

HUFVUDSTADEN

Year-end Report 2005

- **Profit for the year after tax amounted to SEK 1,333.9 million (771.4). The increase can be attributed mainly to unrealized changes in value in the property holdings.**
- **Profit per share was SEK 6.47 (3.74).**
- **The board proposes an ordinary dividend of SEK 1.45 per share (1.30).**
- **The fair value of the property holdings was set at SEK 16.3 billion at the turn of the year (15.0), equivalent to a net asset value per share of SEK 53 (50).**
- **Net sales for the Group for comparable holdings amounted to SEK 1,344.5 million (1,336.0)**
- **The rental vacancy level at the period-end was 7.1 per cent (8.2)**

CONSOLIDATED RESULTS

Property management¹

Gross profit for the period totalled SEK 801.0 million (842.0), a fall of 4.9 per cent or 3.2 per cent for comparable holdings. The fall can be explained by property sales during 2004 and costs for the adaptation of premises for new tenants and for store removals at NK.

Net rents from property management during the period amounted to SEK 1,258.5 million (1,273.4). For comparable holdings the net rents were increased by SEK 6.3 million.

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 86.0 million (85.1), expenses amounted to SEK 72.3 million (74.4) and gross profit amounted to SEK 13.7 million (10.7).

Other income statement items

Central administration totalled SEK -30.6 million (-29.4). Changes in the value of investment properties totalled SEK 1,200.0 million (297.4).

Financial income and expense

Net financial income and expense amounted to SEK -131.9 million (-224.4). The lower cost can be explained by a lower average interest level and a cost for the interest rate difference in conjunction with the realization of derivatives during 2004.

Tax

The Group's tax (actual and deferred) for the year totalled SEK -518.3 million (-124.9), of which SEK -108.8 million was actual tax and SEK -409.5 million deferred tax.

The subsidiary company Fastighets AB Stockholms City has through a Swedish Tax Agency decision in December 2005 not been granted a deduction for certain costs related to the renovation of Norrmalmstorg 1. The Tax Agency is of the opinion that these costs should be capitalized as a building, with annual depreciation of 2 per cent. As the company does not share the view of the Swedish Tax Agency, an appeal against the decision has been lodged with the County Administrative Court. The amount for taxes and charges is approximately SEK 25 million. Should the court find in favour of the

¹ The properties sold, Schönborg 6 and Roddaren 58, are included up to May 5 and June 29, 2004 respectively. Otherwise, the property holdings remained unchanged between 2005 and 2004.

Tax Agency, this will not have any impact on the total reported tax expense for the Group.

Profit for the year

The profit for the year after tax was SEK 1,333,9 million (771.4).

INVESTMENTS AND SPECIAL PROJECTS

Investments in properties and equipment for the period totalled SEK 79.4 million (72.3)

PROPERTY PORTFOLIO

At the end of the year Hufvudstaden owned 30 properties (32). The fall in number can be explained by property regulation in the so-called Golden Triangle in Stockholm, where the Pumpstocken 11 and 12 properties were merged in 2005 with Pumpstocken 10. The rentable floor space as of December 31, 2005 was 407,694 square metres (407,375).

The total rental vacancy level as of December 31 was 7.1 per cent (8.2) and the total floor space vacancy level was 8.7 per cent (9.5). Despite the positive vacancy trend in the property holdings during 2005, the vacancy level during 2006 is expected to remain unchanged due to known vacation of premises.

FAIR VALUE AND NET ASSET VALUE

With effect from 2005, Hufvudstaden reports investment properties at fair value in the consolidated financial statements.

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as of December 31, 2005. The valuation was made using the earning capacity of the properties and the market's yield requirement as a starting point.

To ensure the values, external valuations are obtained for part of the property holdings. The internal valuation of the properties is updated continuously during the year with purchases, sales and investments. Hufvudstaden also examines on a continuous basis if there are indications of changes in fair value of the properties. These could take the form, for example, of major lettings, terminations and material changes in the yield requirements. Fair value of the property holdings as of December 31, 2005 was set at SEK 16.3 billion (15.0).

Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The valuation took place on the basis of a valuation using the direct yield method.

The net operating income is based on market-adapted rental income with a deduction for a calculated long-term rental vacancy level of 5-7 per cent. A deduction has been made for standard operating and maintenance costs.

