2 per cent. Property management costs amounted to SEK 110.5 million (93.9).

The gross profit from parking operations was SEK 4.8 million (4.5). Net revenue was SEK 17.0 million (16.7) and costs SEK 12.2 million (12.2).

Changes in the value of properties amounted to SEK 578.5 million (434.2) and changes in the value of interest derivatives amounted to SEK -59.8 million (50.6). Net financial income and expense totalled SEK -33.7 million (-32.6).

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 19,355 shareholders at the end of the period. The proportion of foreign ownership as at June 30, 2014 was 31.1 per cent of the total number of outstanding shares (30.5 at the turn of the year). The series A share price as at June 30, 2014 was SEK 93.80 and market capitalization was SEK 20.5 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at June 30, 2014 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 or after the end of the reporting period. At the 2014 Annual General Meeting, the Board was granted renewed authorization to acquire Series A shares up

to 10 per cent of all the issued shares and to assign company shares.

Buy-back of shares as at June 30, 2014, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2014	211.3	5.0	206.3
Buy-back	-	-	-
As of June 30, 2014	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 2013 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 stipulations in the Annual Accounts Act. The accounting principles and computation base are the same as those applied in the most recent Annual Report. Derivatives are valued at fair value in the Statement of Financial Position. All derivatives are classified as Level 2 and properties as level 3 according to IFRS 13. Offsetting of financial assets and liabilities is not applied. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

FORTHCOMING INFORMATION

Interim Report January-September 2014	November 5, 2014
Year-End Report 2014	February 12, 2015
Annual Report 2014	March 2015
Annual General Meeting in Stockholm 2015	March 26, 2015

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 21, 2014.

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	April- June 2014	April- June 2013	January- June 2014	January- June 2013	January- December 2013
Net revenue					
Property management	394.7	388.0	792.1	760.9	1,572.7
Parking operations	17.0	16.7	33.8	33.6	67.7
	411.7	404.7	825.9	794.5	1,640.4
Property management expenses					
Maintenance	-10.0	-2.4	-14.4	-10.9	-32.0
Operation and administration	-58.0	-53.4	-121.0	-117.7	-237.8
Ground rents	-4.1	-4.2	-8.2	-8.3	-16.1
Property tax	-38.4	-33.9	-76.5	-66.4	-152.2
	-110.5	-93.9	-220.1	-203.3	-438.1
Parking operations, expenses	-12.2	-12.2	-24.6	-24.4	-49.7
Operating expenses	-122.7	-106.1	-244.7	-227.7	-487.8
Gross profit	289.0	298.6	581.2	566.8	1,152.6
- of which Property management	284.2	294.1	572.0	557.6	1,134.6
- of which Parking operations	4.8	4.5	9.2	9.2	18.0
Central administration	-9.0	-8.5	-17.9	-16.9	-35.7
Operating profit before changes in value	280.0	290.1	563.3	549.9	1,116.9
Changes in value					
Properties	578.5	434.2	639.4	507.4	1,357.9
Interest derivatives	-59.8	50.6	-114.3	89.6	59.6
Operating profit	798.7	774.9	1,088.4	1,146.9	2,534.4
Financial income and expense	-33.7	-32.6	-65.0	-62.4	-127.8
Profit before tax	765.0	742.3	1,023.4	1,084.5	2,406.6
Tax	-170.1	-164.3	-234.2	-240.6	-530.5
Profit after tax	594.9	578.0	789.2	843.9	1,876.1
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	594.9	578.0	789.2	843.9	1,876.1
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	2.88	2.80	3.83	4.09	9.10

BALANCE SHEETS – SUMMARY

GROUP, SEK m	June 30, 2014	June 30, 2013	December 31, 2013
Properties	26,594.1	24,938.7	25,869.1
Other non-current assets	14.1	77.8	49.1
Total non-current assets	26,608.2	25,016.5	25,918.2
Current assets	550.6	346.1	557.5
Total assets	27,158.8	25,362.6	26,475.7
Equity	15,482.7	14,228.5	15,260.7
Non-current interest-bearing liabilities	4,850.0	4,550.0	4,550.0
Deferred tax liabilities	5,077.0	4,703.4	4,930.8
Other non-current liabilities	96.1	14.6	17.3
Pension provisions	9.0	8.5	8.8
Total non-current liabilities	10,032.1	9,276.5	9,506.9
Current, interest-bearing liabilities	1,100.0	1,400.0	1,200.0
Other liabilities	544.0	457.6	508.1
Total current liabilities	1,644.0	1,857.6	1,708.1
Total equity and liabilities	27,158.8	25,362.6	26,475.7

