

HUFVUDSTADEN
2010



NORDISKA KOMPANIET

Hamngatan, Stockholm



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The year in brief

- The profit for the year after tax was SEK 1,733 million (-357), equivalent to SEK 8.40 per share (-1.73). The improvement can be attributed mainly to the net of the unrealized increase in value of the property holdings for the year and deferred tax compared with the preceding year.
- The gross operating profit totalled SEK 944 million (944). The unchanged profit level is due mainly to the effect of higher rents being counteracted by increased operating costs as a result of the severe winter months.
- The Board proposes an increase in the dividend to SEK 2.30 per share (2.10).
- The equity ratio was 56 per cent (55), the net loan-to-value ratio was 16 per cent (16) and the interest coverage ratio multiple was 7.7 (7.0).
- The fair value of the property holdings was set at SEK 20.1 billion (18.1) at the turn of the year, equivalent to a net asset value of SEK 70 per share (62).
- The rental vacancy level at the year-end was 5.1 per cent (6.2).

Annual General Meeting

The Annual General Meeting will take place at 4pm on Thursday, March 24, 2011 at the Grand Hôtel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan. Notice to attend the Annual General Meeting will be published on the Post- och Inrikes Tidningar website www.bolagsverket.se/poit and on the Company's website www.hufvudstaden.se. Notification that a summons has been issued will be published in Dagens Nyheter.

Notification

Shareholders who wish to attend the meeting must:

- be registered in the shareholders' register kept by Euroclear Sweden AB by Friday, March 18, 2011, whereupon shareholders who have their shares registered with nominees must have the shares re-registered temporarily in their own name at Euroclear Sweden AB to be entitled to attend the meeting. Registration must be completed by March 18, 2011.
- notify Hufvudstaden by Friday March 18, 2011 at the latest, preferably before 4pm. Notification must be sent using the Company's website www.hufvudstaden.se, by e-mail at anm@hufvudstaden.se, by telephone on +46 8 762 90 00, by fax on +46 8 762 90 01, or in writing to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification must include name, civic registration number or company registration number, daytime telephone number, the number of shares and the names of any assistants who will be attending. Shareholders attending through a representative must issue a proxy for the representative. If the proxy is issued by a legal entity, a copy of a registration certificate for the legal entity (or, if such a document does not exist, an equivalent authorization document) must be enclosed. To facilitate admission to the meeting, the proxy and authorization documents should be received by Hufvudstaden at the above address by March 18, 2011 at the latest. A proxy form is provided on request and is available on the Company's website.

Dividend

The Board of Directors proposes that a dividend of SEK 2.30 per share, totalling SEK 474.4 million, be paid for 2010, with the record date set as March 29, 2011. Payment is expected to be made on April 1, 2011.

Change of address

Shareholders who are legal entities or who are not registered as resident in Sweden, and who have changed name, address or account number, should notify Euroclear Sweden AB of the change as soon as possible through the institution at which their account is registered.

Financial information

Interim Report, Jan – Mar 2011	May 4, 2011
Interim Report, Jan – June 2011.....	August 24, 2011
Interim Report Jan – Sept 2011.....	November 3, 2011
Year-End Report 2011	February 9, 2012
Annual Report 2011	March 2012

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This information is also published on www.hufvudstaden.se. The Annual Report is distributed to all new shareholders and to other shareholders on request.

Business concept, objectives and strategies

Hufvudstaden, which was founded in 1915, rapidly became one of the leading property companies in Sweden and is today one of the country's strongest brands in the property sector. The brand is well-known and represents high quality, good service and long-term thinking in the management and development of the Company's commercial properties in the most attractive business locations in Stockholm and Gothenburg.

Vision

Hufvudstaden shall be consistently perceived as, and prove to be, the most attractive property company in Sweden.

Business concept

Through its properties in central Stockholm and central Gothenburg, Hufvudstaden shall offer successful companies high-quality office and retailing premises in attractive marketplaces.

Financial objectives

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

Operating objectives

Hufvudstaden will:

- gradually increase profit from current operations.
- have the most satisfied customers in the industry.
- have the most developed property holdings in the industry.
- have the most professional personnel in the industry, with firm commitment to the customer, good business acumen and professional know-how.

Strategies to achieve the objectives

Customer focus. Hufvudstaden shall work in close co-operation with its customers and contribute continuously to improving their business potential and competitiveness.

Quality. Quality and environmental systems shall ensure the highest possible level of quality in all the Company's products and services.

Skills development. Systematic development of the knowledge and skills of the personnel shall be ensured with a focus on professional know-how and values.

Business development. Active business development shall create added value in the property holdings.

Fulfilment of objectives

Financial objectives

- According to a proposal by the Board, the total share dividend will be SEK 474.4 million, equivalent to 79 per cent of the net profit from current operations.
- The equity ratio exceeded 40 per cent at the end of 2010 and amounted to 56.1 per cent.

Operating objectives

- Net profit on current operations increased by 3 per cent during the year.
- For the third year in succession, Hufvudstaden came top in the Fastighetsbarometern Customer Satisfaction Survey and has the most satisfied office tenants.
- Hufvudstaden is working steadfastly to develop its property holdings. Several projects were completed during the year, including adaptation of approximately 24,000 square metres of office space for new and old tenants. The largest project is the major extension of the Femman property in Gothenburg, where approximately 5,100 square metres of office premises will be created on two floors on the roof of the existing property. The redevelopment of the property Rännilen 18 in Bibliotekstan was completed during the year and the first tenants took up occupancy in September. Two properties were acquired in Gothenburg, located diagonally opposite NK and immediately beside one of our centrally located properties.
- In the annual Employee Satisfaction Survey, in which Hufvudstaden measures how satisfied the employees are with their working environment, the response rate, as in previous years, was very high. The result shows, among other things, that Hufvudstaden is a very attractive, equal opportunities employer, with highly motivated employees and good leadership.