The yield requirements used in the valuation vary between regions and between sub-areas within the regions. The calculation of the yield requirement is based on information obtained about the market's yield requirements on the purchase and sale of comparable properties in similar locations. Consideration has also been given to different property types, the technical standard and the building design. For leasehold properties, the calculation was

based on a yield requirement that was 0.5 percentage points higher.

In making the valuation, the following direct yield requirement figures have been applied:

Stockholm	5.0 – 6.5 per cent
Gothenburg	6.0 – 6.5 per cent
Property holdings, average	5.7 per cent

External valuation

To guarantee the valuation, external valuations have been made by two valuation companies, DTZ Värderingshuset AB and FS Fastighetsstrategi AB. The external valuations cover five properties and are equivalent to 30 per cent of the internally assessed fair value. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standards and construction standards. The properties that underwent an external valuation were Hästhuvudet 13, Kvasten 9, Packarhuset 4 (Norrmalmstorg 1) and Terminalen 1 (World Trade Center) in Stockholm and Nordstan 8:24 in Gothenburg.

The external valuation companies have set a market value of SEK 5.0 billion, with a range of +/- 6-8 per cent. Hufvudstaden's internal valuation of the same properties is SEK 4.9 billion. The internal valuations are thus SEK 0.1 billion below the external valuations. A comparison between the internal and external valuation reveals that Hufvudstaden's valuations are within the value range stated by the external valuation companies.

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq m	SEK 700 m
Property costs	SEK 50/sq m	SEK 350 m
Rental vacancy level	1.0 per cent	SEK 230 m
Yield requirement	0.5 per cent	SEK 1,500 m

Net asset value

Based on this valuation, the net asset value is SEK 11.0 billion or SEK 53 per share after tax. When calculating the net asset value, calculated deferred tax has been used. This has been calculated at 10 per cent of the difference between the assessed fair value and the residual value for tax purposes and 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 purchaser, however, loses the basis for depreciation, which could justify certain compensation, which has been set at 10 per cent. If the tax rate according to the balance sheet (28 per cent) is used in the calculation, the net asset value would have been SEK 8.6 billion, or SEK 42 per share after tax.

RENTAL MARKET

Market rents for modern, flexible office space in central Stockholm stabilized during the period, mainly as a result of improved economic growth. For premises of a low standard, however, rents have fallen slightly as a result of a low demand and a continued rise in the level of vacant space. 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

3,200-3,800 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 levelled out at SEK 10,000-13,000 per square metre per year, excluding the property tax supplement.

Demand for modern office premises in the central sub-markets in Gothenburg was stable despite a slight rise in vacant space. There was, however, a low level of interest in 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. For prime site retailing premises, the market rent was SEK 5,000-8,500 per square metre per year, excluding the property tax supplement.

The Group's current renegotiations for both office and retail premises were slightly better than expected. Approximately 45,800 square metres were renegotiated during the period at a value of approximately SEK 161 million. On average, these renegotiations have resulted in a rent reduction of 2 per cent (-20).

FINANCING STRUCTURE

Hufvudstaden's borrowing as of December 31, 2005 amounted to SEK 3,525.0 million (3,135.0). The average fixed interest period was 30 months (27), the average capital tie-up period was 32 months (19) and the average interest rate cost was 3.9 per cent (4.2). Net liabilities amounted to SEK 3,432.2 million (3,120.7).

The true value of interest swaps as of December 31 was SEK -47.2 million -56.9 as of January 1, 2005). The change in value of financial instruments between January 1 and December 31, 2005 affected the hedge reserve in equity by SEK 34.0 million.

Capital tie-up structure, December 31, 2005

Maturity date	Volume SEK m	Share, %
2006	935.0	27
2007	790.0	22
2008	600.0	17
2009	-	-
2010	500.0	14
2011	350.0	10
2012	-	-
2013	350.0	10
Total	3,525.0	100

Fixed interest structure, December 31, 2005

Maturity date	Volume, SEK m	Share, %	Average APR, %
2006	1,525.0	43	3.6
2007	200.0	6	3.5
2008	600.0	17	4.8
2009	-	-	-
2010	500.0	14	4.1
2011	350.0	10	3.9
2012	-	-	-
2013	350.0	10	4.1
Total	3,525.0	100	3.9

BUY-BACK OF COMPANY SHARES

As of December 31, 2005, 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 year 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. The board has, however, not exercised this authorization.

The board will request renewed authorization at the 2006 Annual General Meeting to buy back shares.

