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HUFVUDSTADEN

Interim Report January – September 2014

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- **Gross profit from property management amounted to SEK 857 million (851). The increase can be attributed mainly to higher rents.**
- **Profit after tax for the period was SEK 996 million (1,076), equivalent to SEK 4.83 per share (5.22). The decrease is due to a negative, unrealized change in the value of interest derivatives of SEK -149 million (88).**
- **The fair value of the property holdings was set at SEK 26.7 billion (25.9 at the turn of the year), resulting in a net asset value of SEK 95 per share (92 at the turn of the year).**
- **The equity ratio was 57 per cent (57), the net loan-to-value ratio was 20 per cent (22) and the interest coverage ratio multiple was 8.4 (8.3).**
- **Consolidated net revenue amounted to SEK 1,236 million (1,201), an increase of 3 per cent.**
- **The rental vacancy level at the period-end was 5.5 per cent (4.0).**
- **Hufvudstaden has the most satisfied office tenants in the industry according to the Fastighetsbarometern Satisfied Customer Survey.**

GROUP

RESULTS

Property management¹⁾

Net rents from property management during the period amounted to SEK 1,186.9 million (1,152.7), an increase of 3 per cent. The gross profit amounted to SEK 857.1 million (851.3). The increase can be attributed mainly to higher rents in conjunction with renegotiations and new leases and the acquisition of the property in Gothenburg in 2013. Operating and administration costs have increased due to insurance claims resulting from heavy rain, fire and burglary, expanded security measures and personnel costs of a non-recurring nature. The property tax expense has mainly been passed on to the tenants.

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 49.1 million (48.5), expenses SEK 36.8 million (36.8) and gross profit SEK 12.3 million (11.7).

Other profit and loss items

Central administration totalled SEK -26.9 million (-25.4). Changes in the value of investment properties totalled SEK 693.9 million (551.8) and changes in interest derivatives totalled SEK -148.7 million (88.1).

Financial income and expense

Net financial income and expense amounted to SEK -97.9 million (-95.4).

Tax

The Group's tax for the period was SEK -294.1 million (-306.3), of which SEK -127.4 million was actual tax (-123.7) and SEK -166.7 million was deferred tax (-182.6).

The Corporate Tax Committee has presented a final report regarding the taxation of companies and the proposal is expected to come into force in 2016.

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

The Committee proposes, among other things, that the right to make a deduction for negative net financial expense be repealed and be replaced by a standard financing deduction. If the Committee's proposal had been applied for the past five financial years, 2009-2013, it would not have had any negative impact on Hufvudstaden's tax expense.

Profit for the period

The consolidated profit after tax amounted to SEK 995.7 million (1,075.8). 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 158.6 million (1,413.5).

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings as at September 30, 2014 is set at SEK 26,718 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 September 30, 2014 was 5.5 per cent (4.0) and the floor space vacancy level was 7.3 per cent (5.6). Vacant space has increased as a result of a small number of office tenants vacating premises and commencement of a 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 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 period amount to SEK 693.9 million (551.8). The total value of the property holdings as at September 30, 2014 was SEK 26.7 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 26.7 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

Net asset value

Based on the valuation of the property holdings, the net asset value was SEK 19.5 billion or SEK 95 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, September 30, 2014

Tax rate	0%	5%	22%
SEK bn			
Net asset value before tax	20.6	20.6	20.6
Calculated deferred tax	-	-1.1	-4.9
Asset value after tax	20.6	19.5	15.7
Net asset value per share, SEK	100	95	76

HUFVUDSTADEN HAS THE MOST SATISFIED OFFICE TENANTS IN THE INDUSTRY

The most satisfied office tenants in the industry can be found at Hufvudstaden. With the highest score since the *Fastighetsbarometern* survey first began in 1997, Hufvudstaden once again came out top.

*Fastighetsbarometern*¹⁾ is the industry's satisfied customer survey. Hufvudstaden scored 84 (+6) on a scale of 0-100 whilst the average for the industry remained at 73. The property owner's service provision, fault reporting system and image were the factors that had the greatest impact on tenant satisfaction. This year, Hufvudstaden was given the highest score for service, fault reporting, premises, indoor climate and location.

RENTAL MARKET

Demand for modern, flexible office space in prime locations in central Stockholm strengthened slightly 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 a slight improvement in 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, 35,000 square metres were renegotiated during the period at a rental value of SEK 165 million. On average, these renegotiations have resulted in a rent increase of approximately 5 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at September 30, 2014 amounted to SEK 5,850.0 million (5,750.0 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 600 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 35 months (41 at the turn of the year), the average capital tie-up period was 34 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 5,266 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 September 30, 2014 was SEK -112.0 million (36.6 at the turn of the year).

