

# HUFVUDSTADEN

## Interim Report January - September 2005

- **Profit for the period after tax amounted to SEK 716.2 million (496.6). The increase can be attributed mainly to unrealized changes in property values in the preceding quarter.**
- **Gross profit from property management fell by 3.6 per cent to SEK 607.7 million (630.6) for comparable holdings. The lower profit can be explained by increased costs for adaptation of premises and ongoing store transfers at NK.**
- **Group net sales for the period amounted to SEK 997.8 million (1,018.6). The decrease can be attributed mainly to the sale of properties during 2004. The net rents for comparable holdings remained essentially unchanged.**
- **The rental vacancy level at the period-end was 7.2 per cent (8.2 at the turn of the year)**
- **Profit per share was SEK 3.47 (2.41).**

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### CONSOLIDATED RESULTS

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

Gross profit for the period totalled SEK 607.7 million (644.7), a decrease of 5.7 per cent or 3.6 per cent for comparable holdings. The decrease can be attributed to property sales in 2004 and costs for the adaptation of premises for new tenants and store transfers at NK.

Net rents from property management during the period amounted to SEK 937.8 million (959.5). The net rents for comparable holdings remained essentially unchanged.

The turnover-based rent supplements for the NK properties will be reported during the fourth quarter. During the preceding year, the turnover-based rent supplement amounted to SEK 5.3 million. Apart from this there are no seasonal variations with regard to rent.

#### Other operations

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

Net revenue amounted to SEK 60.0 million (59.1), costs amounted to SEK 53.2 million (54.1) and gross profit amounted to SEK 6.8 million (5.0).

#### Other income statement items

Central administration totalled SEK -18.8 million (-18.5). Changes in value in investment properties totalled SEK 500.0 million (17.6).

#### Financial income and expense

Net financial income and expense amounted to SEK -98.5 million net (-130.8). The lower cost can be explained by a lower average interest level.

#### Tax

The Group's tax (both actual and deferred) for the period totalled SEK -281.0 million (-21.4), of which SEK -118.7 million was actual tax and SEK -162.3 million deferred tax.

#### Profit for the period

The profit for the period after tax was SEK 716.2 million (496.6).

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<sup>1</sup> The properties Schönborg 6 and Roddaren 58, which have been sold, were included up to May 5 and June 29, 2004 respectively. Otherwise, the property holdings remained unchanged between the first three quarters of 2005 and the same period in 2004.

## INVESTMENTS AND SPECIAL PROJECTS

Investments in properties and equipment for the period totalled SEK 49.5 million (51.5)

## PROPERTY PORTFOLIO

With effect from 2005, investment properties are reported at fair value in the Group's financial reports. The book value of Hufvudstaden's property portfolio as of September 30, 2005 was SEK 15,547.5 million (15,000.0 at the turn of the year) and the rentable space was 407,190 square metres (407,375 at the turn of the year).

The total rental vacancy level as of September 30 was 7.2 per cent (8.2 at the turn of the year) and the total floor space vacancy level was 8.3 per cent (9.5 at the turn of the year).

### Market value and net asset value

At the end of each year, Hufvudstaden makes an internal valuation of fair value of each individual property. The valuation is made on the basis of a yield valuation. To assure the valuations, external valuations are requested for part of the property holdings. The internal valuation of the properties is updated on a continuous basis during the year to take into account purchases, sales and investments. Hufvudstaden also examines on an ongoing basis if there are indications of changes in fair value of the properties. This can take place in the form of, for example, major lettings, notice of termination and material changes in the yield requirements. In the light of the above, it was estimated that the value of the property holdings as of June 30, 2005 had increased by SEK 0.5 billion to SEK 15.5 billion. The increase was attributed mainly to a lower estimated direct yield requirement as a result of the continued high level of interest in commercial properties on the part of both Swedish and international investors and an historically low interest rate level. The average direct yield requirement for the property holdings was 6.0 per cent (6.2 at the turn of the year). No major change in the value of the property holdings is considered to have taken place during the third quarter and consequently the fair value of the property holdings as of September 30, 2005 is estimated at an unchanged SEK 15.5 billion.