Buy-back of shares as of December 31, 2005, million shares

	Total no. of shares	Held by Hufvud- staden	Other sharehold- ers
As of January 1, 2005	211.3	5.0	206.3
Buy-back	-	-	-
As of December 31, 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 281.3 million (683.5). The fall in profit can be attributed mainly to property sales during 2004. Liquid funds at the period-end amounted to SEK 92.3 million (11.7). Investments in property and equipment during the period amounted to SEK 27.7 million (26.0).

FOURTH QUARTER²

The gross profit from property management was SEK 193.3 million (197.3). Net rents totalled SEK 320.7 million (313.9).

Property management costs amounted to SEK 127.4 million (116.6).

The gross profit from Other operations was SEK 6.9 million (5.7). Net revenue was SEK 26.0 million (26.0) and operating costs SEK 19.1 million (20.3).

The changes in value of investment properties totalled SEK 700.0 million (279.8).

CORPORATE GOVERNANCE

Since mid-year 2005 Hufvudstaden has applied the Swedish Code of Corporate Governance. The Corporate Governance Report for 2005 will be published in the Annual Report and on the company's website.

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 reports 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 Financial Reporting Standards (IFRS) will be applied with effect from 2005 and that the comparative information for 2004 has been recalculated in accor-

² The comparison figures refer to the fourth quarter of 2004.

dance 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 recalculation to the new principles is stated on page 9.

The effects of the recalculation of comparative figures for profit for each quarter in 2004, as well as equity at the end of the quarters, together with a detailed description of the transition to IFRS, are presented on pages 9-10.

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 information from Alecta, they are unable to furnish this information and consequently the plan will be reported as a defined contribution plan.

PROPOSED DIVIDEND

The Board of Directors proposes that a dividend of SEK 1.45 per share, totalling SEK 299,1 million, be paid for 2005. Last year an ordinary dividend of SEK 1.30 per share was paid as well as an extra dividend of SEK 2.70 per share.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4pm on Thursday March 23, 2006 at the Grand Hotel, Vinterträdgården, Stockholm. The Annual Report for 2005 will be available at the company's office and on the company's website at least two weeks prior to the meeting. They will also be distributed at the beginning of March to those shareholders who have requested this.

FORTHCOMING INFORMATION

Annual Report for 2005	March 2006
Annual General Meeting in Stockholm 2006	March 23, 2006
Interim Report, January-March 2006	May 9, 2006
Interim Report, January-June 2006	August 24, 2006
Interim Report, January-September 2006	November 6, 2006
Year-end Report for 2006	February 8, 2007

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 calculations do not always tally.

CONSOLIDATED INCOME STATEMENTS – SUMMARY

SEK m	October- December 2005	October- December 2004	January- December 2005	January- December 2004
Net revenue				
Property management	320,7	313,9	1 258,5	1 273,4
Other operations	26,0	26,0	86,0	85,1
	346,7	339,9	1 344,5	1 358,5
Operating expenses				
Special projects	-2,6	-4,8	-4,5	-23,0
Maintenance	-33,4	-13,9	-92,3	-46,3
Operation and administration	-56,2	-62,7	-220,5	-219,5
Ground rents	-5,5	-10,1	-30,4	-35,7
Property tax	-29,7	-25,0	-109,3	-106,1
Decpreciation	-	-0,1	-0,5	-0,8
Property management expenses	-127,4	-116,6	-457,5	-431,4
Other operations	-19,1	-20,3	-72,3	-74,4
Operating expenses	-146,5	-136,9	-529,8	-505,8
Gross profit	200,2	203,0	814,7	852,7
- of which Property management	193,3	197,3	801,0	842,0
- of which Other operations	6,9	5,7	13,7	10,7
Central administration	-11,8	-10,9	-30,6	-29,4
Operating profit before changes in value	188,4	192,1	784,1	823,3
Changes in value, investment properties	700,0	279,8	1 200,0	297,4
Operating profit	888,4	471,9	1 984,1	1 120,7
Financial income and expense	-33,4	-93,6	-131,9	-224,4
Profit after financial income and expense	855,0	378,3	1 852,2	896,3
Tax	-237,3	-103,5	-518,3	-124,9
Profit for the period	617,7	274,8	1 333,9	771,4
Average number of outstanding shares after buy-backs during the period	206 265 933	206 265 933	206 265 933	206 265 933
Profit per share for the period, SEK	2,99	1,33	6,47	3,74