Fixed interest structure, September 30, 2014

Maturity Date	Volume, SEK m	Share, %	Average AER, %
2014	1,100.0	19	1.3
2016	500.0	8	2.0
2017	1,500.0	26	1.8
2018	1,800.0	31	2.6
2019	950.0	16	2.9
Total	5,850.0	100	2.2

Capital tie-up structure, September 30, 2014

Maturity Date	Volume, SEK m ¹⁾	Share, %
2014	200.0	3
2015	400.0	7
2016	900.0	15
2017	2,650.0	45
2018	1,200.0	21
2019	500.0	9
Total	5,850.0	100

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

RESULTS THIRD QUARTER

The gross profit from property management amounted to SEK 285.1 million (293.7), a decrease of 3 per cent. Net rents amounted to SEK 394.8 million (391.8). The increase can be attributed mainly to higher rents in conjunction with lease renegotiation and new leases. Property management costs amounted to SEK 109.7 million (98.1). Operating and administration costs increased as a result of insurance claims resulting from heavy rain and burglary, expanded security measures and personnel costs of a non-recurring nature. The property tax expense has mainly been passed on to the tenants.

The gross profit from parking operations was SEK 3.1 million (2.5). Net revenue was SEK 15.3 million (14.9) and costs SEK 12.2 million (12.4).

Changes in the value of investment properties amounted to SEK 54.5 million (44.4) and changes in the value of interest derivatives amounted to SEK -34.4 million (-1.5). Net financial income and expense totalled SEK -32.9 million (-33.0).

OTHER

The Board of Directors has appointed Bo Wikare as Vice President with effect from October 1, 2014. The decision is part of Hufvudstaden's focus on business development and commercial projects. In addition to his role as Business Area Head, Bo Wikare will assume greater responsibility for Group business development.

¹⁾ Behind *Fastighetsbarometern* are the Swedish Property Federation and the consulting company CFI Group.

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ OMX Stockholm, had 19,514 shareholders at the end of the period. The proportion of foreign ownership as at September 30, 2014 was 32.1 per cent of the total number of outstanding shares (30.5 at the turn of the year). The series A share price as at September 30, 2014 was SEK 89.90 and market capitalization was SEK 19.7 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at September 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 September 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 September 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. There is no set-off of financial assets and liabilities. Other financial assets and liabilities are reported at the accrued acquisition value, which in all material respects concurs with the fair value.

FORTHCOMING INFORMATION

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 November 5, 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	July- September 2014	July- September 2013	January- September 2014	January- September 2013	January- December 2013
Net revenue					
Property management	394.8	391.8	1,186.9	1,152.7	1,572.7
Parking operations	15.3	14.9	49.1	48.5	67.7
	410.1	406.7	1,236.0	1,201.2	1,640.4
Property management expenses					
Maintenance	-6.1	-9.5	-20.5	-20.4	-32.0
Operation and administration	-60.4	-50.5	-181.4	-168.2	-237.8
Ground rents	-4.0	-4.2	-12.2	-12.5	-16.1
Property tax	-39.2	-33.9	-115.7	-100.3	-152.2
Property management expenses	-109.7	-98.1	-329.8	-301.4	-438.1
Parking operations, expenses	-12.2	-12.4	-36.8	-36.8	-49.7
Operating expenses	-121.9	-110.5	-366.6	-338.2	-487.8
Gross profit	288.2	296.2	869.4	863.0	1,152.6
- of which Property management	285.1	293.7	857.1	851.3	1,134.6
- of which Parking operations	3.1	2.5	12.3	11.7	18.0
Central administration	-9.0	-8.5	-26.9	-25.4	-35.7
Operating profit before changes in value	279.2	287.7	842.5	837.6	1,116.9
Changes in value					
Properties	54.5	44.4	693.9	551.8	1,357.9
Interest derivatives	-34.4	-1.5	-148.7	88.1	59.6
Operating profit	299.3	330.6	1,387.7	1,477.5	2,534.4
Financial income and expense	-32.9	-33.0	-97.9	-95.4	-127.8
Profit before tax	266.4	297.6	1,289.8	1,382.1	2,406.6
Tax	-59.9	-65.7	-294.1	-306.3	-530.5
Profit after tax	206.5	231.9	995.7	1,075.8	1,876.1
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	206.5	231.9	995.7	1,075.8	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	1.00	1.12	4.83	5.22	9.10

