

# HUFVUDSTADEN

## Interim Report January – March 2008

- The gross profit from property management for comparable holdings increased by 10 per cent to SEK 222 million (202). The improvement in profit can be attributed mainly to higher rents.
- The net asset value following the decided dividend was SEK 72 per share (73 at the year-end).
- Profit for the period amounted to SEK 120 million (131) equivalent to SEK 0.58 per share (0.64). The fall can be attributed to a negative change in value of interest derivatives.
- The consolidated net profit for comparable holdings amounted to SEK 330 million (304), an increase of 8 per cent.
- The rental vacancy level at the period-end continued to be low and was 3.8 per cent (3.3 at the year-end).

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### GROUP

#### RESULTS

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

Gross profit for the period totalled SEK 225.4 million (202.4). The gross profit for comparable holdings rose to SEK 221.8 million, an increase of 10 per cent. The increase can be attributed mainly to higher rents, new leases and renegotiations. Net rents from property management during the period amounted to SEK 317.6 million (288.4).

The turnover-based rent supplement for the NK department stores is reported during the fourth quarter. The turnover-based rent supplement for 2007 amounted to SEK 16.8 million. Apart from this there were no seasonal variations in rents.

The property management results for each business area for comparable holdings are reported on page 6.

##### Parking operations

Operations comprise parking operations at Parkaden in Stockholm.

Net revenue amounted to SEK 16.2 million (15.4), expenses amounted to SEK 11.7 million

(11.2) and gross profit amounted to SEK 4.5 million (4.2).

##### Other Income Statement items

Central administration totalled SEK -7.7 million (-6.9). Changes in the value of investment properties totalled SEK 0.0 million (0.0) and in interest derivatives SEK -17.9 million (0.0).

##### Financial income and expense

Net financial income and expense amounted to SEK -35.8 million (-21.5). The increased net cost can be attributed to rises in current market interest rates and the fact that interest income was higher during the preceding year as a result of the increased liquidity following the sale of the World Trade Center.

##### Tax

The Group's tax (actual and deferred) for the year totalled SEK -48.5 million (-53.4), of which SEK -39.1 million (-42.1) was actual tax and SEK -9.4 million (-11.3) deferred tax.

##### Profit for the period

The consolidated profit after tax amounted to SEK 120.0 million (131.4), a decrease of 9 per cent.

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<sup>1</sup> The acquired property Rännilen 15 is included with effect from June 1, 2007. Otherwise, the property holdings remain unchanged compared with the same period in 2007.

## ACQUISITIONS AND INVESTMENTS

Investments during the year in properties and equipment totalled SEK 45.6 million (29.8).

## PROPERTY PORTFOLIO

The fair value of the Hufvudstaden property portfolio as of March 31, 2008 was estimated at SEK 20,576 million (20,530 at the year-end). The increase can be attributed to investments in the property holdings. The rentable floor space was 353,767 square metres (353,685 at the year-end).

The total rental vacancy level as of March 31 continued to be low and was 3.8 per cent (3.3 at the year-end) and the total floor space vacancy level was 4.7 per cent (4.6 at the year-end).

### Property value and net asset value

At the turn of each year, Hufvudstaden makes an internal valuation of the fair value of each individual property. The assessment is based on a valuation made using the direct yield method. To assure the evaluations, external valuations are obtained for part of the property holdings.

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 investigates on a continuous basis whether there are other indications of changes in the fair value of the properties. This could, for example, take the form of major lettings, terminations and material changes in the yield requirement.

In the light of the above, the increase in value during 2007 was estimated at SEK 2.6 billion. The total value of the property holdings as of December 31, 2007 was SEK 20.5 billion, including investments. The increase during the first half of 2007 can be attributed mainly to an estimated lower direct yield requirement and during the second half of the year it can be attributed mainly to a strong rise in rents. The average direct yield requirement for the property holdings in conjunction with the above valuation was 4.6 per cent (4.8). Apart from investments totalling SEK 45 million no major change in the value of the property holdings is considered to have taken place during the first quarter of 2008 and consequently the fair value of the property holdings as of March 31, 2008 is set at SEK 20.6 billion.