CONSOLIDATED BALANCE SHEETS – SUMMARY

SEK m	December 31, 2005	December 31, 2004
Investment properties	16 276,0	15 000,0
Other fixed assets	69,1	83,6
Total fixed assets	16 345,1	15 083,6
Current assets	143,4	58,6
Total assets	16 488,5	15 142,2
Equity	8 614,7	8 139,8
Non-current interest-bearing liabilities	2 590,0	2 180,0
Other liabilities	2,0	1,1
Pension provisions	5,6	4,8
Deferred tax liability	3 838,1	3 441,8
Total no-current liabilities	6 435,7	5 627,7
Other current interest-bearing liabilities	935,0	955,0
Other liabilities	433,0	349,6
Provisions	70,1	70,1
Total current liabilities	1 438,1	1 374,7
Total equity and liabilities	16 488,5	15 142,2

PLEGDED ASSETS AND CONTINGENT LIABILITIES

SEK m	December 31, 2005	December 31, 2004
Pledged assets		
Mortgages	1 716,3	1 516,3
Endowment insurance	3,6	3,0
Total pledged assets	1 719,9	1 519,3
Contingent liabilities	None	None

CHANGE IN EQUITY

SEK m	January- December 2005	January- December 2004
Equity, opening balance	8 139,8	4 792,3
Adjustment for change in accounting principle	-41,0	2 823,7
Adjusted opening balance	8 098,8	7 616,0
Tax attributable to items reported directly against equity	-2,7	-
Change in the hedge reserve for the year	9,8	-
Dividend	-825,1	-247,5
Profit for the year	1 333,9	771,3
At the year-end	8 614,7	8 139,8

CONSOLIDATED CASH FLOW STATEMENTS – SUMMARY

SEK m	January- December 2005	January- December 2004
Profit after financial income and expense	1 852,1	896,3
Adjustment for items not included in the cash flow	-1 199,2	-390,0
Depreciations/impairments	3,9	9,2
Tax paid	-86,6	-87,7
Cash flow from current operations before changes in working capital	570,2	427,8
Increase/decrease in operating receivables	-6,1	-8,3
Increase/decrease in operating liabilities	15,0	-106,8
Cash flow from current operations	579,1	312,7
Sale of properties/subsidiaries	-	463,5
Property investments	-76,0	-68,6
Investments in equipment	-3,4	-3,7
Amortization - non-current receivable	13,9	11,1
Cash flow from investment operations	-65,5	402,3
Loan raised	740,0	290,0
Amortization of loan liability	-350,0	-905,6
Dividend paid	-825,1	-247,5
Cash flow from financing operations	-435,1	-863,1
Cash flow for the period	78,5	-148,1
Liquid funds at the beginning of the period	14,3	162,4
Liquid funds at the period-end	92,8	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	Oct-Dec 2005	Oct-Dec 2004	Jan-Dec 2005	Jan-Dec 2004
Revenue	333,8	346,1	333,8	341,3	330,2	331,2	346,7	339,9	1 344,5	1 358,5
Costs	-127,8	-127,1	-132,0	-123,9	-123,5	-117,9	-146,5	-136,9	-529,8	-505,8
Gross profit	206,0	219,0	201,8	217,4	206,7	213,3	200,2	203,0	814,7	852,7
Central administration	-6,4	-6,1	-7,3	-7,3	-5,1	-5,1	-11,8	-10,9	-30,6	-29,4
Changes in value, investment properties	-	-	500,0	17,6	-	-	700,0	279,8	1 200,0	297,4
Net financial income/expense	-27,6	-46,5	-37,0	-43,9	-33,9	-40,4	-33,4	-93,6	-131,9	-224,4
Tax	-49,2	-47,8	-184,4	74,2	-47,4	-47,8	-237,3	-103,5	-518,3	-124,9
Profit for the period	122,8	118,6	473,1	258,0	120,3	120,0	617,7	274,8	1 333,9	771,4

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	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net revenue	385.6	374.6	469.6	462.8	262.2	279.2	141.1	135.6	1,258.5	1,252.2
Property costs	-144.6	-118.9	-153.1	-151.6	-118.5	-112.7	-41.3	-41.2	-457.5	-424.4
Gross profit	241.0	255.7	316.5	311.2	143.7	166.5	99.8	94.4	801.0	827.8

