

Q2

HUFVUDSTADEN

Half-year Report January – June 2017



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- Gross profit rose by 4 per cent to SEK 643 million (616). The increase can be attributed mainly to higher rental revenue.
- Net revenue amounted to SEK 905 million (870), an increase of 4 per cent.
- Profit after tax for the period was SEK 1,625 million (1,649), equivalent to SEK 7.88 per share (7.99). The decrease can be attributed mainly to a lower unrealized change in the value of the property holdings.
- The fair value of the property holdings was set at SEK 38.3 billion (36.5 at the turn of the year), resulting in a net asset value of SEK 144 per share (138 at the turn of the year). The unrealized change in value for the period was SEK 1,518 million (1,582).
- The equity ratio was 62 per cent (60), the net loan-to-value ratio was 15 per cent (17), and the interest coverage ratio multiple was 9.0 (8.3).
- The rental vacancy level at the period-end was 4.3 per cent (4.2). Excluding vacant space due to projects in progress, the rental vacancy level was 2.2 per cent (2.3).

GROUP

RESULTS

Property management¹⁾

Net rents from property management during the period amounted to SEK 859.1 million (827.0). Gross profit amounted to SEK 623.3 million (598.0). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation.

The turnover-based rent supplement is reported during the fourth quarter. The turnover-based rent supplement for the previous year was SEK 16.0 million. There are no other material seasonal variations in rents.

The property management results for each business area are reported on page 7.

Parking operations

Operations comprise parking provision at Parkaden AB in Stockholm. Net revenue was SEK 45.5 million (43.3), expenses totalled SEK -25.6 million (-25.1) and gross profit was SEK 19.9 million (18.2).

Other profit and loss items

Central administration totalled SEK -19.0 million (-18.4). Changes in the value of investment properties totalled SEK 1,517.6 million (1,582.4) and changes in interest derivatives totalled SEK 32.6 million (6.1).

Financial income and expense

Net financial income and expense amounted to SEK -69.2 million (-72.2). The decrease can be attributed mainly to a slightly lower rate of interest on loans.

Tax

The Group's tax for the period was SEK -480.3 million (-465.6), of which SEK -80.9 million (-57.0) was actual tax and SEK -399.4 million (-408.6) was deferred tax. The increase in actual tax can be attributed to an increase in profits, allocation of appropriations to specific periods and a decrease in deductible project costs.

¹⁾ The acquired property Inom Vallgraven 3:2 in Gothenburg is included with effect from March 1, 2016.

Profit for the period

The consolidated profit after tax amounted to SEK 1,624.9 million (1,648.5). The decrease can be attributed to a lower unrealized change in the value of the property holdings.

ACQUISITIONS AND INVESTMENTS

The total investment in properties and equipment during the period was SEK 271.2 million (336.5). The decrease can be attributed to the acquisition during the previous year of the property Inom Vallgraven 3:2 in Gothenburg.

PROPERTY HOLDINGS

The fair value of the Hufvudstaden property holdings is based on an internal valuation, where the classification takes place on level 3 according to IFRS 13. The value assessed as at June 30, 2017 was SEK 38,304 million (36,517 at the turn of the year). The increase can be attributed to unrealized changes in value and investment in the property holdings. Rentable floor space totalled approximately 389,000 square metres (389,000 at the turn of the year).

The rental vacancy level as at June 30, 2017 was 4.3 per cent (3.9 at the turn of the year) and the total floor space vacancy level was 6.2 per cent (5.3 at the turn of the year). The increase in vacant space is due to vacation of premises in conjunction with development projects in progress. New leases have already been signed for several of these premises. The level of vacant space, excluding projects in progress, totalled 2.2 per cent (2.6 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 independent parts 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 account of 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 assessed unrealized change in the value of the property holdings for the first half of 2017 was SEK 1,517.6 million (1,582.4). The total value of the property holdings as at June 30, 2017 was SEK 38.3 billion, including investments for the period. The unrealized increase in value can be attributed to slightly lower yield requirements and the effect of rising market rents.

The average yield requirement at the above valuation point was 3.8 per cent (3.9 at the turn of the year).

