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HUFVUDSTADEN

Interim Report January – March 2015

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- Profit after tax for the period was SEK 447 million (194), equivalent to SEK 2.17 per share (0.94). The increase is due to higher unrealized changes in the value of the property holdings.
- Gross profit from property management decreased by 3 per cent and amounted to SEK 278 million (288), which can be attributed mainly to the increased cost of vacant space and maintenance resulting from development projects within the retail sector that have already commenced.
- The fair value of the property holdings was set at SEK 28.3 billion (27.8 at the turn of the year), resulting in a net asset value of SEK 100 per share (100 at the turn of the year) following a deduction for a dividend of SEK 2.90 per share.
- The equity ratio was 57 per cent (56), the net loan-to-value ratio was 18 per cent (21) and the interest coverage ratio multiple was 9.1 (8.7).
- Consolidated net revenue amounted to SEK 413 million (414).
- The rental vacancy level at the period-end was 6.5 per cent (5.4). Excluding projects in progress the rental vacancy level was 5.5 per cent (4.9).

GROUP

RESULTS

Property management

Net rents from property management during the period amounted to SEK 395.2 million (397.4). The gross profit amounted to SEK 278.3 million (287.8). The decrease can be attributed to costs in conjunction with upgrading of the Femman shopping precinct and NK. This has led to higher maintenance costs in conjunction with evacuation of store tenants and costs for vacant space. Gross rents have increased due to higher rents in conjunction with renegotiations and new leases, which have been counteracted by costs for premises vacated by a few large office tenants.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement the previous year was SEK 10.9 million. Otherwise, there are no material seasonal variations in rents.

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

Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 17.9 million (16.8), expenses SEK 12.0 million (12.4) and gross profit SEK 5.9 million (4.4).

Other profit and loss items

Central administration totalled SEK -9.0 million (-8.9). Changes in the value of properties totalled SEK 365.9 million (60.9) and changes in interest derivatives totalled SEK -22.6 million (-54.5).

Financial income and expense

Net financial income and expense amounted to SEK -29.6 million (-31.3).

Tax

The Group's tax for the period was SEK -142.1 million (-64.1), of which SEK -27.9 million was actual tax (-48.1) and SEK -114.2 million was deferred tax (-16.0). The increase in deferred taxes can be attributed to higher unrealized changes in the value of the property holdings.

Profit for the period

The consolidated profit after tax amounted to SEK 446.8 million (194.3). The increase in profit is due to higher unrealized changes in value of the property holdings.

ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 78.4 million (33.2).

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings, based on an internal valuation and assessed as at March 31, 2015, was SEK 28,261 million (27,817 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 387,500 square metres (388,000).

The rental vacancy level as at March 31, 2015 was 6.5 per cent (5.6 at the turn of the year) and the floor space vacancy level was 8.0 per cent (7.2 at the turn of the year). The increase in vacant space is attributable mainly to commencement of an extensive upgrade of the Femman shopping precinct in Nordstan, which will continue until 2017. In addition, a large office premises have become vacant after a long lease period. The level of vacant space, excluding projects in progress, amounted to 5.5 per cent (5.2 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 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 Q1, 2015 was SEK 365.9 million (60.9). The total value of the property holdings as at March 31, 2015 was SEK 28.3 billion, including investments for the period. The unrealized increase in value can be attributed to the effect of a slightly lower yield requirement and an increase in rents in conjunction with renegotiated and newly signed leases.

The average yield requirement at the above valuation point was 4.4 per cent (4.5 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	4.1-4.7 per cent
Gothenburg	4.4-5.2 per cent
Property holdings, average	4.4 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 28.3 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.4 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/sqm	SEK 880 m
Property costs	SEK 50/sqm	SEK 440 m
Rental vacancy level	1.0 percentage points	SEK 380 m
Yield requirement	0.25 percentage points	SEK 1,600 m

Net asset value

Based on the valuation of the property holdings, the net asset value following a deduction for the decided dividend of SEK 598 million was SEK 20.6 billion or SEK 100 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, March 31, 2015

