

HUFVUDSTADEN

Interim Report January – March 2006

- **Profit for the period after tax amounted to SEK 109.7 million (122.8).**
- **Gross profit from property management fell by 5.2 per cent to SEK 193.2 million (203.8) for comparable holdings. The fall in profit can be attributed to costs incurred in conjunction with the development of a number of properties.**
- **Net sales for the Group for the period amounted to SEK 331.7 million (333.8).**
- **The rental vacancy level at the period-end was 9.2 per cent (7.1 at the turn of the year). The increase can be explained by a major vacation of premises in the beginning of the year.**
- **Profit per share was SEK 0.53 (0.60).**

CONSOLIDATED RESULTS

Property management¹

Gross profit for the period totalled SEK 193.2 million (203.8), a fall of 5.2 per cent. The decrease can be attributed to costs of approximately SEK 18 million for the evacuation of tenants in conjunction with the development of a number of properties.

Net rents from property management during the period amounted to SEK 311.5 million (313.6). The decrease can be explained mainly by a major vacation of premises in January.

The turnover-based rent supplement for the NK properties is reported in the fourth quarter. The turnover-based rent supplement for the preceding year was SEK 6.7 million. Apart from this there are no seasonal variations with regard to rents.

The property management results for each business area are reported on page 6.

Other operations

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

Net revenue amounted to SEK 20.2 million (20.2), expenses amounted to SEK 17.9 million (18.0) and gross profit amounted to SEK 2.3 million (2.2).

Other income statement items

Central administration totalled SEK -6.9 million (-6.4). Changes in the value of investment properties totalled SEK 0 million (0).

Financial income and expense

Net financial income and expense amounted to SEK -32.4 million (-27.6).

Tax

The Group's tax (current and deferred) for the period totalled SEK -46.5 million (-49.2), of which SEK -32.9 million was current tax and SEK -13.6 million deferred tax.

Profit for the period

The profit for the period after tax was SEK 109.7 million (122.8).

INVESTMENTS

Investments in properties and equipment for the period totalled SEK 31.2 million (9.1)

PROPERTY PORTFOLIO

As at March 31, 2006, the fair value of Hufvudstaden's property holdings was estimated at SEK 16,306.0 million (16,276.0 at the turn of the year). The increase can be explained by investments in the property holdings. The rentable floor space was 407,228 square metres (407,694 at the turn of the year).

¹ The property holdings remained unchanged compared with the same period the preceding year.

The total rental vacancy level as at March 31 was 9.2 per cent (7.1 at the turn of the year) and the total floor space vacancy level was 10.8 per cent (8.7 per cent at the turn of the year). The increase in vacant space can be explained by a major tenant vacating approximately 10,000 square metres in the Orgelpipan 7 property in January. New leases were signed during the spring for approximately 40 per cent of this floor space. The new tenants plan to move in later in the year.

Property value and net asset value

At the turn of each year Hufvudstaden makes an internal valuation of the fair value of each individual property. The assessment is made on the basis of a valuation using the direct yield method. To assure the valuations, 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 the fair value of the properties. These could take the form of, for example, major lettings, termination of leases and material changes in the yield requirements. In the light of the above, no major change in the value of the property holdings is estimated to have taken place during the first quarter and the fair value of the property holdings as at March 31, 2006 was set at SEK 16.3 billion.

Based on this valuation, the net asset value is SEK 10.8 billion or SEK 52 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 fiscal residual value of the properties. This has been assessed in the light of current tax legislation, which means the 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 8.4 billion or SEK 41 per share.

RENTAL MARKET

Interest in modern, flexible office space in the most central parts of Stockholm has increased slightly during the period, mainly as a result of good economic growth. For premises of a low standard, however, rents have fallen slightly as a result of a low demand and a slight 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 with a good location in the same area continued to be good. Rents for prime location retailing space have 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. There was, however, a low level of interest in premises of a lower standard. The level of vacant space for this category of premises has therefore increased slightly. Market rents for modern, space-efficient 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.

FINANCING STRUCTURE

Hufvudstaden's borrowing as of March 31, 2006 amounted to SEK 3,620.0 million (3,525.0 at the turn of the year). The average fixed interest period was 27 months (30 at the turn of the year), the average capital tie-up period was 29 months (32 at the turn of the year) and the average interest rate cost was 3.8 per cent (3.9 at the turn of the year). Net liabilities amounted to SEK 3,615.3 million (3,432.2 at the turn of the year). The increase can be explained by the dividend paid of SEK 299 million.