Based on this valuation, the net asset value is SEK 10.2 billion, or SEK 50 per share after tax. When calculating the net asset value, computed deferred tax has been used. This has been estimated at 10 per cent of the difference between the assessed fair value and the fiscal residual value of the properties. This has been assessed in the light of current tax legislation, which means that properties can be sold via a limited company without tax implications. The buyer, however, loses the basis for depreciation and expects to be compensated for this. The effect of the above has been set at 10 per cent. If the tax rate according to the Balance Sheet (28 per cent) is used in the computation, the net asset value would have amounted to SEK 8.0 billion, or SEK 39 per share.

## RENTAL MARKET

Market rents for modern, flexible office space in central Stockholm continued to stabilize during the period, mainly as a result of good economic growth and an unchanged level of vacant space. In the case of premises of a lower standard, rents have fallen slightly as a result of reduced demand and a rising level of vacant space. In the case of 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 premises in the most sought-after sub-markets in Gothenburg continued to be stable despite a slightly higher level of vacant space. However, there has been a fall in interest in older premises of a lower standard. 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 location retailing premises, the market rent was SEK 5,000-8,500 per square metre per year, excluding the property tax supplement.

The Group's ongoing renegotiations for both office and retailing premises have proceeded as expected. During the period a total of approximately 41,200 square metres have been renegotiated at a value of approximately SEK 140 million. On average, these renegotiations have resulted in a decrease in rent of around 5 per cent.

## FINANCING STRUCTURE

Hufvudstaden's borrowing as of September 30, 2005 amounted to SEK 3,545.0 million (3,135.0 at the turn of the year). The average fixed interest period was 33 months (27 at the turn of the year), the average capital tie-up period was 35 months (19 at the turn of the year) and the average interest cost was 3.9 per cent (4.2 at the turn of the year). Net liabilities amounted to SEK 3,516.8 million (3,120.7 at the turn of the year).

The true value of interest rate swaps as of September 30 was SEK -91.3 million (-56.9 on January 1, 2005). The change in the value of financial instruments between January 1 and September 30, 2005 has affected the hedging reserve in equity by SEK 24.8 million.

### Capital tie-up structure, September 30, 2005

Maturity date	Volume SEK m	Share, %
2005	165.0	5
2006	790.0	22
2007	790.0	22
2008	600.0	17
2010	500.0	14
2011	350.0	10
2013	350.0	10
Total	3,545.0	100

### Fixed interest structure, September 30, 2005

Maturity date	Volume, SEK m	Share, %	Average APR, %
2005	465.0	13	2.1
2006	1,080.0	30	4.2
2007	200.0	6	3.5
2008	600.0	17	4.8
2010	500.0	14	4.1
2011	350.0	10	3.9
2013	350.0	10	4.1
Total	3,545.0	100	3.9

### BUY-BACK OF COMPANY SHARES

As of September 30, 2005, the Company held 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 2005 Annual General Meeting the Board was granted renewed authorization to acquire up to 10 per cent of all issued shares and to assign company shares.

### Buy-back of shares as of September 30, 2005, million shares

	Total no. of shares	Held by Hufvudstaden	Other shareholders
As of January 1, 2005	211.3	5.0	206.3
Buy-back	-	-	-
As of September 30, 2005	211.3	5.0	206.3

### PARENT COMPANY

The Parent Company's accounting records are not covered by IFRS. The profit for the period after net financial income and expense was SEK 228.3 million (681.1). Liquid funds at the period-end amounted to SEK 27.8 million (14.0). Investments in property and equipment during the period amounted to SEK 17.5 million (15.7).

### THIRD QUARTER<sup>2</sup>

The gross profit from property management was SEK 204.7 million (212.1). The fall in profit can be attributed to the increased cost of adapting premises. Net rents totalled SEK 310.9 million (312.8). The net rent for comparable holdings remained essentially unchanged.