Valuation method

Valuation of the property holdings is done by assessing the fair value of each individual property. 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 areas within the regions. Account is also taken of the type of property, the technical standard, the construction of the building 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 retail properties have been applied:

Yield requirements, property valuation

Stockholm	3.4-4.0 per cent
Gothenburg	4.1-4.8 per cent
Property holdings, average	3.8 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 the case of 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, in part, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 38.3 billion with a degree of uncertainty of +/- 5 per cent, which means that the fair value varies by +/- SEK 1.9 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation¹⁾

	Change, +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 1,000 m
Property costs	SEK 50/sq m	SEK 500 m
Rental vacancy level	1.0 percentage points	SEK 500 m
Yield requirement	0.25 percentage points	SEK 2,500 m

¹⁾ Valuation date: June 30, 2017.

External valuation

To guarantee the valuation, external estimates were obtained from three valuation companies, Forum Fastighetsekonomi, JLL and Newsec Advice. The external valuations covered 11 properties and are equivalent to 35 per cent of the internally assessed fair value. The basis for selecting the properties was that the properties should represent different property categories, towns, locations, technical standard and construction standard. The properties that underwent an external valuation were Grönlandet Södra 11, Hästhuvudet 13, Kungliga Trädgården 5, Kåkenhusen 40 (part of), Orgelpipan 7, Packarhuset 4, Pumpstocken 10 (part of), Rännilen 8 and Rännilen 19 (part of) in Stockholm, as well as Inom Vallgraven 10:9 (NK Gothenburg) and Nordstaden 8:24 (part of) in Gothenburg.

The external valuation companies have set a market value for these properties of SEK 13,551 million. Hufvudstaden's internal valuation of the same properties was SEK 13,319 million. The internal valuation thus concurs well with the external valuations.

Net asset value

Based on the valuation of the property holdings, the non-current net asset value (EPRA NAV) was SEK 31.5 billion or SEK 152 per share. The current net asset value (EPRA NNAV) was SEK 29.8 billion or SEK 144 per share following a deduction for estimated deferred tax. This 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 estimated deferred tax has been set at 5 per cent.

Net asset value, June 30, 2017

	SEK m	SEK/ share
Equity according to the Balance Sheet	23,991.6	116
<i>Reversal</i>		
Derivatives according to the Balance Sheet	59.6	-
Deferred tax according to the Balance Sheet	7,495.0	36
Non-current net asset value (EPRA NAV)	31,546.2	152
<i>Deductions</i>		
Derivatives as stated above	-59.6	-
Estimated deferred tax 5%	-1,703.4	-8
Current net asset value (EPRA NNAV)	29,783.2	144

RENTAL MARKET

The demand for modern, flexible office space in prime locations in central Stockholm continued to be strong during the period. Vacant space in this category has remained at low levels and rents have risen. In Stockholm's most attractive locations – in Bibliotekstan, at Norrmalmstorg/Hamngatan and in the Hötorget area – office rents were noted of between SEK 5,500 and SEK 8,000 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 24,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in central sub-markets in Gothenburg continued to be positive, with a continued low level of vacant space. Market rents in prime locations have risen slightly and are between SEK 2,500 and SEK 3,300 per square metre per year, excluding the property tax supplement. For retail premises, the market rents are between SEK 6,000 and SEK 15,000 per square metre per year, excluding the property tax supplement.

The outcome from Group renegotiations of both retail and office premises has been positive. A total of 38,900 square metres were renegotiated during the period at a rental value of SEK 203 million. The renegotiations result in an average increase in rent of about 11 per cent.

FINANCING STRUCTURE

Hufvudstaden's borrowing as at June 30, 2017 amounted to SEK 6,450 million (6,650 at the turn of the year).