Tax rate	0 %	5 %	22 %
SEK bn			
Net asset value before tax	21.9	21.9	21.9
Calculated deferred tax	-	-1.3	-5.3
Net asset value after tax	21.9	20.6	16.6
Net asset value per share, SEK	106	100	80

RENTAL MARKET

There has been good demand for modern, flexible office space in prime locations in central Stockholm during the period. Vacant space in this category has remained at normal levels and the rent trend has been positive. 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 5,200 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 22,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets of Gothenburg continues to be high with a low yet slightly rising level of vacant space. Market rents have risen slightly in prime locations and 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 positively. In total, 18,300 square metres were renegotiated during the period at a rental value of SEK 82 million.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at March 31, 2015 amounted to SEK 5,750 million (5,650 at the turn of the year). Hufvudstaden has an MTN programme totalling SEK 4 billion and the total outstanding amount is SEK 2,000 million. Outstanding commercial paper amounted to SEK 900 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 31 months (33 at the turn of the year), the average capital tie-up period was 30 months (32 at the turn of the year) and the average annual equivalent rate of interest was 2.1 per cent (2.2 at the turn of the year). The net interest-bearing debt was SEK 5,007 million (5,176 at the turn of the year). The fair value of all interest derivatives as at March 31, 2015 was SEK -171.8 million (-149.1 at the turn of the year). The negative figure can be attributed to a general downturn in market interest rates.

Capital tie-up structure, March 31, 2015

Maturity Date	Volume, SEK m ¹	Share, %
2015	200	3
2016	1,200	21
2017	2,650	46
2018	1,200	21
2019	500	9
Total	5,750	100

¹ Capital tie-up regarding commercial paper has been calculated based on underlying loan assurances.

Fixed interest structure, March 31, 2015

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2015	1,000	17	0.8
2016	500	9	2.1
2017	1,500	26	1.8
2018	1,800	31	2.6
2019	950	17	2.9
Total	5,750	100	2.1

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 20,622 shareholders at the end of the period. The proportion of foreign ownership as at March 31, 2015 was 32.0 per cent of the total number of outstanding shares (32.1 at the turn of the year). The series A share price as at March 31, 2015 was SEK 118.30 and market capitalization was SEK 25.6 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 2015 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 2015 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 March 31, 2015, million shares

	Total number of shares	Company holdings	Held by other shareholders
As of January 1, 2015	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2015	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 2014 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. IFRIC 21 Levies has been applied since January 1, 2015. The interpretation contains rules that stipulate that government-imposed levies must be entered as a liability in their entirety when the obligating event arises, which for Hufvudstaden is applicable with respect to property tax. Expensing continues to take place over the course of the year. Otherwise 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 according to IFRS 13. There is no set-off of financial assets and liabilities and there are no agreements that permit netting. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

FORTHCOMING INFORMATION

Half-year Report January-June 2015	August 20, 2015
Interim Report January-September 2015	November 4, 2015
Year-End Report 2015	February 11, 2016
Annual Report 2015	March 2016
Annual General Meeting in Stockholm 2016	March 17, 2016

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Market Act and/or the Financial Instruments Trading Act. The information was published on May 5, 2015.

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

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

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	January- March 2015	January- March 2014	January- December 2014
Net revenue			
Property management	395.2	397.4	1,596.4
Parking operations	17.9	16.8	68.9
	413.1	414.2	1,665.3
Property management expenses			
Maintenance	-8.8	-4.4	-31.9
Operation and administration	-64.5	-63.0	-248.6
Ground rents	-5.1	-4.1	-17.0
Property tax	-38.5	-38.1	-154.2
Property management expenses	-116.9	-109.6	-451.7
Parking operations, expenses	-12.0	-12.4	-49.8
Operating expenses	-128.9	-122.0	-501.5
Gross profit	284.2	292.2	1,163.8
- of which Property management	278.3	287.8	1,144.7
- of which Parking operations	5.9	4.4	19.1
Central administration	-9.0	-8.9	-36.2
Operating profit before changes in value	275.2	283.3	1,127.6
Changes in value			
Properties	365.9	60.9	1,708.6
Interest derivatives	-22.6	-54.5	-185.8
Operating profit	618.5	289.7	2,650.4
Financial income/expense	-29.6	-31.3	-129.9
Profit before tax	588.9	258.4	2,520.5
Tax	-142.1	-64.1	-519.2
Profit after tax	446.8	194.3	2,001.3
Other comprehensive income	-	-	-
Total comprehensive income for the period	446.8	194.3	2,001.3
Average number of outstanding shares following buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit for the period after tax per share before and after dilution, SEK	2.17	0.94	9.70

