

HUFVUDSTADEN

Interim Report, January – June 2004

- **Profit for the period after tax amounted to SEK 512.2 million (162.3). The increase can be attributed mainly to profit on the sale of properties, totalling SEK 316 million after tax.**
- **Excluding special projects, gross profit from property management increased by 3.4 per cent to SEK 391.4 million (378.6).**
- **Net sales for the Group for the period amounted to SEK 687.4 million (679.0)**
- **The rental vacancy level at the period-end was 9.1 per cent (8.3 at the year-end for comparable holdings)**
- **Profit per share was SEK 2.48 (0.77).**
- **Massimo Dutti new store tenant in Norrmalmstorg 1**

CONSOLIDATED RESULTS

Property management¹

Gross profit for the period totalled SEK 374.8 million (329.2), an increase of 13.9 per cent. Excluding costs for special projects, the gross profit from property management amounted to SEK 391.4 million (378.6), an increase of 3.4 per cent. The increase can be attributed to higher rental income, mainly due to renegotiated store contracts and the fact that the project property Norrmalmstorg 1 has generated rental income since the beginning of the year.

Net rents from property management during the period amounted to SEK 646.7 million (637.8), an increase of 1.4 per cent.

Of the net rents from property management, the Stockholm City East Business Area accounted for SEK 196.6 million (179.2), the Stockholm City West Business Area for SEK 225.3 million (239.4), the NK Business Area for SEK 157.6 million (153.4) and the Gothenburg Business Area for SEK 67.2 million (65.8).

Property management expenses totalled SEK 271.9 million (308.6), of which SEK 16.6 million

(49.4) refers to special projects. The property tax cost has fallen due to the fact that the properties have been assigned lower taxable values in the 2004 property tax assessment. As the property tax cost is largely passed on to the tenants, there is no appreciable impact on profit.

Costs divided according to business area, the Stockholm City East Business Area accounted for SEK 77.8 million (105.6), the Stockholm City West Business Area for SEK 90.6 million (93.4), the NK Business Area for SEK 78.4 million (85.6) and the Gothenburg Business Area for SEK 25.1 million (24.0).

SEK m	Sth East	Sth West	NK	Gbg	Total
Net rents	196.6	225.3	157.6	67.2	646.7
Costs	-77.8	-90.6	-78.4	-25.1	-271.9
Gross profit	118.8	134.7	79.2	42.1	374.8
Excl special projects	135.1	134.7	79.5	42.1	391.4

The turnover-based rent supplement for the NK properties will be reported during the fourth quarter. In 2003, the turnover-based rent supplement totalled SEK 8.1 million. Apart from this, there are no seasonal variations with regard to rents.

¹ The property Schönborg 6 is included up to May 5. The property Roddaren 58 is included up to June 29. Otherwise the property holdings remained unchanged between the first half of 2003 and the same period in 2004.

Other operations

Other operations include parking operations at Parkaden in Stockholm and conference operations at the World Trade Center in Stockholm.

Net sales amounted to SEK 40.7 million (41.2), expenses amounted to SEK 36.9 million (37.4) and gross profit totalled SEK 3.8 million (3.8).

Other income statement items

Central administration totalled SEK -13.4 million (-12.8).

Profit on the sale of properties totalled SEK 263.8 million (0.0) before dissolution of a deferred tax liability.

Net financial income and expense amounted to SEK -90.4 million (-92.5).

Tax

The Group's tax (both actual and deferred) for the period totalled SEK -26.4 million (-65.4). The lower tax can be explained by the dissolution of a deferred tax liability as a result of the disposal of properties through a company sale.

Profit for the period

The profit for the period after tax was SEK 512.2 million (162.3).

SPECIAL PROJECTS

Special projects refer to measures taken to improve and develop the properties. The costs that arise in conjunction with this are in the short term a charge on profit. In the long term, however, special projects increase the return on property holdings.