The true value of interest rate swaps as of March 31 was SEK -18.7 million (-47.2 at the turn of the year). The change in value of financial instruments between December 31, 2005 and March 31, 2006 has affected the hedge reserve in equity by SEK 20.5 million.

Capital tie-up structure, March 31, 2006

| Maturity date | Volume SEK m | Share, % |
|---------------|--------------|----------|
| 2006 | 730.0 | 20 |
| 2007 | 790.0 | 22 |
| 2008 | 600.0 | 16 |
| 2010 | 500.0 | 14 |
| 2011 | 650.0 | 18 |
| 2013 | 350.0 | 10 |
| Total | 3,620.0 | 100 |

Fixed interest structure, March 31, 2006

| Maturity date | Volume, SEK m | Share, % | Average APR, % |
|---------------|---------------|----------|----------------|
| 2006 | 1,620.0 | 45 | 3.4 |
| 2007 | 200.0 | 5 | 3.5 |
| 2008 | 600.0 | 16 | 4.6 |
| 2010 | 500.0 | 14 | 4.1 |
| 2011 | 350.0 | 10 | 3.9 |
| 2013 | 350.0 | 10 | 4.1 |
| Total | 3,620.0 | 100 | 3.8 |

BUY-BACK OF COMPANY SHARES

As of March 31, 2006, 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 2006 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 March 31, 2006, million shares

| | Total no. of shares | Held by Hufvudstaden | Other shareholders |
|-----------------------|---------------------|----------------------|--------------------|
| As of January 1, 2006 | 211.3 | 5.0 | 206.3 |
| Buy-back | - | - | - |
| As of March 31, 2006 | 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 33.1 million (83.8). Liquid funds at the period-end amounted to SEK 4.5 million (19.5). Investments in properties and equipment during the period amounted to SEK 7.4 million (3.6).

ACCOUNTING PRINCIPLES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, Swedish Financial Accounting Standards Council recommendation RR 30, Supplementary Accounting Regulations for Groups, has been applied. Hufvudstaden's income statements have been arranged according to function and adapted to operations.

The Parent Company applies the same accounting principles as the Group with certain deviations, caused by limitations on the potential to apply IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Safeguarding of Pension Commitments Act and in certain cases for tax reasons.

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 is reported as a defined contribution plan.

FORTHCOMING INFORMATION

| | |
|---|------------------|
| Interim Report, Jan-Jun 2006 | August 24, 2006 |
| Interim Report, Jan-Sep 2006 | November 6, 2006 |
| Year-end Report 2006 | February 8, 2007 |
| Annual Report 2006 | March 2007 |
| Annual General Meeting 2007 in Stockholm | March 22, 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 | January- March 2006 | January- March 2005 | January- December 2005 |
|--|---------------------------|---------------------------|------------------------------|
| Net revenue | | | |
| Property management | 311.5 | 313.6 | 1,258.5 |
| Other operations | 20.2 | 20.2 | 86.0 |
| | 331.7 | 333.8 | 1,344.5 |
| Operating expenses | | | |
| Maintenance | -26.1 | -9.4 | -96.8 |
| Operations and administration | -55.8 | -62.7 | -220.5 |
| Ground rents | -9.0 | -10.6 | -30.4 |
| Property tax | -27.3 | -26.9 | -109.3 |
| Depreciation | -0.1 | -0.2 | -0.5 |
| Property management expenses | -118.3 | -109.8 | -457.5 |
| Other operations | -17.9 | -18.0 | -72.3 |
| Operating expenses | -136.2 | -127.8 | -529.8 |
| Gross profit | 195.5 | 206.0 | 814.7 |
| - of which Property management | 193.2 | 203.8 | 801.0 |
| - of which Other operations | 2.3 | 2.2 | 13.7 |
| Central administration | -6.9 | -6.4 | -30.6 |
| Operating profit before changes in value | 188.6 | 199.6 | 784.1 |
| Changes in value, investment properties | - | - | 1,200.0 |
| Operating profit | 188.6 | 199.6 | 1,984.1 |
| Financial income and expense | -32.4 | -27.6 | -131.9 |
| Profit after financial income and expense | 156.2 | 172.0 | 1,852.2 |
| Tax | -46.5 | -49.2 | -518.3 |
| Profit for the period | 109.7 | 122.8 | 1,333.9 |
| Average number of outstanding shares after buy-backs during the period | 206,265,933 | 206,265,933 | 206,265,933 |
| Profit per share for the period, SEK | 0.53 | 0.60 | 6.47 |