BALANCE SHEETS – SUMMARY

GROUP, SEK m	March 31, 2015	March 31, 2014	December 31, 2014
Properties	28,261.3	25,962.0	27,817.4
Other non-current assets	15.6	12.8	15.4
Total non-current assets	28,276.9	25,974.8	27,832.8
Current assets	809.8	509.3	582.5
Total assets	29,086.7	26,484.1	28,415.3
Equity	16,543.4	14,887.8	16,694.8
Non-current interest-bearing liabilities	4,350.0	4,850.0	4,650.0
Deferred tax liabilities	5,470.4	4,946.8	5,356.2
Other non-current liabilities	192.4	35.7	168.7
Pension provisions	11.2	8.8	10.6
Total non-current liabilities	10,024.0	9,841.3	10,185.5
Current interest-bearing liabilities	1,400.0	1,200.0	1,000.0
Other liabilities	1,119.3	555.0	535.0
Total current liabilities	2,519.3	1,755.0	1,535.0
Total equity and liabilities	29,086.7	26,484.1	28,415.3

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-March 2015	January-March 2014	January-December 2014
Equity, opening balance	16,694.8	15,260.7	15,260.7
Total comprehensive income for the period	446.8	194.3	2,001.3
Dividend	-598.2	-567.2	-567.2
Equity, closing balance	16,543.4	14,887.8	16,694.8

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-March 2015	January-March 2014	January-December 2014
Result before tax	588.9	258.4	2,520.5
Depreciation/impairments	1.5	1.8	7.2
Unrealized change in value, properties	-365.9	-60.9	-1,708.6
Unrealized change in value, interest derivatives	22.6	54.5	185.8
Other changes	0.5	0.1	1.8
Tax paid	-8.3	-9.6	-140.0
Cash flow from current operations before changes in working capital	239.3	244.3	866.7
Increase/decrease in operating receivables	20.5	6.0	-14.9
Increase/decrease in operating liabilities	-12.8	19.6	29.2
Cash flow from current operations	247.0	269.9	881.0
Investments in properties	-78.0	-32.1	-239.6
Investments in equipment	-0.4	-1.1	-4.6
Cash flow from investments	-78.4	-33.2	-244.2
Loans raised	900.0	1,200.0	1,600.0
Amortization of loan debt	-800.0	-900.0	-1,700.0
Dividend paid	0.0	-567.2	-567.2
Cash flow from financing	100.0	-267.2	-667.2
Cash flow for the period	268.6	-30.5	-30.4
Cash and cash equivalents at the beginning of the period	474.2	504.6	504.6
Cash and cash equivalents at the period-end	742.8	474.1	474.2
Cash flow for the period per share, SEK	1.30	-0.15	-0.15

SEGMENT REPORT – SUMMARY¹

GROUP, SEK m	Stockholm City		Stockholm City		Gothenburg		Total	
	East Business Area		West Business Area		Business Area			
	Jan-Mar 2015	Jan-Mar 2014	Jan-Mar 2015	Jan-Mar 2014	Jan-Mar 2015	Jan-Mar 2014	Jan-Mar 2015	Jan-Mar 2014
Net revenue	172.3	174.9	153.3	154.1	69.6	68.4	395.2	397.4
Property costs	-43.4	-41.6	-52.4	-48.6	-21.1	-19.4	-116.9	-109.6
Gross profit, property management	128.9	133.3	100.9	105.5	48.5	49.0	278.3	287.8
Parking operations			5.9	4.4			5.9	4.4
Central administration							-9.0	-8.9
Changes in value								
Properties							365.9	60.9
Interest derivatives							-22.6	-54.5
Operating profit							618.5	289.7
Financial income and expense							-29.6	-31.3
Profit before tax							588.9	258.4

