



# Q1

HUFVUDSTADEN

Interim Report January – March 2014

# HUFVUDSTADEN

## Interim Report January–March 2014

- **Gross profit from property management increased by 9 per cent and amounted to SEK 288 million (264), which can be attributed mainly to the result of a property acquisition in Gothenburg during 2013.**
- **Profit after tax for the period was SEK 194 million (266), equivalent to SEK 0.94 per share (1.29). The decrease is due to a negative change in the value of interest derivatives compared with the positive change the previous year.**
- **The fair value of the property holdings was set at SEK 26.0 billion (25.9 at the turn of the year), which gives a net asset value of SEK 90 per share (92 at the turn of the year), following payment of a dividend of SEK 2.75 per share.**
- **The equity ratio was 56 per cent (54), the net loan-to-value ratio was 21 per cent (22) and the interest coverage ratio multiple was 8.7 (7.8).**
- **Consolidated net revenue amounted to SEK 414 million (390), an increase of 6 per cent.**
- **The rental vacancy level at the period-end was 5.4 per cent (5.0).**

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### GROUP

#### RESULTS

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

Net rents from property management during the period amounted to SEK 397.4 million (372.9), an increase of 7 per cent. The gross profit was SEK 287.8 million (263.5). 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 5.

##### Parking operations

Operations comprise parking operations at Parkaden AB in Stockholm. Net revenue was SEK 16.8 million (16.9), expenses SEK 12.4 million (12.2) and gross profit SEK 4.4 million (4.7).

##### Other profit and loss items

Central administration totalled SEK -8.9 million (-8.4). Changes in the value of properties totalled SEK 60.9 million (73.2) and changes in interest derivatives totalled SEK -54.5 million (39.0).

##### Financial income and expense

Net financial income and expense amounted to SEK -31.3 million (-29.8).

##### Tax

The Group's tax for the period was SEK -64.1 million (-76.3), of which SEK -48.1 million was actual tax (-36.6) and SEK -16.0 million was deferred tax (-39.7).

##### Profit for the period

The consolidated profit after tax amounted to SEK 194.3 million (265.9). The decrease in profit is due to a negative change in the value of interest derivatives compared with the positive change the previous year.

##### ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 33.2 million (1,321.6).

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

## PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as at March 31, 2014 is estimated to be SEK 25,962 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 388,000 square metres (388,000).

The rental vacancy level as at March 31, 2014 was 5.4 per cent (4.0 at the turn of the year) and the floor space vacancy level was 7.3 per cent (5.7 at the turn of the year). Vacant space has increased due to a large office tenant vacating its premises and commencement of an extensive project in the Femman shopping precinct in Gothenburg.

### 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, taking 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 quarter of 2014 was estimated at SEK 60.9 million (73.2). The total value of the property holdings as at March 31, 2014 was SEK 26.0 billion, including investments for the period. The unrealized increase in value can be attributed to the effect of a slight increase in rents.

The average yield requirement at the above valuation point was 4.7 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 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. 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:

Stockholm	4.3-4.9 per cent
Gothenburg	4.7-6.0 per cent
Property holdings, average	4.7 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 26.0 billion with a degree of uncertainty of +/- 5 per cent, which means that the assessed 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 <sup>2</sup>	SEK 840 m
Property costs	SEK 50/m <sup>2</sup>	SEK 420 m
Rental vacancy level	1.0 percentage points	SEK 350 m
Yield requirement	0.25 percentage points	SEK 1,400 m

### Net asset value

Based on the valuation of the property holdings, the net asset value, following a payment of dividend of SEK 567 million, was SEK 18.6 billion or SEK 90 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 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 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, 2014

SEK bn	0%	5%	22%
Net asset value before tax	19.7	19.7	19.7
Calculated deferred tax	-	-1.1	-4.7
Net asset value after tax	19.7	18.6	14.9
Net asset value per share, SEK	95	90	72

## 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 remained normal and rents are rising slightly. 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 good with a slight rise in rents. 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 been positive and in line with expectations. In total, 21,600 square metres were renegotiated during the period at a rental value of SEK 90 million.

## FINANCING STRUCTURE

Hufvudstaden's borrowing as at March 31, 2014 amounted to SEK 6,050 million (5,750 at the turn of the year). During the period, 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 39 months (41 at the turn of the year), the average capital tie-up period was 40 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 5,576 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 March 31, 2014 was SEK -17.8 million (36.6 at the turn of the year).