Property management costs amounted to SEK 106.2 million (100.7).

The gross profit from Other operations was SEK 2.0 million (1.2). Net revenue was SEK 19.3 million (18.4) and operating costs SEK 17.3 million (17.2).

The changes in value of investment properties totalled SEK 0.0 million (0.0).

### ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 Interim reports, which is in compliance with the requirements in Swedish Financial Accounting Standards Council recommendation RR 31, Interim Financial Reporting for Groups.

The accounting principles applied in this interim report are those presented in the 2004 Annual Report, Note 39. It is stated that the International Fi-

ancial Reporting Standards (IFRS) will be applied with effect from 2005 and that the comparative information for 2004 has been recomputed in accordance with the new principles, with the exception of the information referring to financial instruments. In accordance with the rules for the transition to IFRS, the new principles are applied to financial instruments only with regard to the parts of the accounting records that refer to 2005. The effect on equity at the beginning of the year of the recomputation to the new principles is stated on page 8.

The effects of the recomputation of comparative figures for profit for the first three quarters of 2004, as well as equity at the end of the quarters, are presented on pages 8-9.

The equivalent information for the full year 2004 and equity at the beginning and end of 2004 is presented in Note 39 in the 2004 Annual Report.

According to IFRS 1, the accounts should be prepared according to the IFRS standards that will apply on December 31, 2005. These standards should also have been approved by the EU. The accounting records are based on the current IFRS and interpretations thereof, which could be changed before December 31, 2005 with a subsequent effect on the amounts reported.

Hufvudstaden's financial objectives have not been changed as a result of the introduction of IFRS. This means that the dividend should be more than half of the net profit from current operations, i.e. excluding unrealized changes in value, and that the equity/assets ratio is at least 40 per cent over time.

The Company applies the ITP plan through insurance with Alecta, which is classified as a defined benefit plan covering several employers. This means that the Company should report its proportional part of the defined benefit obligations and management assets linked to the plan. According to notification from Alecta, they are unable to furnish this information and consequently the plan will be reported as a defined contribution plan.

### FORTHCOMING INFORMATION

Year-end Report for 2005	February 9, 2006
Annual Report for 2005	March 2006
Annual General Meeting in Stockholm 2006	March 23, 2006

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

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

<sup>2</sup> The comparative figure refers to the third quarter of 2004.

**CONSOLIDATED INCOME STATEMENTS – SUMMARY**

SEK m	July- September 2005	July- September 2004	January- September 2005	January- September 2004	January- December 2004
<b>Net revenue</b>					
Property management	310.9	312.8	937.8	959.5	1,273.4
Other operations	19.3	18.4	60.0	59.1	85.1
	<b>330.2</b>	<b>331.2</b>	<b>997.8</b>	<b>1,018.6</b>	<b>1,358.5</b>
<b>Operating expenses</b>					
Special projects	-0.1	-6.5	-1.9	-18.2	-23.0
Maintenance	-21.2	-13.5	-58.9	-32.4	-46.3
Operations and administration	-54.6	-47.3	-164.3	-156.8	-219.5
Ground rents	-3.7	-8.7	-24.9	-25.6	-35.7
Property tax	-26.4	-24.5	-79.6	-81.1	-106.1
Depreciation	-0.2	-0.2	-0.5	-0.7	-0.8
<b>Property management expenses</b>	<b>-106.2</b>	<b>-100.7</b>	<b>-330.1</b>	<b>-314.8</b>	<b>-431.4</b>
Other operations	-17.3	-17.2	-53.2	-54.1	-74.4
<b>Operating expenses</b>	<b>-123.5</b>	<b>-117.9</b>	<b>-383.3</b>	<b>-368.9</b>	<b>-505.8</b>
<b>Gross profit</b>	<b>206.7</b>	<b>213.3</b>	<b>614.5</b>	<b>649.7</b>	<b>852.7</b>
- of which Property management	204.7	212.1	607.7	644.7	842.0
- of which Other operations	2.0	1.2	6.8	5.0	10.7
Central administration	-5.1	-5.1	-18.8	-18.5	-29.4
<b>Operating profit before changes in value</b>	<b>201.6</b>	<b>208.2</b>	<b>595.7</b>	<b>631.2</b>	<b>823.3</b>
<b>Changes in value, properties</b>					
Realized	-	-	-	17.6	17.9
Unrealized	-	-	500.0	-	279.5
<b>Operating profit</b>	<b>201.6</b>	<b>208.2</b>	<b>1,095.7</b>	<b>648.8</b>	<b>1,120.7</b>
Financial income and expense	-33.9	-40.4	-98.5	-130.8	-224.4
<b>Profit after financial income and expense</b>	<b>167.7</b>	<b>167.8</b>	<b>997.2</b>	<b>518.0</b>	<b>896.3</b>
Tax	-47.4	-47.8	-281.0	-21.4	-124.9
<b>Profit for the period</b>	<b>120.3</b>	<b>120.0</b>	<b>716.2</b>	<b>496.6</b>	<b>771.4</b>
Average number of outstanding shares after buy-backs during the period	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Profit per share for the period, SEK	0.58	0.58	3.47	2.41	3.74