Hufvudstaden has an MTN programme totalling SEK 4.0 billion and the outstanding amount is SEK 3.2 billion. Outstanding commercial paper amounted to SEK 0.8 billion. 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 1.8 years (1.9 at the turn of the year), the average capital tie-up period was 2.5 years (2.7 at the turn of the year) and the average annual equivalent rate of interest was 2.0 per cent (2.1 at the turn of the year). Net interest-bearing debt was SEK 5,906 million (5,536 at the turn of the year). Of the total borrowing SEK 2,700 carry a fixed rate of interest. To achieve the desired interest payment structure, use is made of interest

derivatives. The underlying credit of SEK 2,900 million (3,250 at the turn of the year) is hedged via interest derivatives. The fair value of all interest derivatives as at June 30, 2017 was SEK -59.4 million (-91.9 at the turn of the year). The negative figure can be explained by a general fall in market interest rates. Derivatives are valued at fair value in the Balance Sheet. 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 amortized cost, which in all material respects concurs with the fair value.

Fixed interest structure, SEK m, June 30, 2017

Maturity, year	Credit amount	Interest derivatives	Net	AER, % ¹⁾	Proportion, %
< - 1	4,250	-950	3,300	2.1	51
1 - 2	500	850	1,350	2.4	21
2 - 3	-	100	100	1.9	1
3 - 4	500	-	500	1.8	8
4 - 5	900	-	900	1.3	14
5 - 6	300	-	300	2.1	5
Total	6,450	0	6,450	2.0	100

¹⁾ The credit margins in the tables are allocated to the period in which the credit is reported.

Capital tie-up structure, SEK m, June 30, 2017

Maturity, agreement year	Credit	Utilized:			Total	Proportion, %
		Bank-loans	Bonds	Commercial paper ¹⁾		
< - 1	2,950	1,450	1,000	-	2,450	38
1 - 2	1,000	-	500	-	500	8
2 - 3	1,000	-	-	800	800	12
3 - 4	500	-	500	-	500	8
4 - 5	1,900	1,000	900	-	1,900	29
5 - 6	300	-	300	-	300	5
Total	7,650	2,450	3,200	800	6,450	100

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

SECOND QUARTER

Gross profit from property management amounted to SEK 312.6 million (301.9), an increase of 4 per cent. Net rents amounted to SEK 429.8 million (416.8), an increase of 3 per cent. The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation. Property management costs amounted to SEK -117.2 million (-114.9).

Gross profit from parking operations was SEK 9.7 million (9.6). Net revenue was SEK 22.7 million (22.3) and costs SEK -13.0 million (-12.7).

Changes in the value of investment properties amounted to SEK 1,195.9 million (893.1) and changes in the value of interest derivatives amounted to SEK 14.7 million (11.3). Net financial income and expense totalled SEK -34.8 million (-39.3).

SHARES AND SHAREHOLDERS

Hufvudstaden, whose shares are listed on NASDAQ Stockholm, had 22,564 shareholders at the period-end. The proportion of foreign ownership as at June 30, 2017 was 31.2 per cent of the total number of outstanding shares (31.5 at the turn of the year). The series A share price as at June 30, 2017 was SEK 139.70, and market capitalization was SEK 30.1 billion.

Shares bought back

The total number of shares held by Hufvudstaden as at June 30, 2017 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 2017 Annual Meeting, the Board was granted renewed

authorization to acquire series A shares up to 10 per cent of all the issued shares and to assign Company shares.

**Buy-back of shares as at June 30, 2017,
million shares**

	Total number of shares	Company holdings	Held by other share- holders
As at January 1, 2017	211.3	5.0	206.3
Buy-back	-	-	-
As at June 30, 2017	211.3	5.0	206.3

EVENTS AFTER THE PERIOD-END

In August, Christine Lindgren took up the position of Head of HR, and John Lethenström took up the position of Head of Property Development. Both will be members of the Executive Management.

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 2016 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 In-

terim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, and applicable stipulations in the Annual Accounts Act. Disclosures according to IAS 34.16A are presented in both the financial statements and in other parts of the Interim Report. The accounting principles and computation basis are the same as those applied in the most recent Annual Report. Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. Alternative performance measures are a set of financial metrics not defined in IFRS or the Annual Accounts Act and are used to present the Company's development and improve comparability between periods.

FORTHCOMING INFORMATION

Interim Report, January-September 2017	November 9, 2017
Year-End Report 2017	February 15, 2018
Annual Report 2017	March 2018
Annual Meeting in Stockholm 2018	March 22, 2018

The information in this Interim Report is information that Hufvudstaden AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was published through the auspices of the persons named below on August 23, 2017.