PLEGDED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	March 31, 2015	March 31, 2014	December 31, 2014
Pledged assets			
Mortgages	1,653.1	1,653.1	1,653.1
Endowment insurance	8.9	7.0	8.4
Total pledged assets	1,662.0	1,660.1	1,661.5
Contingent liabilities	None	None	None

KEY RATIOS

GROUP	March 31, 2015	March 31, 2014	Full year 2014	Full year 2013	Full Year 2012	Full Year 2011
Property-related						
Rentable floor space, 1,000 m ²	387	388	387	387	367	365
Rental vacancy level, %	6.5	5.4	5.6	4.0	3.7	3.9
Floor space vacancy level, %	8.0	7.3	7.2	5.7	5.4	5.9
Fair value, SEK bn	28.3	26.0	27.8	25.9	23.1	22.3
Surplus ratio, %	68.8	70.5	69.9	70.3	70.4	67.1
Financial						
Return on equity, %	5.8	5.0	12.5	12.9	14.7	12.0
Return on capital employed, %	6.4	5.4	12.2	12.8	9.3	13.1
Equity ratio, %	56.9	56.2	58.8	57.6	58.9	55.0
Interest coverage ratio, multiple	9.1	8.7	8.5	8.3	6.4	7.0
Debt/equity ratio, multiple	0.3	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	17.7	21.5	18.6	20.3	18.2	18.1
Data per share						
Profit/loss for the period, SEK	2.17	0.94	9.70	9.10	9.40	6.96
Equity, SEK	80.20	72.18	80.94	73.99	67.49	60.54
Properties, fair value, SEK	137.01	125.87	134.86	125.42	111.79	107.88
Net asset value, SEK	100.00	90.00	100.00	92.00	84.00	76.00
Number of outstanding shares, 1,000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272	211,272	211,272	211,272

KEY RATIOS PER QUARTER

GROUP	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013
Net revenue, SEK m	413	429	410	412	414	439	407	405
Return on equity, %	5.8	13.5	7.6	7.5	5.0	12.9	9.0	8.9
Return on equity, adjusted, %	4.2	6.1	4.9	4.9	4.9	5.3	5.6	5.6
Equity ratio, %	56.9	58.8	57.3	57.0	56.2	57.6	56.5	56.1
Profit per share for the period, SEK	2.17	4.88	1.00	2.88	0.94	3.88	1.12	2.80
Equity per share, SEK	80.20	80.94	76.06	75.06	72.18	73.99	70.11	68.98
Net asset value per share, SEK	100.00	100.00	95.00	93.00	90.00	92.00	87.00	86.00
Cash flow per share from current operations, SEK	1.20	0.85	1.24	0.87	1.31	0.99	1.34	1.10

PARENT COMPANY

RESULT AND POSITION

Net revenue amounted to SEK 257.5 million (258.1). The gross profit was SEK 32.5 million (149.0). The costs for property management have increased mainly as a result of higher maintenance costs in Femman, Gothenburg and higher depreciation. Net financial income and expense was SEK -29.6 million (-31.2).

Cash and cash equivalents at the period-end amounted to SEK 742.6 million (473.9). Investments in properties and equipment during the period totalled SEK 25.5 million (11.6).

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 2014 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

The interim report for the Parent Company has been prepared in accordance with Section 9 of the Annual Accounts Act, Interim Financial Statements. IFRIC 21 Levies has been applied since January 1, 2015. The interpretation contains rules that stipulate that government-imposed levies must be entered as a liability in their entirety when the obligating event arises, which for Hufvudstaden is applicable with respect to property tax. Expensing continues to take place over the course of the year. Otherwise the accounting principles and computation base are the same as those applied in the most recent Annual Report.