### Net asset value

Based on the valuation of the property holdings, the net asset value is SEK 14.8 billion or SEK 72 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been calculated at 10 per cent of the difference between the assessed fair value and the residual value for tax purposes and has been assessed in the light of current tax legislation, which means that properties can be sold by 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 (28 per cent) is used in the calculation, the net asset value would have been SEK 11.6 billion or SEK 56 per share. If the tax rate is assumed to be 0 per cent, the net asset value would have been SEK 16.7 billion or SEK 81 per share.

## RENTAL MARKET

Interest in flexible, high-quality office space in prime locations in sub-markets of central Stockholm was stable during the period, mainly as a result of improved economic growth in the region. Vacant space in this category has fallen and rents have risen. For office leases in Stockholm's most attractive locations within the Golden Triangle, at Norrmalmstorg/Hamngatan and in the Hötorg area, rents were noted of SEK 3,800-5,000 per square metre per year, excluding the property tax supplement. Interest in well-situated retail premises in the same sub-markets was also high. Rents for prime location retailing space are in the range SEK 12,000-16,000 per square metre per year, excluding the property tax supplement.

Demand for modern, flexible office premises in the central sub-markets of Gothenburg has been stable. There was, however, a continued low level of interest in properties of low standard requiring modernization and this is the same in Stockholm. Market rents for modern, well-arranged office premises in prime locations were between SEK 1,600 and SEK 2,200 per square metre per year, excluding the property tax supplement. For prime site retail premises the market rent was SEK 5,000-9,000 per square metre per year, excluding the property tax supplement.

## FINANCING STRUCTURE

Hufvudstaden's borrowing as of March 31, 2008 amounted to SEK 3,400.0 million (3,400.0 at the year-end). The average fixed interest period was 39 months (40 at the year-end), the average capital tie-up period was 50 months (53 at the year-end) and the average interest rate was 4.7 per cent (4.6 at the year-end). Net liabilities amounted to SEK 3,231.7 million (3,069.3 at the turn of the year).

The fair value of interest swaps as of March 31 was SEK 25.8 million (55.0 at the year-end). The change in value of financial instruments from December 31, 2007 to March 31, 2008 has affected the income statement to the amount of SEK -17.9 million, or SEK -12.9 after tax, and the hedge reserve in equity by SEK -8.0 million after tax.

### Capital tie-up structure, March 31, 2008

Maturity date	Volume, SEK m	Share, %
2008	600,0	18
2010	500,0	15
2011	950,0	28
2012	250,0	7
2013	350,0	10
2017	750,0	22
Total	3 400,0	100

### Fixed interest structure, March 31, 2008

Maturity date	Volume, SEK m	Share, %	Average AER, %
2008	1 200,0	36	5,2
2010	500,0	15	4,1
2011	350,0	10	3,9
2012	250,0	7	4,9
2013	350,0	10	4,1
2017	750,0	22	4,8
Total	3 400,0	100	4,7

## SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on the OMX Nordic Stock Exchange in Stockholm, had 19,535 shareholders at the year-end. The proportion of foreign ownership as of March 31, 2008 was 14.0 per cent of the total number of outstanding shares (20.3). The A-share price as of March 31, 2008 was SEK 62.50, equivalent to a stock exchange value of SEK 12.9 billion, calculated on the total number of outstanding shares.

### Shares brought back

The total number of shares held by Hufvudstaden as of March 31, 2008 was 5,006,000 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 2008 Annual General Meeting the Board was granted renewed authorization to acquire up to 10 per cent of all the issued shares and to assign company shares.

### Buy-back of shares as of March 31, 2008, million shares

	Total number of shares	Held by Hufvudstaden	Held by other shareholders
As of January 1, 2008	211.3	5.0	206.3
Buy-back	-	-	-
As of March 31, 2008	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 value in the property holdings. The Company has not identified any material risks and uncertainties other than those described in the Annual Report for 2007.

## MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

No material transactions took place during the period.

## ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles remained unchanged compared with the most recent annual report.

## FORTHCOMING INFORMATION

Interim Report, January-June 2008	August 20, 2008
Interim Report, January-September 2008	November 11, 2008
Year-End Report for 2008	February 12, 2009
Annual Report 2008	March 2009
Annual General Meeting in Stockholm 2009	March 26, 2009

*This information is also published on Hufvudstaden's website, [www.hufvudstaden.se](http://www.hufvudstaden.se)*

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

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

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish according to the Securities Exchange and Clearing Operations Act. The information was published on May 8, 2008.