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- June 2014	January- June 2013	January- December 2013
Equity, opening balance	15,260.7	13,920.9	13,920.9
Comprehensive income for the period	789.2	843.9	1,876.1
Dividend	-567.2	-536.3	-536.3
Equity, closing balance	15,482.7	14,228.5	15,260.7

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- June 2014	January- June 2013	January- December 2013
Result before tax	1,023.4	1,084.5	2,406.6
Depreciation/impairments	3.4	2.2	3.2
Unrealized change in value, properties	-639.4	-507.4	-1,357.9
Unrealized change in value, interest derivatives	114.3	-89.6	-59.6
Other changes	0.2	0.0	0.4
Tax paid	-55.5	-28.9	-101.6
Cash flow from current operations before changes in working capital	446.4	460.8	891.1
Increase/decrease in operating receivables	-13.0	-4.1	-6.2
Increase/decrease in operating liabilities	15.1	12.7	65.8
Cash flow from current operations	448.5	469.4	950.7
Investments in properties	-85.6	-1,373.8	-1,453.7
Investments in equipment	-3.0	-1.3	-3.6
Cash flow from investments	-88.6	-1,375.1	-1,457.3
Loans raised	1,200.0	2,200.0	4,100.0
Amortization of loan debt	-1,000.0	-950.0	-3,050.0
Dividend paid	-567.2	-536.3	-536.3
Cash flow from financing	-367.2	713.7	513.7
Cash flow for the period	-7.3	-192.0	7.1
Cash and cash equivalents at the beginning of the period	504.6	497.5	497.5
Cash and cash equivalents at the period-end	497.3	305.5	504.6
Cash flow for the period per share, SEK	-0.04	-0.93	0.03

SEGMENT REPORT – SUMMARY¹⁾

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	January- June 2014	January - June 2013	January - June 2014	January - June 2013	January - June 2014	January - June 2013	January - June 2014	January - June 2013
Net revenue	348.0	341.7	307.2	299.7	136.9	119.5	792.1	760.9
Property costs	-82.1	-79.4	-98.5	-93.5	-39.5	-30.4	-220.1	-203.3
Gross profit, property management	265.9	262.3	208.7	206.2	97.4	89.1	572.0	557.6
Parking operations			9.2	9.2			9.2	9.2
Central administration							-17.9	-16.9
Changes in value								
Properties							639.4	507.4
Interest derivatives							-114.3	89.6
Operating profit							1,088.4	1,146.9
Financial income and expense							-65.0	-62.4
Profit before tax							1,023.4	1,084.5

¹⁾ For comparable holdings, net revenue for the Gothenburg Business Area and the Group and gross profit from property management should be increased by SEK 14.6 million and SEK 11.0 million respectively for 2013.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	June 30, 2014	June 30, 2013	December 31, 2013
Pledged assets			
Mortgages	1,653.1	1,781.3	1,653.1
Endowment insurance	7.0	6.6	6.9
Total pledged assets	1,660.1	1,787.9	1,660.0
Contingent liabilities	None	None	None

KEY RATIOS

GROUP	June 30, 2014	June 30, 2013	Full Year 2013	Full Year 2012	Full Year 2011	Full Year 2010
Property-related						
Rentable floor space, 1,000 m ²	387	388	387	367	365	358
Rental vacancy level, %	5.5	4.8	4.0	3.7	3.9	5.1
Floor space vacancy level, %	7.3	6.3	5.7	5.4	5.9	6.8
Fair value, SEK bn	26.6	24.9	25.9	23.1	22.3	20.1
Surplus ratio, %	70.4	71.3	70.3	70.4	67.1	67.8
Financial						
Return on equity, %	7.5	8.6	12.9	14.7	12.0	15.9
Return on capital employed, %	7.7	8.7	12.8	9.3	13.1	17.2
Equity ratio, %	57.0	56.1	57.6	58.9	55.0	56.1
Interest coverage ratio, multiple	8.4	8.2	8.3	6.4	7.0	7.7
Debt/equity ratio, multiple	0.4	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	20.5	22.6	20.3	18.2	18.1	16.1
Data per share						
Profit/loss for the period, SEK	3.83	4.09	9.10	9.40	6.96	8.40
Equity, SEK	75.06	68.98	73.99	67.49	60.54	55.88
Properties, fair value, SEK	128.93	120.91	125.42	111.79	107.88	97.68
Net asset value, SEK	93.00	86.00	92.00	84.00	76.00	70.00
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-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012
Net revenue, SEK m	412	414	439	407	405	390	398	381
Return on equity, %	7.5	5.0	12.9	9.0	8.9	5.7	31.0	7.7
Return on equity, adjusted, %	4.9	4.9	5.3	5.6	5.6	5.1	28.0	5.3
Equity ratio, %	57.0	56.2	57.6	56.5	56.1	54.2	58.9	55.0
Profit/share for the period, SEK	2.88	0.94	3.88	1.12	2.80	1.29	5.56	0.68
Equity per share, SEK	75.06	72.18	73.99	70.11	68.98	66.18	67.49	61.93
Net asset value per share, SEK ¹⁾	93.00	90.00	92.00	87.00	86.00	83.00	84.00	77.00
Cash flow per share from current operations, SEK	0.87	1.31	0.99	1.34	1.10	1.17	0.27	0.79

¹⁾ Calculated deferred tax has been set at five per cent from December 31, 2012; previous periods 10 per cent.