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

Questions can be answered by Ivo Stopner, President, and Åsa Roslund, CFO, telephone +46-8-762 90 00.

INCOME STATEMENTS – SUMMARY

GROUP, SEK m	April-June, 2017	April-June, 2016	January-June, 2017	January-June, 2016	January-December, 2016
Net revenue					
Property management	429.8	416.8	859.1	827.0	1,703.1
Parking operations	22.7	22.3	45.5	43.3	86.8
	452.5	439.1	904.6	870.3	1,789.9
Property management expenses					
Maintenance	-7.4	-9.9	-12.0	-15.2	-29.0
Operation and administration	-62.0	-61.1	-128.8	-126.7	-262.2
Ground rents	-6.0	-5.5	-11.4	-10.9	-21.8
Property tax	-41.8	-38.4	-83.6	-76.2	-164.5
Property management expenses	-117.2	-114.9	-235.8	-229.0	-477.5
Parking operations, expenses	-13.0	-12.7	-25.6	-25.1	-50.0
Operating expenses	-130.2	-127.6	-261.4	-254.1	-527.5
Gross profit	322.3	311.5	643.2	616.2	1,262.4
- of which Property management	312.6	301.9	623.3	598.0	1,225.6
- of which Parking operations	9.7	9.6	19.9	18.2	36.8
Central administration	-9.5	-9.2	-19.0	-18.4	-42.9
Operating profit before changes in value	312.8	302.3	624.2	597.8	1,219.5
Changes in value					
Investment properties	1,195.9	893.1	1,517.6	1,582.4	4,160.1
Interest derivatives	14.7	11.3	32.6	6.1	45.4
Operating profit	1,523.4	1,206.7	2,174.4	2,186.3	5,425.0
Financial income and expense	-34.8	-39.3	-69.2	-72.2	-141.1
Profit before tax	1,488.6	1,167.4	2,105.2	2,114.1	5,283.9
Tax	-335.8	-257.2	-480.3	-465.6	-1,163.7
Profit after tax	1,152.8	910.2	1,624.9	1,648.5	4,120.2
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	1,152.8	910.2	1,624.9	1,648.5	4,120.2
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	5.59	4.41	7.88	7.99	19.98

BALANCE SHEETS – SUMMARY

GROUP, SEK m	June 30, 2017	June 30, 2016	December 31, 2016
Investment properties	38,304.1	33,675.6	36,517.3
Other non-current assets	20.0	18.9	18.5
Total non-current assets	38,324.1	33,694.5	36,535.8
Current assets	671.5	672.8	1,173.0
Total assets	38,995.6	34,367.3	37,708.8
Equity	23,991.6	20,575.7	23,047.4
Non-current interest-bearing liabilities	3,200.0	4,750.0	4,000.0
Deferred tax liabilities	7,639.6	6,637.8	7,240.2
Other non-current liabilities	72.7	156.2	106.4
Provisions for pensions	16.0	14.5	14.9
Total non-current liabilities	10,928.3	11,558.5	11,361.5
Current interest-bearing liabilities	3,250.0	1,500.0	2,650.0
Other liabilities	825.7	733.1	649.9
Total current liabilities	4,075.7	2,233.1	3,299.9
Total equity and liabilities	38,995.6	34,367.3	37,708.8

CHANGES IN EQUITY – SUMMARY

GROUP, SEK m	January- June, 2017	January- June, 2016	January- December, 2016
Equity, opening balance	23,047.4	19,566.7	19,566.7
Total comprehensive income for the period	1,624.9	1,648.5	4,120.2
Dividend	-680.7	-639.4	-639.4
Equity, closing balance	23,991.6	20,575.7	23,047.4