**INCOME STATEMENTS – SUMMARY**

<b>GROUP, SEK m</b>	<b>January-March 2008</b>	<b>January-March 2007</b>	<b>January- December 2007</b>
<b>Net revenue</b>			
Property management	317.6	288.4	1,213.2
Parking operations	16.2	15.4	63.0
	<b>333.8</b>	<b>303.8</b>	<b>1,276.2</b>
<b>Property management expenses</b>			
Maintenance	-4.9	-6.1	-26.4
Operations and administration	-53.5	-52.6	-208.3
Ground rents	-4.0	-4.0	-16.1
Property tax	-29.8	-23.3	-114.9
<b>Property management expenses</b>	<b>-92.2</b>	<b>-86.0</b>	<b>-365.7</b>
Parking operations	-11.7	-11.2	-45.4
<b>Operating expenses</b>	<b>-103.9</b>	<b>-97.2</b>	<b>-411.1</b>
<b>Gross profit</b>	<b>229.9</b>	<b>206.6</b>	<b>865.1</b>
- of which Property management	225.4	202.4	847.5
- of which Parking operations	4.5	4.2	17.6
Central administration	-7.7	-6.9	-30.8
<b>Operating profit before changes in value</b>	<b>222.2</b>	<b>199.7</b>	<b>834.3</b>
<b>Changes in value</b>			
Investment properties	-	-	2,597.7
Interest derivatives	-17.9	-	16.5
<b>Operating profit</b>	<b>204.3</b>	<b>199.7</b>	<b>3 448.5</b>
Financial income and expense	-35.8	-21.5	-126.6
<b>Profit before tax</b>	<b>168.5</b>	<b>178.2</b>	<b>3,321.9</b>
Tax	-48.5	-53.4	-927.6
<b>Profit from continuing operations</b>	<b>120.0</b>	<b>124.8</b>	<b>2,394.3</b>
Profit from discontinued operations, net after tax	-	6.6	6.6
<b>Profit for the period</b>	<b>120.0</b>	<b>131.4</b>	<b>2,400.9</b>
Average number of outstanding shares after buy-backs during the period	206,265,933	206,265,933	206,265,933
Profit per share from remaining operations before and after dilution	0.58	0.61	11.61
Income per share for the period, SEK	0.58	0.64	11.64

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2007</b>
Investment properties	20,575.7	17,438.2	20,530.5
Other fixed assets	41.4	14.5	69.1
<b>Total fixed assets</b>	<b>20,617.1</b>	<b>17,452.7</b>	<b>20,599.6</b>
Current assets	555.2	82.7	349.5
<b>Total assets</b>	<b>21,172.3</b>	<b>17,535.4</b>	<b>20,949.1</b>
Equity	11,559.7	9,527.2	11,808.7
Non-current, interest-bearing liabilities	2,800.0	2,400.0	2,800.0
Other liabilities	5.0	3.7	3.7
Pension provisions	5.3	6.2	5.7
Deferred tax liability	5,329.6	4,506.1	5,323.3
<b>Total non-current liabilities</b>	<b>8,139.9</b>	<b>6,916.0</b>	<b>8,132.7</b>
Current, interest-bearing liabilities	600.0	665.0	600.0
Other liabilities	872.7	427.2	407.7
<b>Total current liabilities</b>	<b>1,472.7</b>	<b>1,092.2</b>	<b>1,007.7</b>
<b>Total equity and liabilities</b>	<b>21,172.3</b>	<b>17,535.4</b>	<b>20,949.1</b>

## PLEGGED ASSETS AND CONTINGENT LIABILITIES

GROUP, SEK m	March 31, 2008	March 31, 2007	December 31, 2007
<b>Pledged assets</b>			
Mortgages	1,706.4	1,476.3	1,706.4
Endowment insurance	3.8	4.1	4.1
<b>Total pledged assets</b>	<b>1,710.2</b>	<b>1,480.4</b>	<b>1,710.5</b>
Contingent liabilities	None	None	None

## CHANGES IN EQUITY

GROUP, SEK m	January- March 2008	January- March 2007	January- December 2007
Equity, opening balance	11,808.7	11,785.3	11,785.3
Change in hedge reserve for the period	-11.2	4.4	21.0
Tax attributable to hedge reserve	3.2	-1.2	-5.9
Total changes in assets, reported directly against equity, excluding dividends	-8.0	3.2	15.1
Profit for the period	120.0	131.4	2,400.9
Total changes in assets	112.0	134.6	2,416.0
Dividend	-361.0	-2,392.7	-2,392.7
<b>Equity, closing balance</b>	<b>11,559.7</b>	<b>9,527.2</b>	<b>11,808.7</b>