PARENT COMPANY

RESULT AND POSITION

Net revenue amounted to SEK 514.3 million (475.5). The gross profit was SEK 286.2 million (264.6). The increase can be attributed mainly to revenue from the Fyran property in Gothenburg, acquired in March 2013, as well as new leases and higher rents following renegotiations. Net financial income and expense was SEK -64.5 million (-62.4).

Cash and cash equivalents at the period-end amounted to SEK 497.1 million (305.3). Investments in properties and equipment during the period totalled SEK 30.4 million (1,293.7)

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 2013 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 has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. The Parent Company applies the same accounting principles as in the most recent annual report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	April- June 2014	April- June 2013	January- June 2014	January- June 2013	January- December 2013
Net revenue	256.2	245.9	514.3	475.5	987.9
Operating expenses	-119.0	-98.8	-228.1	-210.9	-429.9
Gross profit	137.2	147.1	286.2	264.6	558.0
Central administration	-9.0	-8.5	-17.9	-16.9	-35.7
Changes in value, interest derivatives	-59.8	50.6	-114.3	89.6	59.6
Operating profit	68.4	189.2	154.0	337.3	581.9
Group contribution	-	-	-	-	358.4
Financial income and expense	-33.3	-32.7	-64.5	-62.4	-127.9
Profit after financial items	35.1	156.5	89.5	274.9	812.4
Appropriations	-	-	-	-	-105.2
Profit before tax	35.1	156.5	89.5	274.9	707.2
Tax	-9.4	-35.0	-28.1	-61.9	-157.2
Profit for the period	25.7	121.5	61.4	213.0	550.0
Statement of comprehensive income, SEK m					
Profit for the period	25.7	121.5	61.4	213.0	550.0
<i>Other comprehensive income</i>	-	-	-	-	-
Comprehensive income for the period	25.7	121.5	61.4	213.0	550.0

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	June 30, 2014	June 30, 2013	December 31, 2013
Properties	8,108.0	7,605.1	7,588.9
Other non-current assets	2,836.9	3,167.7	3,138.4
Total non-current assets	10,944.9	10,772.8	10,727.3
Current assets	804.2	910.2	1,216.7
Total assets	11,749.1	11,683.0	11,944.0
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,721.8	1,849.4	2,186.4
Total equity	3,700.5	3,828.1	4,165.1
Untaxed reserves	714.6	609.4	714.6
Provisions	905.4	966.1	961.8
Non-current liabilities	4,945.7	4,564.5	4,566.9
Current liabilities	1,482.9	1,714.9	1,535.6
Total liabilities	8,048.6	7,854.9	7,778.9
Total equity and liabilities	11,749.1	11,683.0	11,944.0

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 are considered to face the Parent Company and the companies that are included in the Group.

Stockholm, August 21, 2014

Fredrik Lundberg
Chairman

Claes Boustedt
Board Member

Bengt Braun
Board Member

Peter Egardt
Board Member

Louise Lindh
Board Member

Hans Mertzig
Board Member

Sten Peterson
Board Member

Anna-Greta Sjöberg
Board Member

Ivo Stopner
*President and
Board Member*

REVIEW REPORT

To the Board of Directors of Hufvudstaden AB (publ)

Introduction

We have reviewed the summary interim financial information (interim report) of Hufvudstaden AB (publ) as of 30 June, 2014 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the 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 International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information 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 International Standards on Auditing and other generally accepted auditing practices 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 is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, August 21, 2014
KPMG AB

George Pettersson
Authorized Public Accountant

DEFINITIONS AND GLOSSARY

Annual rent. Gross rent at the period-end, calculated on an annual basis, including supplements. 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 in relation to interest expense.

Investments. Expenses related to value-enhancing improvements that mean 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.

MTN programme. Medium Term Note is a bond programme with a term of 1-15 years.

Net liabilities. Interest-bearing liabilities, including the 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 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 that normally arise in operations and with the exception of changes in value.

Return on equity. Profit after tax in relation to 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 average equity. In the interim accounts, the return has been recalculated on a full-year basis without taking account 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

With 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 amount to 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 will work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

Quality. Quality and environmental systems will 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 will be ensured with a focus on professional know-how and values.

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



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Registered office: Stockholm