BALANCE SHEETS – SUMMARY

GROUP, SEK m	September 30, 2014	September 30, 2013	December 31, 2013
Properties	26,717.8	25,020.4	25,869.1
Other non-current assets	14.2	76.9	49.1
Total non-current assets	26,732.0	25,097.3	25,918.2
Current assets	641.5	485.0	557.5
Total assets	27,373.5	25,582.3	26,475.7
Equity	15,689.2	14,460.4	15,260.7
Non-current interest-bearing liabilities	4,650.0	4,750.0	4,550.0
Deferred tax liabilities	5,097.5	4,723.8	4,930.8
Other non-current liabilities	130.3	16.0	17.3
Pension provisions	9.1	8.7	8.8
Total non-current liabilities	9,886.9	9,498.5	9,506.9
Current, interest-bearing liabilities	1,200.0	1,100.0	1,200.0
Other liabilities	597.4	523.4	508.1
Total current liabilities	1,797.4	1,623.4	1,708.1
Total equity and liabilities	27,373.5	25,582.3	26,475.7

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January-September 2014	January-September 2013	January-December 2013
Equity, opening balance	15,260.7	13,920.9	13,920.9
Total comprehensive income for the period	995.7	1,075.8	1,876.1
Dividend	-567.2	-536.3	-536.3
Equity, closing balance	15,689.2	14,460.4	15,260.7

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January-September 2014	January-September 2013	January-December 2013
Result before tax	1,289.8	1,382.1	2,406.6
Depreciation/impairments	4.9	3.3	3.2
Unrealized change in value, properties	-693.9	-551.8	-1,357.9
Unrealized change in value, interest derivatives	148.7	-88.1	-59.6
Other changes	0.3	0.3	0.4
Tax paid	-91.7	-72.7	-101.6
Cash flow from current operations before changes in working capital	658.1	673.1	891.1
Increase/decrease in operating receivables	-18.0	-5.8	-6.2
Increase/decrease in operating liabilities	65.1	78.8	65.8
Cash flow from current operations	705.2	746.1	950.7
Investments in properties	-154.8	-1,411.1	-1,453.7
Investments in equipment	-3.8	-2.4	-3.6
Cash flow from investments	-158.6	-1,413.5	-1,457.3
Loans raised	1,200.0	2,400.0	4,100.0
Amortization of loan debt	-1,100.0	-1,250.0	-3,050.0
Dividend paid	-567.2	-536.3	-536.3
Cash flow from financing	-467.2	613.7	513.7
Cash flow for the period	79.4	-53.7	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	584.0	443.8	504.6
Data per share, SEK			
Cash flow for the period from current operations	3.42	3.62	4.61
Cash flow for the period	0.38	-0.26	0.03

SEGMENT REPORT – SUMMARY¹⁾

GROUP, SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	Jan-Sept 2014	Jan-Sept 2013	Jan-Sept 2014	Jan-Sept 2013	Jan-Sept 2014	Jan-Sept 2013	Jan-Sept 2014	Jan-Sept 2013
	Net revenue	520.4	514.9	461.0	450.9	205.5	186.9	1,186.9
Property costs	-123.1	-116.4	-146.1	-137.2	-60.6	-47.8	-329.8	-301.4
Gross profit, property management	397.3	398.5	314.9	313.7	144.9	139.1	857.1	851.3
Parking operations			12.3	11.7			12.3	11.7
Central administration							-26.9	-25.4
Changes in value								
Properties							693.9	551.8
Interest derivatives							-148.7	88.1
Operating profit							1,387.7	1,477.5
Financial income and expense							-97.9	-95.4
Profit before tax							1,289.8	1,382.1

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	September 30, 2014	September 30, 2013	December 31, 2013
Pledged assets			
Mortgages	1,653.1	1,653.1	1,653.1
Endowment insurance	7.2	6.8	6.9
Total pledged assets	1,660.3	1,659.9	1,660.0
Contingent liabilities	None	None	None