CONSOLIDATED BALANCE SHEETS – SUMMARY

| SEK m | March 31, 2006 | March 31, 2005 | December 31, 2005 |
|--|-------------------|-------------------|----------------------|
| Investment properties | 16,306.0 | 15,008.3 | 16,276.0 |
| Other fixed assets | 53.6 | 69.1 | 69.1 |
| Total fixed assets | 16,359.6 | 15,077.4 | 16,345.1 |
| Current assets | 72.3 | 81.2 | 143.4 |
| Total assets | 16,431.9 | 15,158.6 | 16,488.5 |
| Equity | 8,445.8 | 7,399.7 | 8,614.7 |
| Non-current interest-bearing liabilities | 2,600.0 | 2,890.0 | 2,590.0 |
| Other liabilities | 2.3 | 0.1 | 2.0 |
| Pension provisions | 5.9 | 4.9 | 5.6 |
| Deferred tax liability | 3,859.6 | 3,434.4 | 3,838.1 |
| Total non-current liabilities | 6,467.8 | 6,329.4 | 6,435.7 |
| Other current interest-bearing liabilities | 1,020.0 | 915.0 | 935.0 |
| Other liabilities | 449.8 | 444.4 | 433.0 |
| Provisions | 48.5 | 70.1 | 70.1 |
| Total current liabilities | 1,518.3 | 1,429.5 | 1,438.1 |
| Total equity and liabilities | 16,431.9 | 15,158.6 | 16,488.5 |

PLEGGED ASSETS AND CONTINGENT LIABILITIES

| SEK m | March 31, 2006 | March 31, 2005 | December 31, 2005 |
|-----------------------------|-------------------|-------------------|----------------------|
| Pledged assets | | | |
| Mortgages | 1,816.3 | 1,741.3 | 1,716.3 |
| Endowment insurance | 3.8 | 3.0 | 3.6 |
| Total pledged assets | 1,820.1 | 1,744.3 | 1,719.9 |
| Contingent liabilities | None | None | None |

CHANGES IN EQUITY

| SEK m | January- March 2006 | January- March 2005 | January- December 2005 |
|--|---------------------------|---------------------------|------------------------------|
| Equity, opening balance | 8,614.7 | 8,139.8 | 8,139.8 |
| Adjustment for change in accounting principle | - | -41.0 | -41.0 |
| Adjusted equity | 8,614.7 | 8,098.8 | 8,098.8 |
| Change in hedge reserve for the period | 28.5 | 4.4 | 9.8 |
| Tax attributable to the hedge reserve | -8.0 | -1.2 | -2.7 |
| Total changes in capital, reported directly against equity, excl. dividends | 8,635.2 | 8,102.0 | 8,105.9 |
| Profit for the period | 109.7 | 122.8 | 1,333.9 |
| Total changes in capital | 8,744.9 | 8,224.8 | 9,439.8 |
| Dividends | -299.1 | -825.1 | -825.1 |
| Equity, closing balance | 8,445.8 | 7,399.7 | 8,614.7 |