**CONSOLIDATED BALANCE SHEETS – SUMMARY**

SEK m	September 30, 2005	September 30, 2004	December 31, 2004
Investment properties	15,547.5	14,699.9	15,000.0
Other fixed assets	68.6	84.0	83.6
<b>Total fixed assets</b>	<b>15,616.1</b>	<b>14,783.9</b>	<b>15,083.6</b>
Current assets	103.2	74.9	58.7
<b>Total assets</b>	<b>15,719.3</b>	<b>14,858.8</b>	<b>15,142.3</b>
Equity	7,965.2	7,865.1	8,139.8
Long-term interest-bearing liabilities	2,590.0	2,180.0	2,180.0
Pension provisions	5.3	4.7	4.9
Deferred tax liability	3,578.5	3,305.0	3,441.8
<b>Total long-term liabilities</b>	<b>6,173.8</b>	<b>5,489.7</b>	<b>5,626.7</b>
Other current interest-bearing liabilities	955.0	930.0	955.0
Other liabilities	555.2	503.9	350.7
Provisions	70.1	70.1	70.1
<b>Total current liabilities</b>	<b>1,580.3</b>	<b>1,504.0</b>	<b>1,375.8</b>
<b>Total equity and liabilities</b>	<b>15,719.3</b>	<b>14,858.8</b>	<b>15,142.3</b>

## PLEGGED ASSETS AND CONTINGENT LIABILITIES

SEK m	September 30, 2005	September 30, 2004	December 31, 2004
<b>Pledged assets</b>			
Mortgages	1,716.3	1,803.9	1,516.3
Endowment insurances	3.4	2.9	3.0
<b>Total pledged assets</b>	<b>1,719.7</b>	<b>1,806.8</b>	<b>1,519.3</b>
Contingent liabilities	None	None	None

## CHANGE IN EQUITY

SEK m	January- September 2005	January- September 2004	January- December 2004
Opening balance	5,208.9	4,792.3	4,792.3
Effect of change in accounting principle	2,930.9	2,823.7	2,823.7
Adjusted opening balance	8,139.8	7,616.0	7,616.0
Changed accounting principle IAS 39	-40.9	-	-
Change in hedging reserve for the period	-24.8	-	-
Dividend	-825.1	-247.5	-247.5
Profit for the period	716.2	496.6	771.3
<b>Closing balance</b>	<b>7,965.2</b>	<b>7,865.1</b>	<b>8,139.8</b>

## CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

SEK m	January- September 2005	January- September 2004	January- December 2004
Profit after financial income and expense	997.2	518.0	896.3
Adjustment for items not included in the cash flow	-499.5	-110.5	-390.0
Depreciations/Impairments	2.9	4.5	9.2
Tax paid	-68.4	-124.8	-87.7
Cash flow from current operations before changes in working capital	432.2	287.2	427.8
Increase/decrease in operating receivables	-30.5	-20.8	-8.3
Increase/decrease in operating liabilities	62.8	50.2	-106.8
<b>Cash flow from current operations</b>	<b>464.5</b>	<b>316.6</b>	<b>312.7</b>
Sale of properties/subsidiaries	-	464.0	463.5
Property investments	-47.5	-48.8	-68.6
Investments in equipment	-2.0	-2.7	-3.7
Amortization - long-term receivables	14.0	13.3	11.1
<b>Cash flow from investment operations</b>	<b>-35.5</b>	<b>425.8</b>	<b>402.3</b>
Loans raised	440.0	400.0	290.0
Amortization of loan liability	-30.0	-1,040.6	-905.6
Dividend paid	-825.1	-247.5	-247.5
<b>Cash flow from financing operations</b>	<b>-415.1</b>	<b>-888.1</b>	<b>-863.1</b>
<b>Cash flow for the period</b>	<b>13.9</b>	<b>-145.7</b>	<b>-148.1</b>
Liquid funds at the beginning of the period	14.3	162.4	162.4
Liquid funds at the end of the period	28.2	16.7	14.3

## FINANCIAL RESULTS - SUMMARY

SEK m	Jan- Mar 2005	Jan- Mar 2004	Apr- Jun 2005	Apr- Jun 2004	Jul- Sep 2005	Jul- Sep 2004	Jan- Sep 2005	Jan- Sep 2004
Income	333.8	346.1	333.8	341.3	330.2	331.2	997.8	1,018.6
Costs	-127.8	-127.1	-132.0	-123.9	-123.5	-117.9	-383.3	-368.9
<b>Gross profit</b>	<b>206.0</b>	<b>219.0</b>	<b>201.8</b>	<b>217.4</b>	<b>206.7</b>	<b>213.3</b>	<b>614.5</b>	<b>649.7</b>
Central administration	-6.4	-6.1	-7.3	-7.3	-5.1	-5.1	-18.8	-18.5
Changes in value, properties	-	-	500.0	17.6	-	-	500.0	17.6
Net financial income/expense	-27.6	-46.5	-37.0	-43.9	-33.9	-40.4	-98.5	-130.8
Tax	-49.2	-47.8	-184.4	74.2	-47.4	-47.8	-281.0	-21.4
<b>Profit for the period</b>	<b>122.8</b>	<b>118.6</b>	<b>473.1</b>	<b>258.0</b>	<b>120.3</b>	<b>120.0</b>	<b>716.2</b>	<b>496.6</b>

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

SEK m	Stockholm City East Business Area		Stockholm City West Business Area		NK Business Area		Gothenburg Business Area		Total		
	Jan-Sep 2005	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Sep 2005	Jan-Sep 2004	Jan-Dec 2004
Net revenue	289.5	283.0	350.9	349.4	192.0	204.9	105.4	101.0	937.8	938.3	1,252.2
Property costs	-96.3	-87.8	-118.5	-108.2	-85.1	-81.9	-30.2	-29.8	-330.1	-307.7	-425.0
<b>Gross profit</b>	<b>193.2</b>	<b>195.2</b>	<b>232.4</b>	<b>241.2</b>	<b>106.9</b>	<b>123.0</b>	<b>75.2</b>	<b>71.2</b>	<b>607.7</b>	<b>630.6</b>	<b>827.2</b>