### Capital tie-up structure, March 31, 2014

Maturity Date	Volume, SEK m <sup>1)</sup>	Share, %
2014	300	5
2015	400	7
2016	1,000	16
2017	2,650	44
2018	1,200	20
2019	500	8
Total	6,050	100

### Fixed interest structure, March 31, 2014

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2014	1,300	21	1.5
2016	500	8	2.0
2017	1,500	25	1.8
2018	1,800	30	2.7
2019	950	16	2.9
Total	6,050	100	2.2

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

## SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 18,563 shareholders at the end of the period. The proportion of foreign ownership as at March 31, 2014 was 30.5 per cent of the total number of outstanding shares (30.5 at the turn of the year). The series A share price as at March 31, 2014 was SEK 91.30 and market capitalization was SEK 20.1 billion.

### Shares bought back

The total number of shares held by Hufvudstaden as at March 31, 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 March 31, 2014, million shares

	Total number of shares	Company holdings	Held by other shareholders
As at January 1, 2014	211.3	5.0	206.3
Buy-back	-	-	-
As at March 31, 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.

## FORTHCOMING INFORMATION

Interim Report, January-June 2014	August 21, 2014
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 May 20, 2014.

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

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

**INCOME STATEMENTS – SUMMARY**

<b>GROUP, SEK m</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>January-December 2013</b>
<b>Net revenue</b>			
Property management	397.4	372.9	1,572.7
Parking operations	16.8	16.9	67.7
	<b>414.2</b>	<b>389.8</b>	<b>1,640.4</b>
<b>Property management expenses</b>			
Maintenance	-4.4	-8.5	-32.0
Operation and administration	-63.0	-64.3	-237.8
Ground rents	-4.1	-4.1	-16.1
Property tax	-38.1	-32.5	-152.2
<b>Property management expenses</b>	<b>-109.6</b>	<b>-109.4</b>	<b>-438.1</b>
Parking operations, expenses	-12.4	-12.2	-49.7
<b>Operating expenses</b>	<b>-122.0</b>	<b>-121.6</b>	<b>-487.8</b>
<b>Gross profit</b>	<b>292.2</b>	<b>268.2</b>	<b>1,152.6</b>
- of which Property management	287.8	263.5	1,134.6
- of which Parking operations	4.4	4.7	18.0
Central administration	-8.9	-8.4	-35.7
<b>Operating profit before changes in value</b>	<b>283.3</b>	<b>259.8</b>	<b>1,116.9</b>
<b>Changes in value</b>			
Properties	60.9	73.2	1,357.9
Interest derivatives	-54.5	39.0	59.6
<b>Operating profit</b>	<b>289.7</b>	<b>372.0</b>	<b>2,534.4</b>
Financial income/expense	-31.3	-29.8	-127.8
<b>Profit before tax</b>	<b>258.4</b>	<b>342.2</b>	<b>2,406.6</b>
Tax	-64.1	-76.3	-530.5
<b>Profit after tax</b>	<b>194.3</b>	<b>265.9</b>	<b>1,876.1</b>
<b>Other comprehensive income</b>	-	-	-
<b>Total comprehensive income for the period</b>	<b>194.3</b>	<b>265.9</b>	<b>1,876.1</b>
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	0.94	1.29	9.10

**BALANCE SHEETS – SUMMARY**

<b>GROUP, SEK m</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>	<b>December 31, 2013</b>
Properties	25,962.0	24,451.7	25,869.1
Other non-current assets	12.8	11.0	49.1
<b>Total non-current assets</b>	<b>25,974.8</b>	<b>24,462.7</b>	<b>25,918.2</b>
Current assets	509.3	727.7	557.5
<b>Total assets</b>	<b>26,484.1</b>	<b>25,190.4</b>	<b>26,475.7</b>
Equity	14,887.8	13,650.5	15,260.7
Non-current interest-bearing liabilities	4,850.0	4,150.0	4,550.0
Deferred tax liabilities	4,946.8	4,581.1	4,930.8
Other non-current liabilities	35.7	12.4	17.3
Pension provisions	8.8	8.4	8.8
<b>Total non-current liabilities</b>	<b>9,841.3</b>	<b>8,751.9</b>	<b>9,506.9</b>
Current interest-bearing liabilities	1,200.0	1,800.0	1,200.0
Other liabilities	555.0	988.0	508.1
<b>Total current liabilities</b>	<b>1,755.0</b>	<b>2,788.0</b>	<b>1,708.1</b>
<b>Total equity and liabilities</b>	<b>26,484.1</b>	<b>25,190.4</b>	<b>26,475.7</b>

## CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-March 2014	January-March 2013	January-December 2013
Equity, opening balance	15,260.7	13,920.9	13,920.9
Total comprehensive income for the period	194.3	265.9	1,876.1
Dividends	-567.2	-536.3	-536.3
<b>Equity, closing balance</b>	<b>14,887.8</b>	<b>13,650.5</b>	<b>15,260.7</b>

## STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-March 2014	January-March 2013	January-December 2013
Result before tax	258.4	342.2	2,406.6
Depreciation/impairments	1.8	1.7	3.2
Unrealized change in value, properties	-60.9	-73.2	-1,357.9
Unrealized change in value, interest derivatives	54.5	-39.0	-59.6
Other changes	0.1	-	0.4
Tax paid	-9.6	17.7	-101.6
<b>Cash flow from current operations before changes in working capital</b>	<b>244.3</b>	<b>249.4</b>	<b>891.1</b>
Increase/decrease in operating receivables	6.0	-7.6	-6.2
Increase/decrease in operating liabilities	19.6	0.2	65.8
<b>Cash flow from current operations</b>	<b>269.9</b>	<b>242.0</b>	<b>950.7</b>
Investments in properties	-32.1	-1,321.0	-1,453.7
Investments in equipment	-1.1	-0.6	-3.6
<b>Cash flow from investments</b>	<b>-33.2</b>	<b>-1,321.6</b>	<b>-1,457.3</b>
Loans raised	1,200.0	1,600.0	4,100.0
Amortization of loan debt	-900.0	-350.0	-3,050.0
Dividend paid	-567.2	-	-536.3
<b>Cash flow from financing</b>	<b>-267.2</b>	<b>1,250.0</b>	<b>513.7</b>
<b>Cash flow for the period</b>	<b>-30.5</b>	<b>170.4</b>	<b>7.1</b>
Cash and cash equivalents at the beginning of the period	504.6	497.5	497.5
Cash and cash equivalents at the period-end	474.1	667.9	504.6
Cash flow for the period per share, SEK	-0.15	0.83	0.03

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

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013
Net revenue	174.9	169.6	154.1	150.2	68.4	53.1	397.4	372.9
Property costs	-41.6	-46.2	-48.6	-47.8	-19.4	-15.4	-109.6	-109.4
<b>Gross profit property management</b>	<b>133.3</b>	<b>123.4</b>	<b>105.5</b>	<b>102.4</b>	<b>49.0</b>	<b>37.7</b>	<b>287.8</b>	<b>263.5</b>
Parking operations			4.4	4.7			4.4	4.7
Central administration							-8.9	-8.4
<b>Changes in value</b>								
Properties							60.9	73.2
Interest derivatives							-54.5	39.0
<b>Operating profit</b>							<b>289.7</b>	<b>372.0</b>
Financial income and expense							-31.3	-29.8
<b>Profit before tax</b>							<b>258.4</b>	<b>342.2</b>

<sup>1)</sup> 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	March 31, 2014	March 31, 2013	December 31, 2013
<b>Pledged assets</b>			
Mortgages	1,653.1	1,956.2	1,653.1
Endowment insurance	7.0	6.6	6.9
<b>Total pledged assets</b>	<b>1,660.1</b>	<b>1,962.8</b>	<b>1,660.0</b>
Contingent liabilities	None	None	None