KEY RATIOS

GROUP	September 30, 2014	September 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	4.0	4.0	3.7	3.9	5.1
Floor space vacancy level, %	7.3	5.6	5.7	5.4	5.9	6.8
Fair value, SEK bn	26.7	25.0	25.9	23.1	22.3	20.1
Surplus ratio, %	70.3	71.8	70.3	70.4	67.1	67.8
Financial						
Return on equity, %	7.6	8.9	12.9	14.7	12.0	15.9
Return on capital employed, %	7.8	9.0	12.8	9.3	13.1	17.2
Equity ratio, %	57.3	56.5	57.6	58.9	55.0	56.1
Interest coverage ratio, multiple	8.4	8.3	8.3	6.4	7.0	7.7
Debt/equity ratio, multiple	0.3	0.4	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	19.7	21.6	20.3	18.2	18.1	16.1
Data per share						
Profit/loss for the period, SEK	4.83	5.22	9.10	9.40	6.96	8.40
Equity, SEK	76.06	70.11	73.99	67.49	60.54	55.88
Properties, fair value, SEK	129.53	121.30	125.42	111.79	107.88	97.68
Net asset value, SEK	95.00	87.00	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	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012
Net revenue, SEK m	410	412	414	439	407	405	390	398
Return on equity, %	7.6	7.5	5.0	12.9	9.0	8.9	5.7	31.0
Return on equity, adjusted, %	4.9	4.9	4.9	5.3	5.6	5.6	5.1	28.0
Equity ratio, %	57.3	57.0	56.2	57.6	56.5	56.1	54.2	58.9
Profit/share for the period, SEK	1.00	2.88	0.94	3.88	1.12	2.80	1.29	5.56
Equity per share, SEK	76.06	75.06	72.18	73.99	70.11	68.98	66.18	67.49
Net asset value per share, SEK	95.00	93.00	90.00	92.00	87.00	86.00	83.00	84.00
Cash flow per share from current operations, SEK	1.24	0.87	1.31	0.99	1.34	1.10	1.17	0.27

PARENT COMPANY**RESULT AND POSITION**

Net revenue amounted to SEK 770.3 million (723.9). The increase can be attributed mainly to higher rents in conjunction with renegotiation and new leases and the property acquisition in Gothenburg in 2013. The gross profit was SEK 423.9 million (423.4). Maintenance, insurance claims and personnel costs of a non-recurring nature have resulted in an increase in operating and administration costs.

Net financial income and expense was SEK -97.4 million (-95.3). Profit for the period after tax was SEK 107.7 million (302.7). The fall in profit can be attributed to the negative trend for interest derivatives compared with the positive change in value the previous year.

Cash and cash equivalents at the period-end amounted to SEK 583.9 million (443.6). Investments in properties and equipment during the period totalled SEK 58.2 million (1,316.1).

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	July- September 2014	July- September 2013	January- September 2014	January- September 2013	January- December 2013
Net revenue	256.0	248.4	770.3	723.9	987.9
Operating expenses	-118.3	-89.6	-346.4	-300.5	-429.9
Gross profit	137.7	158.8	423.9	423.4	558.0
Central administration	-9.0	-8.5	-26.9	-25.4	-35.7
Changes in value, interest derivatives	-34.3	-1.5	-148.6	88.1	59.6
Operating profit	94.4	148.8	248.4	486.1	581.9
Group contribution	-	-	-	-	358.4
Financial income and expense	-32.9	-32.9	-97.4	-95.3	-127.9
Profit after financial items	61.5	115.9	151.0	390.8	812.4
Appropriations	-	-	-	-	-105.2
Profit before tax	61.5	115.9	151.0	390.8	707.2
Tax	-15.2	-26.2	-43.3	-88.1	-157.2
Profit for the period	46.3	89.7	107.7	302.7	550.0
Statement of comprehensive income, SEK m					
Profit for the period	46.3	89.7	107.7	302.7	550.0
<i>Other comprehensive income</i>	-	-	-	-	-
Comprehensive income for the period	46.3	89.7	107.7	302.7	550.0

BALANCE SHEETS – SUMMARY

PARENT COMPANY, SEK m	September 30, 2014	September 30, 2013	December 31, 2013
Properties	8,112.2	7,606.5	7,588.9
Other non-current assets	2,836.6	3,166.2	3,138.4
Total non-current assets	10,948.8	10,772.7	10,727.3
Current assets	826.6	991.1	1,216.7
Total assets	11,775.4	11,763.8	11,944.0
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,768.1	1,939.1	2,186.4
Total equity	3,746.8	3,917.8	4,165.1
Untaxed reserves	714.6	609.4	714.6
Appropriations	898.9	966.3	961.8
Non-current liabilities	4,779.9	4,765.6	4,566.9
Current liabilities	1,635.2	1,504.7	1,535.6
Total liabilities	8,028.6	7,846.0	7,778.9
Total equity and liabilities	11,775.4	11,763.8	11,944.0

Stockholm, November 5, 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, excluding turnover-based rent supplements. 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 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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