The profit includes such costs to the amount of SEK 16.6 million (49.4). The costs for the period refer mainly to the refurbishment of Norrmalmstorg 1.

The property Norrmalmstorg 1 has undergone extensive refurbishment and refinement, the overall aim being to recreate the character of the building as a leading centre for business, finance and law. The project is expected to be largely completed during the third quarter of 2004. The remaining parts of the project largely take the form of adaptation of premises in conjunction with new tenants taking up occupancy.

SALES AND INVESTMENTS

In line with Hufvudstaden's strategy of concentrating on commercial properties, the company's two remaining residential properties were sold during the period. Consequently, the property portfolio no longer includes any residential properties.

On May 5 an agreement was reached regarding the sale of the office and residential property Schönborg 6 in Stockholm through a company sale. The completion date was June 1, 2004. The purchase sum for the shares, including the accumulated profit for the year up to and including May 31, 2004, was approximately SEK 168 million. The sale had a positive impact on the consolidated post-tax profit of approximately SEK 104 million.

On June 29, an agreement was reached regarding the sale of the office and residential property Roddaren 58 in Stockholm through a company sale. The completion date was August 5, 2004. The pur-

chase sum for the shares, including the accumulated profit for the year up to and including August 4, 2004, was approximately SEK 295 million. The sale had a positive impact on the consolidated post-tax profit of approximately SEK 212 million during the period.

The property sales had an effect on post-tax profit of approximately SEK 316 million, of which SEK 52 million refers to dissolution of deferred tax.

Investments in properties and equipment during the period totalled SEK 30.8 million (68.8). The largest individual item was the refurbishment of Norrmalmstorg 1.

PROPERTY PORTFOLIO²

The book value of Hufvudstaden's property portfolio as of June 30, 2004 was SEK 10,360.4 million (10,611.8 at the turn of the year) and the rentable space was 407,380 square metres (437,994 at the turn of the year).

The total rental vacancy level as of June 30 was 9.1 per cent (8.1 at the turn of the year or 8.3 for comparable holdings) and the total floor space vacancy level was 10.2 per cent (8.7 at the turn of the year or 9.2 for comparable holdings). The increase can be attributed to vacation of premises during the first half of 2004.

Net asset value

The market value of the property holdings as of December 31, 2003 was SEK 14.7 billion excluding the properties sold. No major change in the market value is considered to have taken place during the period. With this valuation as a basis and in the light of the profit during the period, the buy-back of shares and a tax effect of 10 per cent, the net asset value as of June 30, 2004 is calculated at SEK 8.9 billion or SEK 43 per share. Investments during the period have been valued at the cost incurred and thus do not affect the net asset value.

RENTAL MARKET

Market rents for office space in central Stockholm stabilized during the period, mainly as a result of improved economic growth and an unchanged level of vacant space in modern, efficient centrally located premises. For new office leases in Stockholm's most attractive locations within the Golden Triangle, at Norrmalmstorg and in the Hötorget area, rents were noted of SEK 3,000 – 3,800 per square metre per year, excluding the property tax supplement. Demand for retailing premises in the same area continued to be good. Rents for prime location retailing space have levelled out at SEK 10,000 – 12,000 per square metre per year, excluding the property tax supplement.

Interest in modern office and retailing premises in the most sought-after sub-markets in Gothenburg continued to be stable. Market rents for office premises in prime locations were SEK 1,600 – 1,800 per square metre per year, excluding the property tax supplement. In the case of prime site retailing premises, the market rent was SEK 5,000 – 8,500 per

² The properties Schönborg 6 and Roddaren 58 were not included in the holdings on June 30, 2004.

square metre per year, excluding the property tax supplement.

The Group's current renegotiations for both office and retail premises have proceeded in line with our expectations. Approximately 36,000 square metres have been renegotiated during the period at a value of approximately SEK 110 million. On average these renegotiations have resulted in a reduction of 25 per cent. The reduction can be attributed to the fact that the renegotiated contracts were signed during the boom period 1999-2001 when market rents were higher.