## CASH FLOW STATEMENTS – SUMMARY

GROUP, SEK m	January- March 2008	January- March 2007	January- December 2007
Profit after financial items	168.5	184.8	3,328.5
Depreciation/impairments	0.9	1.1	4.7
Capital gain, sale of fixed assets	-	-6.6	-6.6
Change, investment properties	-	-	-2,597.7
Change, interest derivatives	17.9	-	-16.5
Other changes	-0.4	0.2	-0.2
Tax paid	-16.2	-33.9	-97.1
Cash flow from current operations before changes in working capital	170.7	145.6	615.1
Increase/decrease in operating receivables	27.0	-1.4	-30.3
Increase/decrease in operating liabilities	81.1	-447.5	-465.5
<b>Cash flow from current operations</b>	<b>278.8</b>	<b>-303.3</b>	<b>119.3</b>
Sale of subsidiary	-	3,006.8	3,011.7
Investments in investment properties	-45.2	-29.4	-524.0
Investments in financial assets	0.3	-	-
Investments in equipments	-0.4	-0.4	-3.7
Amortization, non-current receivable	0.0	-0.2	-0.2
<b>Cash flow from financing</b>	<b>-45.3</b>	<b>2,976.8</b>	<b>2,483.8</b>
Loans raised	-	-	500.0
Amortization of loan liability	-	-300.0	-465.0
Dividend paid	-	-2,392.7	-2,392.7
<b>Cash flow from financing</b>	<b>0.0</b>	<b>-2,692.7</b>	<b>-2,357.7</b>
<b>Cash flow for the period</b>	<b>233.5</b>	<b>-19.2</b>	<b>245.4</b>
Liquid funds at the beginning of the period	285.8	40.4	40.4
Liquid funds at the period-end	519.3	21.2	285.8

## PROPERTY MANAGEMENT – PROFIT PER BUSINESS AREA (COMPARABLE HOLDINGS)

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan- Mar 2008	Jan- Mar 2007	Jan- Mar 2008	Jan- Mar 2007	Jan- Mar 2008	Jan- Mar 2007	Jan- Mar 2008	Jan- Mar 2007
Nettoomsättning	140.1	131.0	131.0	119.2	42.2	38.2	313.3	288.4
Fastighetskostnader	-30.4	-33.2	-48.8	-41.1	-12.3	-11.7	-91.5	-86.0
<b>Bruttoresultat</b>	<b>109.7</b>	<b>97.8</b>	<b>82.2</b>	<b>78.1</b>	<b>29.9</b>	<b>26.5</b>	<b>221.8</b>	<b>202.4</b>

### KEY RATIOS

GROUP	March 31, 2008	March 31, 2007	Full-year 2007	Full-year 2006	Full-year 2005	Full-year 2004
<b>Property-related</b>						
Rentable floor space, sq. m	353,767	350,923	353,685	350,895	407,694	407,375
Rental vacancy level, %	3.8	5.2	3.3	6.5	7.1	8.2
Floor space vacancy level, %	4.7	6.7	4.6	8.1	8.7	9.5
Fair value, SEK bn	20.6	17.4	20.5	17.4	16.3	15.0
<b>Financial</b>						
Return on equity, %	4.4	4.8	20.4	33.6	15.9	9.8
Return on capital employed, %	5.6	5.8	22.3	23.9	16.5	9.7
Equity ratio, %	54.6	54.3	56.4	57.4	52.2	53.8
Interest coverage ratio, times	5.7	6.4	6.1	5.1	5.7	3.5
Loan-to-value ratio, %	16.5	17.6	16.6	19.3	21.7	20.9
<b>Data per share</b>						
Profit for the period, SEK	0.58	0.64	11.64	16.60	6.47	3.74
Equity, SEK	56.04	46.18	57.25	57.14	41.77	39.46
Properties, fair value, SEK	99.75	84.54	99.53	84.40	78.91	72.72
Net asset value, SEK	72.00	60.00	73.00	71.00	53.00	50.00
Number of outstanding shares, 1000	206,266	206,266	206,266	206,266	206,266	206,266
Number of issued shares, 1000	211,272	211,272	211,272	211,272	211,272	211,272

### PARENT COMPANY

#### PROFIT AND FINANCIAL POSITION

Net revenue amounted to SEK 196.9 million (176.5). Profit after net financial income and expense for the period was SEK 45.6 million (76.2).