STATEMENTS OF CASH FLOWS – SUMMARY

GROUP, SEK m	January- June, 2017	January- June, 2016	January- December, 2016
Profit before tax	2,105.2	2,114.1	5,283.9
Depreciation/impairments	4.4	2.7	3.0
Unrealized change in value, properties	-1,517.6	-1,582.4	-4,160.1
Unrealized change in value, interest derivatives	-32.6	-6.1	-45.4
Other changes	1.2	1.6	1.9
Income tax paid	-79.6	-28.8	-105.7
Cash flow from current operations before changes in working capital	481.0	501.1	977.6
Increase/decrease in operating receivables	-71.9	-40.0	28.6
Increase/decrease in operating liabilities	173.3	130.9	22.5
Cash flow from current operations	582.4	592.0	1,028.7
Investments in properties	-269.2	-335.2	-616.7
Investments in equipment	-2.0	-1.3	-2.2
Sale of equipment	-	-	0.2
Cash flow from investments	-271.2	-336.5	-618.7
Loans raised	1,700.0	1,700.0	3,300.0
Amortization of loan debt	-1,900.0	-1,217.2	-2,400.0
Dividend paid	-680.7	-639.4	-639.4
Cash flow from financing	-880.7	-156.6	260.6
Cash flow for the period	-569.5	98.9	670.6
Cash and cash equivalents at the beginning of the period	1,113.8	443.2	443.2
Cash and cash equivalents at the period-end	544.3	542.1	1,113.8
Cash flow for the period per share, SEK	-2.76	0.48	3.25

SEGMENT REPORT – SUMMARY ¹⁾²⁾

As part of the increased focus on business development and projects, Hufvudstaden has carried out a reorganisation. The new organisation came into effect on April 1, 2017 and Hufvudstaden still consists of three business areas. The division of properties has changed for the Stockholm Business Area (previously Stockholm City East Business Area) and the NK Business Area (previously Stockholm City West Business Area) but remains the same for the Gothenburg Business Area.

GROUP, SEK m	Stockholm Business Area		NK Business Area		Gothenburg Business Area		Total	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
	2017	2016	2017	2016	2017	2016	2017	2016
Net revenue	470.9	458.8	236.5	233.8	151.7	134.4	859.1	827.0
Property costs	-113.9	-113.1	-77.9	-75.5	-44.0	-40.4	-235.8	-229.0
Gross profit, Property management	357.0	345.7	158.6	158.3	107.7	94.0	623.3	598.0
Parking operations			19.9	18.2			19.9	18.2
Central administration							-19.0	-18.4
Changes in value								
Properties							1,517.6	1,582.4
Interest derivatives							32.6	6.1
Operating profit							2,174.4	2,186.3
Financial income and expense							-69.2	-72.2
Profit before tax							2,105.2	2,114.1

1) For comparable holdings, net revenue and property costs for the Gothenburg Business Area and the Group should be increased by SEK 0.2 million for 2016 following the acquisition of the property Inom Vallgraven 3:2. The property is a project property and was largely vacant during the first six months of 2017.

2) Previous periods have been recalculated in the light of the new organization.

PERFORMANCE MEASURES

GROUP	June 30, 2017	June 30, 2016	December 31, 2016
Property-related			
Rentable floor space, 1,000 m ²	389	389	389
Rental vacancy level, %	4.3	4.2	3.9
Floor space vacancy level, %	6.2	5.8	5.3
Fair value, SEK bn	38.3	33.7	36.5
Surplus ratio, %	71.1	70.8	70.5
Financial			
Return on equity, %	8.6	10.1	19.3
Return on capital employed, %	9.2	10.6	19.7
Equity ratio, %	62	60	61
Interest coverage ratio, multiple	9.0	8.3	8.6
Debt/equity ratio, multiple	0.2	0.3	0.2
Net loan-to-value ratio, properties, %	15.4	16.9	15.2
Data per share			
Profit/loss for the period, SEK	7.88	7.99	19.98
Equity, SEK	116.31	99.75	111.74
Properties, fair value, SEK	185.70	163.26	177.04
Net asset value, (EPRA NNNAV), SEK	144.00	124.00	138.00
Number of outstanding shares, 1,000	206,266	206,266	206,266
Number of issued shares, 1,000	211,272	211,272	211,272

ALTERNATIVE PERFORMANCE MEASURES

Hufvudstaden applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures. A number of the key performance measures above are alternative performance measures, i.e. a set of financial metrics not defined in IFRS or the Annual Accounts Act, and which are used to present the Company's development and improve comparability between periods. Definitions of performance measures are given in the glossary. Below is the derivation of alternative performance measures.