## KEY RATIOS

GROUP	March 31, 2014	March 31, 2013	Full Year 2013	Full Year 2012	Full Year 2011	Full Year 2010
<b>Property-related</b>						
Rentable floor space, 1,000 m <sup>2</sup>	388	388	387	367	365	358
Rental vacancy level, %	5.4	5.0	4.0	3.7	3.9	5.1
Floor space vacancy level, %	7.3	6.4	5.7	5.4	5.9	6.8
Fair value, SEK bn	26.0	24.5	25.9	23.1	22.3	20.1
Surplus ratio, %	70.5	68.8	70.3	70.4	67.1	67.8
<b>Financial</b>						
Return on equity, %	5.0	5.7	12.9	14.7	12.0	15.9
Return on capital employed, %	5.4	6.0	12.8	9.3	13.1	17.2
Equity ratio, %	56.2	54.2	57.6	58.9	55.0	56.1
Interest coverage ratio, multiple	8.7	7.8	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, %	21.5	21.6	20.3	18.2	18.1	16.1
<b>Data per share</b>						
Profit/loss for the period, SEK	0.94	1.29	9.10	9.40	6.96	8.40
Equity, SEK	72.18	66.18	73.99	67.49	60.54	55.88
Properties, fair value, SEK	125.87	118.54	125.42	111.79	107.88	97.68
Net asset value, SEK	90.00	83.00	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	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012
Net revenue, SEK m	414	439	407	405	390	398	381	382
Return on equity, %	5.0	12.9	9.0	8.9	5.7	31.0	7.7	7.6
Return on equity, adjusted, %	4.9	5.3	5.6	5.6	5.1	28.0	5.3	5.0
Equity ratio, %	56.2	57.6	56.5	56.1	54.2	58.9	55.0	54.7
Profit/share for the period, SEK	0.94	3.88	1.12	2.80	1.29	5.56	0.68	1.52
Equity per share, SEK	72.18	73.99	70.11	68.98	66.18	67.49	61.93	61.26
Net asset value per share, SEK <sup>1)</sup>	90.00	92.00	87.00	86.00	83.00	84.00	77.00	77.00
Cash flow per share from current operations, SEK	1.31	0.99	1.34	1.10	1.17	0.27	0.79	0.85

<sup>1)</sup> 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 258.1 million (229.6). The gross profit was SEK 149.0 million (117.5). The increase can be attributed mainly to the result from the acquired property Fyran in Gothenburg, acquired in March 2013, and higher rents as a result of renegotiations and new leases. Net financial income and expense was SEK -31.2 million (-29.7).

Cash and cash equivalents at the period-end amounted to SEK 473.9 million (667.7). Investments in properties and equipment during the period totalled SEK 11.6 million (1,286.0).

### MERGER

The subsidiaries Fastighets AB Kåkenhusen and Inom Vallgraven Fastighets AB have been merged with the Parent Company. The merger has had a positive effect on Parent Company equity with the amount of SEK 41.2 million.

### 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**

	January- March 2014	January- March 2013	January- December 2013
<b>PARENT COMPANY, SEK m</b>			
Net revenue	258.1	229.6	987.9
Operating expenses	-109.1	-112.1	-429.9
<b>Gross profit</b>	<b>149.0</b>	<b>117.5</b>	<b>558.0</b>
Central administration	-8.9	-8.4	-35.7
Changes in value, interest derivatives	-54.5	39.0	59.6
<b>Operating profit</b>	<b>85.6</b>	<b>148.1</b>	<b>581.9</b>
Group contribution	-	-	358.4
Financial income and expense	-31.2	-29.7	-127.9
<b>Profit after financial items</b>	<b>54.4</b>	<b>118.4</b>	<b>812.4</b>
Appropriations	-	-	-105.2
<b>Profit before tax</b>	<b>54.4</b>	<b>118.4</b>	<b>707.2</b>
Tax	-18.7	-26.9	-157.2
<b>Profit for the period</b>	<b>35.7</b>	<b>91.5</b>	<b>550.0</b>
<b>Statement of comprehensive income, SEK m</b>			
Profit for the period	35.7	91.5	550.0
<i>Other comprehensive income</i>	-	-	-
<b>Comprehensive income for the period</b>	<b>35.7</b>	<b>91.5</b>	<b>550.0</b>

**BALANCE SHEETS – SUMMARY**

	March 31, 2014	March 31, 2013	December 31, 2013
<b>PARENT COMPANY, SEK m</b>			
Properties	8,118.2	7,617.8	7,588.9
Other non-current assets	2,831.8	3,117.0	3,138.4
Total non-current assets	10,950.0	10,734.8	10,727.3
Current assets	801.2	1,338.5	1,216.7
<b>Total assets</b>	<b>11,751.2</b>	<b>12,073.3</b>	<b>11,944.0</b>
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,696.1	1,727.9	2,186.4
Total equity	3,674.8	3,706.6	4,165.1
Untaxed reserves	714.6	609.4	714.6
Appropriations	917.5	954.6	961.8
Non-current liabilities	4,885.3	4,162.7	4,566.9
Current liabilities	1,559.0	2,640.0	1,535.6
Total liabilities	8,076.4	8,366.7	7,778.9
<b>Total equity and liabilities</b>	<b>11,751.2</b>	<b>12,073.3</b>	<b>11,944.0</b>

Stockholm, May 20, 2014

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 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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