NEW STORE TENANT, NORRMALMSTORG 1

The fashion chain Massimo Dutti, which is owned by the Spanish Inditex group, has signed a lease for two-storey store premises on the corner of Norrmalmstorg/Smålandsgatan. The floor space amounts to approximately 600 square metres. Opening is planned for December 2004.

The lease to Massimo Dutti is in line with the long-term ambition to create an exciting mix of top-class stores and offices in Norrmalmstorg 1. Danske Bank is already established in Norrmalmstorg 1, as well as Zara, one of Europe's most well-known brand names in clothing.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of June 30, 2004 amounted to SEK 3,480.0 million (3,750.6 at the turn of the year). The average fixed interest period was 26 months (29 at the turn of the year), the average capital tie-up period was 23 months (26 at the turn of the year) and the average interest rate cost was 5.0 per cent (5.3 at the turn of the year). Net liabilities amounted to SEK 3,458.4 million (3,588.2 at the turn of the year).

The true value of interest rate swaps as of June 30 was SEK 71 million below the book value.

Capital tie-up structure, June 30, 2004

Maturity date	Volume SEK m	Share, %
2004	800.0	23
2005	500.0	14
2006	790.0	23
2007	790.0	23
2008	600.0	17
Total	3,480.0	100

Fixed interest structure, June 30, 2004

Maturity date	Volume, SEK m	Share, %	Average APR, %
2004	830.0	24	4.0
2005	300.0	8	5.7
2006	1,000.0	29	5.7
2007	600.0	17	5.2
2008	750.0	22	4.9
Total	3,480.0	100	5.0

BUY-BACK OF COMPANY SHARES

As of June 30, 2004, the Company held a total of 5,006,000 A shares, equivalent to 2.4 per cent of the total number of shares issued. No buy-backs were made during the period or after the end of the reporting period. At the 2004 Annual General Meeting the Board was granted renewed authorization to acquire and assign company shares. The board then reached a decision to exercise this authorization as and when it was deemed appropriate, which permits the buy-back of company shares up to a maximum of 10 per cent of the shares issued.

Buy-back of shares as of June 30, 2004, million shares

	Total no. of shares	Held by Hufvud- staden	Other share- holders
As of January 1, 2004	211.3	5.0	206.3
Buy-back	-	-	-
As of June 30, 2004	211.3	5.0	206.3

PARENT COMPANY

The profit for the period after net financial income and expense was SEK 594.0 million (153.7). Liquid funds at the period-end amounted to SEK 18.9 million (159.2 at the turn of the year). Investments in properties and equipment during the period amounted to SEK 9.8 million (7.6).

SECOND QUARTER³

The gross profit on property sales totalled SEK 187.5 million (184.5). Excluding costs for special projects the gross profit was SEK 191.9 million (194.5).

Net rents totalled SEK 321.4 million (321.4).

Property management costs totalled SEK 133.9 million (136.9), a decrease of 2.2 per cent.

The gross profit for Other operations totalled SEK 1.4 million (1.8). Net sales totalled SEK 19.9 million (20.4) and operating costs SEK 18.5 million (18.6).

Profit resulting from property sales was SEK 263.8 million (0.0). The sales had an impact on post-tax profit of approximately SEK 316 million, of which SEK 52 million refers to dissolution of deferred tax.

ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council recommendation RR20, Interim Reports. The same accounting principles have been applied in this Interim Report as in the 2003 Annual Report. On January 1, 2004 Swedish Financial Accounting Standards Council recommendation RR29, Employee Benefits, came into effect. The application of this recommendation has not had any impact on this Interim Report.

The company applies the ITP plan through insurance with Alecta, which is classified as a benefit-defined plan covering several employers. This means that the Company should report its propor-

³ The comparison figures refer to the second quarter of 2003.

tional part of the benefit-defined obligations and management assets and costs linked to the plan. According to information from Alecta, they are unable to furnish this information and consequently the plan will be reported as a charge-defined plan.