INCOME STATEMENTS – SUMMARY

PARENT COMPANY, SEK m	January – March 2015	January – March 2014	January - December 2014
Net revenue	257.5	258.1	1,031.3
Operating expenses	-225.0	-109.1	-500.7
Gross profit	32.5	149.0	530.6
Central administration	-9.0	-8.9	-36.2
Changes in value, interest derivatives	-22.6	-54.5	-185.8
Operating profit	0.9	85.6	308.6
Group contribution	-	-	348.8
Other financial income and expense	-29.6	-31.2	-129.4
Profit after financial items	-28.7	54.4	528.0
Appropriations	-	-	-108.6
Profit before tax	-28.7	54.4	419.4
Tax	-6.2	-18.7	-56.3
Profit for the period	-34.9	35.7	363.1
Statement of comprehensive income, SEK m			
Profit for the period	-34.9	35.7	363.1
<i>Other comprehensive income</i>	-	-	-
Comprehensive income for the period	-34.9	35.7	363.1

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	March 31, 2015	March 31, 2014	December 31, 2014
Properties	8,012.1	8,118.2	8,096.7
Other non-current assets	2,838.4	2,831.8	2,838.0
Total non-current assets	10,850.5	10,950.0	10,934.7
Current assets	1,135.6	801.2	949.3
Total assets	11,986.1	11,751.2	11,884.0
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,390.4	1,696.1	2,023.5
Total equity	3,369.1	3,674.8	4,002.2
Untaxed reserves	823.3	714.6	823.2
Appropriations	889.2	917.5	892.8
Non-current liabilities	4,369.6	4,885.3	4,818.2
Current liabilities	2,534.9	1,559.0	1,347.6
Total liabilities	8,617.0	8,076.4	7,881.8
Total equity and liabilities	11,986.1	11,751.2	11,884.0

Stockholm, May 4, 2015

Ivo Stopner

President

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

DEFINITIONS AND GLOSSARY

Annual rent. Gross rent including supplement at the period-end, calculated on an annual basis. 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 items, excluding unrealized changes in value plus interest expense in relation to interest expense.

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.

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 unleased 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

2015 is a major anniversary year for Hufvudstaden. On September 20 it will be 100 years since the Company was founded. Hufvudstaden rapidly became one of the leading property companies in Sweden and today it is one of the strongest property industry brands in the country. The brand is well known and represents high quality, good service and long-term thinking in the management and development of its own commercial properties in prime 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 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.

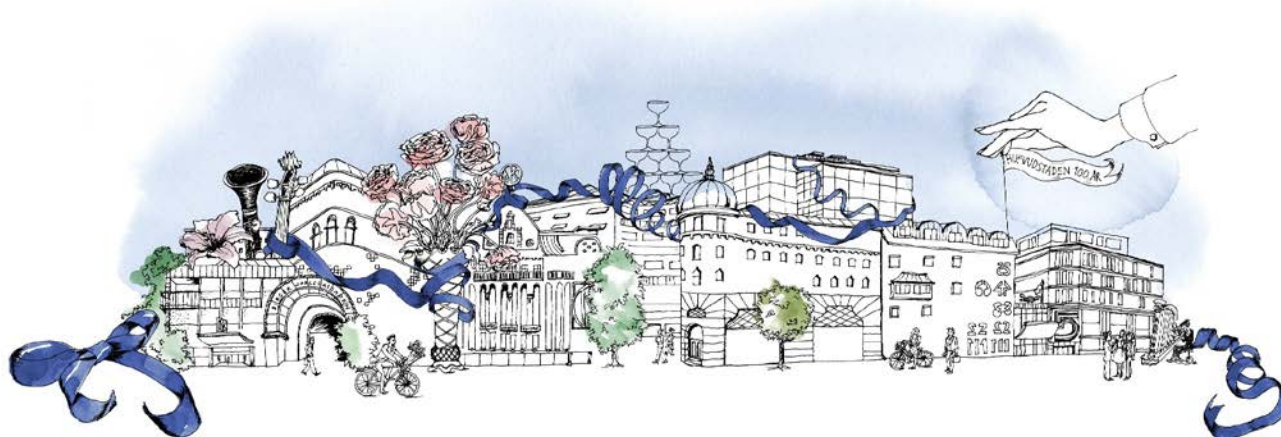
Strategies to achieve the objectives

Customer focus. Hufvudstaden 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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