KEY RATIOS

	Full year 2005	Full year 2004	Full year 2003	Full year 2002	Full year 2001
Property related					
Rentabel floor space, sq m	407	407	437	436	434
Rental vacancy level, %	694	375	994	261	562
Floor space vacancy level, %	7,1	8,2	8,1	9,3	3,9
Fair value, SEK billion	8,7	9,5	8,7	9,2	3,9
	16,3	15,0	15,1	-	-
Financial					
Return on equity, %	15,9	9,8	7,7	7,1	10,7
Return on capital employed, %	16,5	9,7	7,4	7,6	6,9
Equity/asset ratio, %	52,2	53,8	43,8	43,7	42,4
Interest coverage ratio, times	5,7	3,5	3,2	3,2	2,8
Date per share					
Profit for the year, SEK	6,47	3,74	1,78	1,60	2,29
Equity, SEK	41,77	39,46	23,23	22,68	22,08
Properties, fair value, SEK	78,91	72,72	73,21	-	-
NAV, SEK	53,00	50,00	43,00	-	-
	206	206	206	211	211
Number of outstanding shares, thousand	266	266	266	272	272
	211	211	211	211	211
Numer of issued shares, thousand	272	272	272	272	272

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

Stockholm, February 9, 2006

Hufvudstaden AB (publ)

The Board

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 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, Norlandsgatan 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 which entail future financial benefits 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 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 after financial items 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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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 include the current International Accounting Standards (IAS) in their consolidated accounts.

The rules for how recalculation 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 recalculated. 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 recalculation 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 recalculation regarding the profit for 2004 and equity as of December 31, 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 recalculated. The effect of recalculation to the new principles will affect equity as of January 1, 2005.

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 reporting of fair value as of January 1, 2004 is SEK 3,250 million, which has been added to equity as of January 1, 2004. Investments made during the year have increased the value of the investment properties. The valuation of the property holdings as of December 31, 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 2004 has been reversed, which has improved profit by SEK 75 million after taking into account the tax effects.

In accordance with IAS 40, charges for special projects, adaptation of premises and planned 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 2004 improved by SEK 8 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 accrued acquisition value 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 hedge 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 into account the tax effects.

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	Dec 31, 2004	Acc effects 2004
Equity, opening balance	4,792.3					4,792.3
Equity, preceding period		4,792.3	4,642.4	5,057.0	5,156.3	-
Dividend	-	-247.5	-	-	-	-247.5
Profit for the period	-	97.6	414.6	99.3	52.6	664.1
Equity according to earlier legislation and recommendations	4,792.3	4,642.4	5,057.0	5,156.3	5,208.9	5,208.9
Effects of IFRS, opening balance						
<i>Investment properties</i>						
Effects of IFRS, preceding balance	-	2,823.7	2,844.7	2,688.1	2,708.8	-
Reporting of investment properties at fair value	3,250.1	-	-	-	23.8	3,273.9
Reversal, depreciation	-	19.0	18.6	18.7	18.9	75.2
Reversal, project expenses	-	2.0	2.0	2.0	2.2	8.2
Reversal, result from property sales	-	-	-189.9	-	-	-
Realized change in value, properties, according to IFRS	-	-	12.7	-	-	-
<i>Deferred tax</i>						
Deferred tax attributabel to the acquisition of business operations	-426.4	-	-	-	-	-426.4
Total effects of IFRS	2,823.7	2,844.7	2,688.1	2,708.8	2,753.7	2,930.9
Equity, IFRS	7,616.0	7,487.1	7,745.1	7,865.1	7,962.6	8,139.8

CHANGE IN PROFIT

SEK m	Jan-Mar 2004	Apr-Jun 2004	Jul-Sep 2004	Oct-Dec 2004	Jan-Dec 2004
Profit for the period according to earlier legislation and recommendations	97.6	414.6	99.3	52.6	664.1
<i>Investment properties</i>					
Reversal, depreciation	26.4	25.8	26.0	26.2	104.4
Reversal, project expenses	2.8	2.8	2.8	3.0	11.4
Reversal, result from property sales	-	-264.1	-	-	-264.1
Realized change in value, properties, according to IFRS	-	17.9	-	-	17.9
Unrealized change in value, according to IFRS	-	-	-	279.5	279.5
<i>Deferred tax</i>					
Deferred tax	-8.2	61.0	-8.1	-86.5	-41.8
Profit for the period, IFRS	118.6	258.0	120.0	274.8	771.4