TRANSFER TO IFRS

With effect from January 1, 2005 Hufvudstaden will apply the International Financial Reporting Standards (IFRS). This is a result of an EU Ordinance, which applies to all listed companies within the EU. An account of the transfer to IFRS was given in the 2003 Annual Report, page 44. Apart from this information, no further material differences have been identified to date compared with the present accounting principles.

FORTHCOMING INFORMATION

Interim Report, January-September 2004	October 29, 2004
Year-end Report 2004	February 11, 2005
Annual Report 2004	March 2005
Annual General Meeting 2005	March 17, 2005

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

In certain cases there has been rounding off, which means that tables and computations do not always tally.

CONSOLIDATED INCOME STATEMENTS - SUMMARY

SEK m	April- June 2004	April- June 2003	January- June 2004	January- June 2003	January- December 2003
Net sales					
Property management	321.4	321.4	646.7	637.8	1,285.6
Other operations	19.9	20.4	40.7	41.2	83.2
	341.3	341.8	687.4	679.0	1,368.8
Operating expenses					
Special projects	-4.4	-10.0	-16.6	-49.4	-116.0
Maintenance	-12.2	-10.3	-19.7	-19.0	-46.4
Operations and administration	-54.6	-50.1	-109.5	-107.9	-221.9
Ground rents	-8.4	-8.4	-16.9	-16.9	-33.8
Property tax	-28.3	-33.0	-56.6	-65.5	-128.7
	-107.9	-111.8	-219.3	-258.7	-546.8
Depreciation	-26.0	-25.1	-52.6	-49.9	-101.2
Property management expenses	-133.9	-136.9	-271.9	-308.6	-648.0
Other operations	-18.5	-18.6	-36.9	-37.4	-73.8
Operating expenses	-152.4	-155.5	-308.8	-346.0	-721.8
Gross profit	188.9	186.3	378.6	333.0	647.0
- of which Property management	187.5	184.5	374.8	329.2	637.6
- of which Other operations	1.4	1.8	3.8	3.8	9.4
Central administration	-7.3	-6.3	-13.4	-12.8	-28.6
Profit on property sales	263.8	-	263.8	-	-
Operating profit	445.4	180.0	629.0	320.2	618.4
Financial income and expense	-43.9	-46.6	-90.4	-92.5	-187.7
Profit after net financial income and expense	401.5	133.4	538.6	227.7	430.7
Tax	13.1	-39.0	-26.4	-65.4	-60.6
Profit for the period	414.6	94.4	512.2	162.3	370.1
Average number of outstanding shares after buy-backs during the period	206,265,933	209,346,548	206,265,933	210,303,922	208,268,333
Net income per share for the period, SEK	2.01	0.45	2.48	0.77	1.78

CONSOLIDATED BALANCE SHEETS – SUMMARY

SEK m	June 30, 2004	June 30, 2003	December 31, 2003
Investment properties	10,360.4	10,584.0	10,611.8
Other fixed assets	84.6	98.8	97.3
Current assets	387.8	293.9	223.0
Total assets	10,832.8	10,976.7	10,932.1
Equity	5,057.0	4,584.5	4,792.3
Interest-bearing liabilities	3,480.0	4,035.7	3,750.6
Other liabilities and provisions	2,295.8	2,356.5	2,389.2
Total equity and liabilities	10,832.8	10,976.7	10,932.1
Pledged assets and contingent liabilities			
Mortgages	1,803.9	1,822.9	1,818.9
Endowment insurance	2.9	2.6	2.8
Total pledged assets	1,806.8	1,825.5	1,821.7
Guarantees	None	None	None