Liquid funds at the year-end amounted to SEK 519.1 million (20.8). Investments in properties and equipment during the period amounted to SEK 14.6 million (6.5).

#### MATERIAL RISKS AND UNCERTAINTY FACTORS

The Group is mainly exposed to financing, interest and credit risks. The Company has not identified

any material risks and uncertainties other than those described in the Annual Report.

#### MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

No material transactions took place during the period.

#### ACCOUNTING PRINCIPLES

The Parent Company applies the same accounting principles as in the most recent Annual Report.

## INCOME STATEMENTS – SUMMARY

<b>Parent company</b>	<b>January-March 2008</b>	<b>January- March 2007</b>	<b>January- December 2007</b>
Net revenue	196.9	176.5	740.1
Operating expenses	-89.9	-78.5	-398.0
<b>Gross profit</b>	<b>107.0</b>	<b>98.0</b>	<b>342.1</b>
Central administration	-7.7	-6.8	-30.8
Changes in value, derivatives	-17.9	-	16.5
<b>Operating profit</b>	<b>81.4</b>	<b>91.2</b>	<b>327.8</b>
Financial income and expense	-35.8	-21.6	-125.1
Capital gain on sale subsidiary	-	6.6	6.6
<b>Operating profit after net interest income/expense</b>	<b>45.6</b>	<b>76.2</b>	<b>209.3</b>
Appropriations	-	-	-100.9
<b>Profit before tax</b>	<b>45.6</b>	<b>76.2</b>	<b>108.4</b>
Tax	-14.2	-18.8	-22.7
<b>Profit for the period</b>	<b>31.4</b>	<b>57.4</b>	<b>85.7</b>

## BALANCE SHEETS – SUMMARY

<b>PARENT COMPANY, SEK m</b>	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2007</b>
Investment properties	5,976.3	5,646.0	5,972.9
Other fixed assets	2,862.4	2,858.9	2,891.5
Total fixed assets	8,838.7	8,504.9	8,864.4
Current assets	550.9	60.2	328.4
<b>Total assets</b>	<b>9,389.6</b>	<b>8,565.1</b>	<b>9,192.8</b>
Restricted equity	1,975.2	1,989.2	1,978.7
Non-restricted equity	1,190.8	1,335.8	1,524.9
Total equity	3,166.0	3,325.0	3,503.6
Untaxed reserves	661.5	560.6	661.5
Non-current liabilities	4,027.4	3,635.6	4,035.8
Current liabilities	1,534.7	1,043.9	991.9
Total liabilities	6,223.6	5,240.1	5,689.2
<b>Total equity and liabilities</b>	<b>9,389.6</b>	<b>8,565.1</b>	<b>9,192.8</b>

Stockholm, May 8, 2008

Ivo Stopner  
President

This interim report has not been the subject of an examination by the Company's auditor.

## DEFINITIONS

*Annual rent.* Gross rent calculated on an annual basis, excluding the turnover-based rent supplement. Vacant premises are reported at the market rent.

*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, based on an evaluation according to the direct yield method.

*Floor space vacancy level.* Vacant floor space in square metres in relation to the total rentable floor space.

*Golden Triangle.* The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

*Interest coverage ratio.* Profit after financial income and expense, excluding unrealized changes in value plus interest expense minus interest contributions in relation to the interest expense minus interest contributions.

*Investments.* Expenses related to value-enhancing improvements which entail future financial benefits are capi-

talized. Rebuilding costs of a maintenance nature are charged to profit.

*Loan-to-value ratio, properties*

Interest-bearing liabilities in relation to the carrying value of the properties.

*Net liabilities.* Interest-bearing liabilities less interest-bearing assets.

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

*Property tax supplement.* Property tax payments received from tenants.

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

*Return on capital employed.* Profit after appropriations and tax plus interest expense minus interest contributions in relation to the average capital employed. In the interim accounts the return has been recalculated on a full-year basis without consideration given to seasonal variations which normally arise in operations and with the exception of changes in value.

*Return on equity.* Profit after tax in relation to the average equity. In the interim accounts the return has been recalculated on a full-year basis without consideration given to seasonal variations which normally arise in operations and with the exception of changes in value.

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

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