**KEY RATIOS**

	Sep 30, 2005	Sep 30, 2004	Full year 2004	Full year 2003	Full year 2002	Full year 2001
<b>Property related</b>						
Rentable floor space, sq m	407,190	407,334	407,375	437,994	436,261	434,562
Rental vacancy level, %	7.2	8.3	8.2	8.1	9.3	3.9
Floor space vacancy level, %	8.3	9.5	9.5	8.7	9.2	3.9
Fair value, SEK billion	15.5	14.7	15.0	15.1	-	-
<b>Financial</b>						
Return on equity, %	8.9	6.4	9.8	7.7	7.1	10.7
Return on capital employed, %	9.3	5.7	9.7	7.4	7.6	6.9
Equity/asset ratio, %	50.7	52.9	56.6	52.1	43.7	42.5
Interest coverage ratio, times	5.8	4.6	3.5	3.2	3.2	2.8
<b>Data per share</b>						
Profit for the period, SEK	3.47	2.41	3.74	1.78	1.60	2.29
Equity, SEK	38.62	38.13	39.46	23.23	22.68	22.09
Properties, fair value, SEK	75.38	71.27	72.72	73.21	-	-
Net asset value, SEK	50.00	44.00	50.00	43.00	-	-
Number of outstanding shares, thousand	206,266	206,266	206,266	206,266	211,272	211,272
Number of registered shares, thousand	211,272	211,272	211,272	211,272	211,272	211,272

*The figures for 2001-2003 have not been recomputed according to IFRS.*

Stockholm, November 1, 2005

Ivo Stopner  
President

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

## DEFINITIONS

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

*Capital employed.* Total assets reduced by non-interest-bearing liabilities and deferred tax liabilities.

*Central administration.* Costs for Group management and Group staff functions, costs for maintaining the Company's stock exchange listing and other costs common to the Company.

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

*Equity/assets ratio.* Equity 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.

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

*Investments.* Expenses related to value-enhancing improvements are capitalized. Rebuilding 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.

*Return on capital employed.* Profit before appropriations and tax plus interest expense minus interest contributions in relation to the average capital employed.

*Return on equity.* Profit for the period in relation to the average equity.

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

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Company registration number: 556012-8240  
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## Reporting according to the International Financial Reporting Standards (IFRS)

With effect from 2005, all listed companies within the European Union shall apply the International Financial Reporting Standards (IFRS), which also includes the current International Accounting Standards (IAS) in their consolidated accounts.

The rules for how recomputation should take place for those companies that are applying the rules for the first time are to be found in IFRS 1, First-time Adoption of International Financial Reporting Standards. The standard stipulates that at least one comparative year be recomputed. A so-called opening balance as of January 1, 2004 should therefore be prepared, which explains how the transition from national accounting principles to IFRS affects equity. There should also be an explanation of how the financial position, results and cash flow for the comparison year 2004 are affected if the IFRS are applied instead of national accounting principles.

### Effects of reporting according to IFRS on the Hufvudstaden Group

The effects of recomputation of comparative figures regarding the results for the whole of 2004 as well as equity at the beginning and end of 2004 are presented in the 2004 Annual Report, Note 39.

The most material effects of the recomputation regarding the profit for the first 3 quarters of 2004 and equity as of September 30, 2004 that arise in the Group in conjunction with the transition to IFRS refer to the reporting of investment properties and deferred tax.

With effect from January 1, 2005, financial instruments will be reported in accordance with IFRS. In accordance with the transition rules, the comparative figures for financial instruments for 2004 have not been recomputed. The effect of recomputation to the new principles will affect equity as of January 1, 2005.

According to IFRS 1, the accounts are drawn up according to the IFRS standards that will apply on December 31, 2005. These standards will also have been approved by the EU. The effects of the recomputation to IFRS which are reported below are therefore preliminary and are based on the current IFRS and interpretations thereof which could be changed before December 31, 2005, with a subsequent effect on the amounts reported.

Hufvudstaden has investment properties which are reported according to IAS 40, Investment property. Investment properties are reported at the fair value as opposed to reporting at the acquisition value adjusted for accumulated depreciation and impairment losses and gains according to earlier accounting principles. After taking into account the tax effects, the effect on equity of reporting at fair value is SEK 3,250 million as of January 1, 2004. Investments made during the first 3 quarters have increased the value of the investment properties. The valuation of the property holdings as of September 30, 2004 compared with the preceding valuation is not considered to give rise to any unrealized change in value.

According to IAS 40 it is not permitted to depreciate investment properties that are valued at fair value. Depreciation for the first 3 quarters of 2004 has been reversed, which has improved profit by SEK 56 million after taking into account the tax effects.