Net asset value (EPRA NNNAV) see page 4.

	June 30, 2017	June 30, 2016	December 31, 2016
Net debt, SEK m			
Non-current interest-bearing liabilities	3,200	4,750	4,000
Current interest-bearing liabilities	3,250	1,500	2,650
Cash and bank holdings	-544	-542	-1,114
Net debt	5,906	5,708	5,536
Equity ratio, SEK m			
Equity	23,992	20,576	23,047
Total assets	38,996	34,367	37,709
Equity ratio, %	62	60	61
Net loan-to-value ratio, properties, SEK m			
Interest-bearing liabilities	6,450	6,250	6,650
Interest-bearing assets	-544	-542	-1,114
Total	5,906	5,708	5,536
Carrying amount, properties	38,304	33,676	36,517
Net loan-to-value ratio, properties, %	15.4	16.9	15.2
Interest coverage ratio, SEK m			
Profit/loss after fin. items excl. changes in value	1,110 ¹⁾	1,051 ¹⁾	1,078
Interest expense	139	145	141
Total	1,249	1,196	1,220
Interest expense	139	145	141
Interest coverage ratio, multiple	9.0	8.3	8.6

¹⁾ Recalculated, 12 months.

PERFORMANCE MEASURES PER QUARTER

GROUP	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015
Net revenue, SEK m	453	452	468	451	439	431	451	416
Return on equity, %	8.6	4.7	19.4	13.5	10.2	6.8	19.7	12.0
Return on equity, adjusted, %	3.5	3.6	4.0	4.2	4.0	4.1	5.0	4.5
Equity ratio, %	62	60	61	61	60	59	61	59
Profit per share for the period, SEK	5.59	2.29	7.59	4.40	4.41	3.58	7.80	3.11
Equity per share, SEK	116.31	110.73	111.74	104.15	99.75	95.34	94.86	87.06
Net asset value (EPRA NNNAV), per share, SEK	144.00	138.00	138.00	129.00	124.00	119.00	118.00	108.00
Cash flow per share from current operations, SEK	1.41	1.42	0.86	1.26	1.43	1.44	1.27	1.01

PARENT COMPANY

RESULT AND FINANCIAL POSITION

Net revenue amounted to SEK 564.6 million (536.6). The increase can be attributed mainly to higher gross rents in conjunction with new and renegotiated leases and indexation. Costs totalled SEK -318.0 million (-365.0). The decrease can be attributed mainly to lower maintenance costs. Gross profit was SEK 246.6 million (171.6). Other net financial income and expense was SEK -69.2 million (-72.1).

Cash and cash equivalents at the period-end amounted to SEK 514.6 million (511.1). Investments in properties and equipment during the period totalled SEK 81.0 million (78.9).

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 2016 Annual Report.

MATERIAL TRANSACTIONS WITH ASSOCIATED PARTIES

No material transactions with associated parties took place 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 accounting principles and computation basis are the same as those applied in the most recent Annual Report.

INCOME STATEMENTS – SUMMARY

	April-June, 2017	April-June, 2016	January-June, 2017	January-June, 2016	January-December, 2016
PARENT COMPANY, SEK m					
Net revenue	281.4	271.0	564.6	536.6	1,104.0
Operating expenses	-159.5	-170.8	-318.0	-365.0	-729.8
Gross profit	121.9	100.2	246.6	171.6	374.2
Central administration	-9.5	-9.2	-19.0	-18.4	-42.9
Changes in value, interest derivatives	14.7	11.3	32.6	6.1	45.4
Operating profit	127.1	102.3	260.2	159.3	376.7
Group contribution	-	-	-	-	357.3
Other financial income and expense	-34.8	-39.2	-69.2	-72.1	-141.0
Profit after financial items	92.3	63.1	191.0	87.2	593.0
Appropriations	-	-	-	-	156.5
Profit before tax	92.3	63.1	191.0	87.2	749.5
Tax	-28.3	-13.9	-58.7	-19.5	-165.9
Profit for the period	64.0	49.2	132.3	67.7	583.6
Statement of comprehensive income, SEK m					
Profit for the period	64.0	49.2	132.3	67.7	583.6
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	64.0	49.2	132.3	67.7	583.6