CHANGE IN EQUITY

SEK m	January- June 2004	January- June 2003	January- December 2003
Opening balance	4,792.3	4,791.4	4,791.4
Dividend	-247.5	-232.4	-232.4
Buy-back of shares	-	-136.8	-136.8
Profit for the period	512.2	162.3	370.1
Closing balance	5,057.0	4,584.5	4,792.3

CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

SEK m	January- June 2004	January- June 2003	January- December 2003
Profit after financial income and expense	538.6	227.7	430.7
Depreciation/write-downs	56.7	56.1	107.7
Capital gain/loss on sale of properties	-263.8	-	-
Other changes	1.6	1.7	3.6
Tax paid	-81.9	-60.9	-89.5
Cash flow from current operations before changes in working capital	251.2	224.6	452.5
Increase/decrease in operating receivables	-25.1	38.7	75.6
Increase/decrease in operating liabilities	-1.2	-44.5	8.6
Cash flow from current operations	224.9	218.8	536.7
Property sales Note 1	170.7	-	-
Sale of fixed assets	-	-	0.1
Property investments	-29.3	-67.8	-135.4
Investments in equipment	-1.5	-1.0	-2.3
Investments in intangible assets	-0.6	-	-
Amortization – long-term receivable	13.1	11.5	11.6
Cash flow from investment operations	152.4	-57.3	-126.0
Loans raised	400.0	750.0	300.0
Amortization of loan liability	-670.6	-480.5	-315.6
Dividend paid	-247.5	-232.4	-232.4
Buy-back of shares	-	-136.8	-136.8
Cash flow from financing operations	-518.1	-99.7	-384.8
Cash flow for the period	-140.8	61.8	25.9
Liquid funds at the beginning of the period	162.4	136.5	136.5
Liquid funds at the period-end	21.6	198.3	162.4

NOTE 1 TO CASH FLOW STATEMENTS

SEK m	
Liquid funds received in respect of properties sold	170.7
Financed through loans	292.6
Sales price for properties sold	463.3
The financed amount was settled after the period-end.	

FINANCIAL RESULTS – SUMMARY

SEK m	January- March 2004	January- March 2003	April- June 2004	April- June 2003	January- June 2004	January- June 2003
Income	346.1	337.2	341.3	341.8	687.4	679.0
Costs	-156.4	-190.5	-152.4	-155.5	-308.8	-346.0
Gross profit	189.7	146.7	188.9	186.3	378.6	333.0
Central administration	-6.1	-6.5	-7.3	-6.3	-13.4	-12.8
Profit on property sales	-	-	263.8	-	263.8	-
Net financial income/expense	-46.5	-45.9	-43.9	-46.6	-90.4	-92.5
Tax	-39.5	-26.4	13.1	-39.0	-26.4	-65.4
Profit for the period	97.6	67.9	414.6	94.4	512.2	162.3

KEY RATIOS

SEK m	June 30, 2004	June 30, 2003	December 31, 2003
Reported equity, %	46.7	41.8	43.8
Equity per share, SEK	24.52	22.23	23.23
Book value of properties per share, SEK	50.23	51.31	51.45
Number of outstanding shares	206,265,933	206,265,933	206,265,933
Number of registered shares	211,271,933	211,271,933	211,271,933

Stockholm, August 24, 2004

Ivo Stopner
President

AUDITOR'S REVIEW REPORT

I have carried out an outline audit of this Interim Report according to the recommendation issued by FAR. An outline audit is materially limited compared with a full audit. Nothing has emerged to indicate that this Interim Report does not comply with the stipulations in the Swedish Stock Exchange Act and the Swedish Annual Accounts Act.

Stockholm, August 24, 2004

Bo Ribers
Authorized Public Accountant

DEFINITIONS

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

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. It should be noted that Central administration attributable to Other operations is included in the Other operations item.

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

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

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

Golden Triangle. The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan

and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

Investments. Expenses related to value-enhancing improvements are capitalized. Refurbishing costs of a maintenance nature are charged to profit.

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

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

Property tax supplement. Property tax payments received from tenants.

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

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

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