CONSOLIDATED CASH FLOW STATEMENT – SUMMARY

| SEK m | January- March 2006 | January- March 2005 | January- December 2005 |
|--|---------------------------|---------------------------|------------------------------|
| Profit after financial income and expense | 156.2 | 172.0 | 1,852.2 |
| Changes in value, investment properties | - | - | -1,200.0 |
| Depreciation/impairments | 1.2 | 0.9 | 3.9 |
| Change, other provisions | -21.6 | - | 0.7 |
| Other changes | 0.1 | - | - |
| Tax paid | -45.5 | -35.9 | -86.6 |
| Cash flow from current operations before changes in working capital | 90.4 | 137.0 | 570.2 |
| Increase/decrease in operating receivables | -17.1 | -14.3 | -6.1 |
| Increase/decrease in operating liabilities | 58.2 | 35.2 | 15.0 |
| Cash flow from current operations | 131.5 | 157.9 | 579.1 |
| Property investments | -30.0 | -8.3 | -76.0 |
| Investments in equipment | -1.2 | -0.8 | -3.4 |
| Amortization - non-current receivable | 15.7 | 14.2 | 13.9 |
| Cash flow from investments | -15.5 | 5.1 | -65.5 |
| Loans raised | 195.0 | 700.0 | 740.0 |
| Amortization of loan liability | -100.0 | -30.0 | -350.0 |
| Dividend paid | -299.1 | -825.1 | -825.1 |
| Cash flow from financing | -204.1 | -155.1 | -435.1 |
| Cash flow for the period | -88.1 | 7.9 | 78.5 |
| Liquid funds at the beginning of the period | 92.8 | 14.3 | 14.3 |
| Liquid funds at the period-end | 4.7 | 22.2 | 92.8 |

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-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar | Jan-Mar |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Net revenue | 98.2 | 98.6 | 106.8 | 115.1 | 70.1 | 64.6 | 36.4 | 35.3 | 311.5 | 313.6 |
| Property costs | -32.4 | -28.3 | -48.6 | -38.1 | -26.6 | -33.5 | -10.7 | -9.9 | -118.3 | -109.8 |
| Gross profit | 65.8 | 70.3 | 58.2 | 77.0 | 43.5 | 31.1 | 25.7 | 25.4 | 193.2 | 203.8 |

KEY RATIOS

| | March 31, 2006 | March 31, 2005 | Full year 2005 | Full year 2004 | Full year 2003 | Full year 2002 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Property-related | | | | | | |
| Rentable floor space, sq m | 407,228 | 407,291 | 407,694 | 407,375 | 437,994 | 436,261 |
| Rental vacancy level, % | 9.1 | 8.6 | 7.1 | 8.2 | 8.1 | 9.3 |
| Floor space vacancy level, % | 10.8 | 10.0 | 8.7 | 9.5 | 8.7 | 9.2 |
| Fair value, SEK billion | 16.3 | 15.0 | 16.3 | 15.0 | 15.1 | - |
| Financial | | | | | | |
| Return on equity, % | 5.0 | 6.2 | 15.9 | 9.8 | 7.7 | 7.1 |
| Return on capital employed, % | 6.0 | 6.8 | 16.5 | 9.7 | 7.4 | 7.6 |
| Equity/asset ratio, % | 51.4 | 48.8 | 52.2 | 53.8 | 43.8 | 43.7 |
| Interest coverage ratio, times | 5.6 | 6.8 | 5.7 | 3.5 | 3.2 | 3.2 |
| Data per share | | | | | | |
| Profit for the period, SEK | 0.53 | 0.60 | 6.47 | 3.74 | 1.78 | 1.60 |
| Equity, SEK | 40.95 | 35.87 | 41.77 | 39.46 | 23.23 | 22.68 |
| Properties, fair value, SEK | 79.05 | 72.76 | 78.91 | 72.72 | 73.21 | - |
| NAV, SEK | 52.00 | 46.00 | 53.00 | 50.00 | 43.00 | - |
| Number of outstanding shares, thousand | 206,266 | 206,266 | 206,266 | 206,266 | 206,266 | 211,272 |
| Number of issued shares, thousand | 211,272 | 211,272 | 211,272 | 211,272 | 211,272 | 211,272 |

The figures for 2002-2003 have not been recalculated according to IFRS.

Stockholm, May 9, 2006

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 at the period-end.

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

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 unrealized 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 capi-

talized. 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 before appropriations and tax plus interest expense minus interest contributions in relation to the average capital employed. In the interim accounts the yield is calculated on a full-year basis without taking into account seasonal variations that normally arise in business operations and with the exception of changes in value.

Return on equity. Profit for the period in relation to the average equity. In the interim accounts the yield is calculated on a full-year basis without taking into account seasonal variations that normally arise in business operations and with the exception of changes in value.

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

Hufvudstaden AB (publ)
NK 100, SE-111 77 Stockholm
Visiting address: Regeringsgatan 38
Telephone: +46 8-762 90 00 Fax: +46 8-762 90 01
E-mail: info@hufvudstaden.se Website: www.hufvudstaden.se
Company registration number: 556012-8240
Domicile: Stockholm