In accordance with IAS 40, charges for special projects and maintenance are only expensed if they meet the demands in the standard regarding expensing. Costs which do not meet the demands according to the standard have been capitalized as an investment property. After taking into account the tax effects, the profit for the first 3 quarters of 2004 improved by SEK 6 million.

Reporting of financial instruments will from January 1, 2005 take place in accordance with IAS 32, Financial instruments, Disclosure and Presentation, and IAS 39, Financial instruments, Recognition and Measurement. IAS 32 corresponds essentially to RR 27, Financial instruments: Disclosure and Presentation, which Hufvudstaden has applied since January 1, 2003. As regards financial instruments, Hufvudstaden will in the future, where the conditions are met, also apply hedge accounting. This means that hedge accounting will be applied for the derivatives acquired with the aim of changing the fixed interest period of existing and planned loans and thus assure the interest level during the term of the derivative. According to IAS 39, the basic rule is that loans are valued at the amortized cost and derivatives are valued at fair value with changes in value charged to profit. By Hufvudstaden applying hedge accounting for a large proportion of the portfolio and reporting changes in value in a hedging reserve in equity, the changes in value that will arise in the Income Statement will decrease compared with if hedging is not applied. The effect on equity as of January 1, 2005 is estimated at SEK -41 million after taking the tax effects into account.

The Group's reporting of the cash flow is not considered to have been affected to any material extent by the introduction of IFRS. A quantification of the effects in conjunction with the transition to IFRS can be seen in the tables below.



**CHANGE IN EQUITY**

SEK m	Opening balance	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004	Acc effects, Sep 30, 2004
<b>Equity, opening balance</b>	<b>4,792.3</b>				<b>4,792.3</b>
Equity, preceding period		4,792.3	4,642.4	5,057.0	-
Dividend	-	-247.5	-	-	-247.5
Profit for the period	-	97.6	414.6	99.3	611.5
<b>Equity according to earlier legislation and recommendations</b>	<b>4,792.3</b>	<b>4,642.4</b>	<b>5,057.0</b>	<b>5,156.3</b>	<b>5,156.3</b>
<b>Effects of IFRS, opening balance</b>					
<i>Investment properties</i>					
Effects of IFRS, preceding balance	-	2,823.7	2,844.7	2,688.1	-
Reporting of investment properties at fair value	3,250.1	-	-	-	3,250.1
Reversal, depreciation	-	19.0	18.6	18.7	56.3
Reversal, project expenses	-	2.0	2.0	2.0	6.0
Reversal, result from property sales	-	-	-189.9	-	-189.9
Realized change in value, properties, according to IFRS	-	-	12.7	-	12.7
<i>Deferred tax</i>					
Deferred tax attributable to the acquisition of business operations	-426.4	-	-	-	-426.4
<b>Total effects of IFRS</b>	<b>2,823.7</b>	<b>2,844.7</b>	<b>2,688.1</b>	<b>2,708.8</b>	<b>2,708.8</b>
<b>Equity, IFRS</b>	<b>7,616.0</b>	<b>7,487.1</b>	<b>7,745.1</b>	<b>7,865.1</b>	<b>7,865.1</b>

**CHANGE IN PROFIT**

SEK m	Jan-Mar 2004	Apr-Jun 2004	Jul-Sep 2004	Jan-Sep 2004
<b>Profit for the period according to earlier legislation and recommendations</b>	<b>97.6</b>	<b>414.6</b>	<b>99.3</b>	<b>611.5</b>
<i>Investment properties</i>				
Reversal, depreciation	26.4	25.8	26.0	78.2
Reversal, project expenses	2.8	2.8	2.8	8.4
Reversal, result from property sales	-	-263.8	-	-263.8
Realized change in value, properties, according to IFRS	-	17.6	-	17.6
<i>Deferred tax</i>				
Deferred tax	-8.2	61.0	-8.1	44.7
<b>Profit for the period, IFRS</b>	<b>118.6</b>	<b>258.0</b>	<b>120.0</b>	<b>496.6</b>