BALANCE SHEETS – SUMMARY

	June 30, 2017	June 30, 2016	December 31, 2016
PARENT COMPANY, SEK m			
Investment properties	8,095.2	8,081.1	8,086.3
Other non-current assets	2,904.4	2,902.9	2,902.6
Total non-current assets	10,999.6	10,984.0	10,988.9
Current assets	856.7	839.1	1,550.1
Total assets	11,856.3	11,823.1	12,539.0
Restricted equity	1,978.7	1,978.7	1,978.7
Non-restricted equity	1,216.3	1,248.8	1,764.7
Total equity	3,195.0	3,227.5	3,743.4
Untaxed reserves	665.0	821.6	665.0
Provisions	925.9	905.3	916.1
Non-current liabilities	3,269.4	4,902.7	4,103.0
Current liabilities	3,801.0	1,966.0	3,111.5
Total liabilities	8,661.3	8,595.6	8,795.6
Total equity and liabilities	11,856.3	11,823.1	12,539.0

BOARD CERTIFICATION

The Board of Directors and the President hereby certify that this Interim Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and results,

and presents material risks and uncertainties that are considered to face the Parent Company and the companies that are included in the Group.

Stockholm, August 22, 2017

Fredrik Lundberg
Chairman

Claes Boustedt
Board Member

Peter Egardt
Board Member

Liv Forhaug
Board Member

Louise Lindh
Board Member

Fredrik Persson
Board Member

Sten Peterson
Board Member

Anna-Greta Sjöberg
Board Member

Ivo Stopner
*President and
Board Member*

REVIEW REPORT

To the Board of Directors of Hufvudstaden AB (publ)

Introduction

We have reviewed the Interim Report for Hufvudstaden AB (publ), registration number 556012-8240, as at June 30, 2017 and the six-month period ending as of this date. The Board of Directors and the President are responsible for the preparation and fair presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this Interim Report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily involving persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different orientation and is substantially more limited in scope than an audit conducted in accordance with International Auditing Standards (IAS) and generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. An opinion based on a review therefore does not have the certainty of an opinion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report for the Group has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, August 22, 2017
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

DEFINITIONS AND GLOSSARY

Finance

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.

Debt/equity ratio. Net debt in relation to equity at the year-end.

EPRA. European Public Real Estate Association. An interest organization for listed property companies in Europe.

EPRA NAV. Non-current net asset value. Shareholders' equity plus reversal of interest derivatives and deferred tax, see derivation page 4.

EPRA NNAV. Current net asset value. Shareholders' equity following adjustment for actual deferred tax instead of nominal deferred tax, see derivation page 4.

Equity ratio. Equity at the period-end in relation to total assets.

Interest coverage ratio. Profit after financial items, excluding unrealized changes in value plus interest expense in relation to interest expense.

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, see derivation page 7.

Net loan-to-value ratio, properties. Net liabilities in relation to the carrying value of properties.

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.

Shares

Equity per share. Equity in relation to the number of outstanding shares at the period-end.

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

Outstanding shares. Total number of shares, reduced by the number of shares bought back by the Company.

Properties

Annual rent. Gross rent at the period-end, including supplements, 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.

Fair value. The estimated market value of the properties.

Fair 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 have an interest in the transaction being completed. In accounting terms, this is known as fair value.

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

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.

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.



BIBLIOTEKSTAN



HUFVUDSTADEN

Hufvudstaden

Hufvudstaden was founded in 1915 and 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 will 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 will offer successful companies high-quality office and retailing premises in attractive marketplaces.

Financial objectives

- Hufvudstaden shares will have good dividend growth over time and the dividend will amount to more than half the net profit from current operations.
- The equity ratio will be at least 40 per cent over time

Operating objective

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.

Competence 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 and adaptation to the digitalization of society will create added value in the property holdings.

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Company registration number: 556012-8240

Registered office: Stockholm



HUFVUDSTADEN