Statement by the President

Positive economic growth

During 2010, the business climate in Sweden recovered and by the end of the year the Swedish economy was ranked as one of the strongest in the EU. Sweden benefited from expansion in exports, greater investment and rising disposable income for households. The GDP grew by over 5 per cent, which is a high rate of growth for a European country.

Economic development internationally is marked by greater uncertainty and one must never lose sight of the extent to which this could affect us. It is probable, however, that the stable financial situation in Sweden will present us with the opportunity for good growth over the next few years. Looking back over the past year I can see positive developments in both the Stockholm region and the Gothenburg region. The rise in employment, alongside current and planned infrastructural investments, will facilitate the influx of both private individuals and companies. In time this will generate more job opportunities and increase purchasing power in both regions.

At Hufvudstaden we can derive considerable satisfaction from the property investments that are being made and the recently started project in a prime location in Gothenburg. We have also succeeded in a number of major rent renegotiations where long leases have been signed with good rent levels, thus securing future cash flows.

Strong property market and rising market values

The property market recovered gradually during the year. Even by mid-year, transaction volumes in Sweden had reached around SEK 40 billion, which was equivalent to the figure for the whole of 2009. Volumes for the full year were slightly over SEK 100 billion and the purchasers were largely Swedish investors. The banks have also once again begun to lend to the property sector following a period of restraint. The increased purchasing interest resulted in downward pressure on direct yield requirements during the second half of the year.

Hufvudstaden's property values, which were written down several quarters in succession, have since mid-year begun to increase once more and at the year-end totalled SEK 20.1 billion (18.1), a rise of 11 per cent. The yield requirements for the most attractive properties in Stockholm

were 4.5–5.25 per cent at the year-end. In Gothenburg the figure was 5.0–5.75 per cent.

Upward trend on the office market

Before the summer a turnaround was noted on the Hufvudstaden office markets. As the Swedish economy improved and belief in the future was restored we noted a rise in rent levels and a fall in vacant space in both Stockholm and Gothenburg.

In the Stockholm CBD vacant space at the year-end was 5–6 per cent and in Gothenburg 6–7 per cent. Hufvudstaden's vacant floor space fell during the year to approximately 5 per cent at the year-end. Positive net letting during the year will contribute to a further fall in vacant space during 2011.

Rents bottomed out during the first half of the year before rising throughout the rest of the year. For prime location office space in Stockholm top rents were noted of just under SEK 5,000 per square metre and in Gothenburg the figure was around SEK 2,400 per square metre.

A number of top-end rent levels were achieved in Hufvudstaden's properties in conjunction with both new leases and renegotiations.

Renegotiations proved positive and gross rents increased by approximately 2 per cent. The reason why the increase was not higher is that office leases in the renegotiation stock were signed at relatively high levels during the good years of 2006 to 2008. Store leases, however, could be renegotiated at high levels thanks to strong growth in the retail sector over a number of years.

Retail trade breaks previous record

The positive trend within the retail trade was further reinforced during 2010. Rising levels of employment in combination with low interest rates have led to an increase in private consumption. At the same time there has been an increase in both domestic and international tourism.

The Retail Trade Index rose by just under 4 per cent on an annual basis and Christmas trade exceeded all previous levels, finishing on a all-time high of SEK 65 billion, an increase of 2 per cent. Nordiska Kompaniet's turnover increased by 6 per cent compared with the record-breaking year of 2009, and totalled approximately SEK 2.8 billion. Retail trade in Hufvudstaden's other holdings was rein-



forced even further, which bodes well for growth in rents in the future. It is particularly gratifying that a number of international brands have once again shown an interest in establishing operations in Stockholm. Hufvudstaden has, among other things, signed a lease with the strong fashion brand Marc by Marc Jacobs in Bibliotekstan.

Property acquisitions and projects in Gothenburg

In March, Hufvudstaden acquired two properties for SEK 175 million in the best commercial location on Fredsgatan, beside NK, in Gothenburg. The properties are a good complement to Hufvudstaden's existing holdings and from a long-term point of view represent excellent development potential within both the retailing and office segments.

During the spring we commenced a development project at Femman in Nordstan. The project involves an extension of approximately 5,100 square metres of modern, attractive office space with a unique view over central Gothenburg and an upgrading of all the technical installations in the existing building. At the start of the project a long lease was signed with the law firm Advokatfirman Vinge, who will lease approximately two-thirds of the new offices. The extension will be completed in spring 2012. Through the acquisition and the project, Hufvudstaden will further reinforce its position as one of the leading, long-term property owners in Gothenburg.

The most satisfied customers and employees in the industry

For the third year in succession, Hufvudstaden has the most satisfied office tenants in the industry. In the Fastighetsbarometern Customer Satisfaction Index, Hufvudstaden came top in 9 of the 10 quality categories measured. It was particularly encouraging to note that the tenants appreciate our focus on improved service.

For a number of years Hufvudstaden has also enlisted the aid of an external company to measure the Employee Satisfaction Index. The result indicates that Hufvudstaden has one of the highest figures in the industry. Virtually every employee is proud or very proud to work at Hufvudstaden, which is also underscored by the fact that over time we have had a very low staff turnover and a very low rate of absenteeism due to illness.

Satisfied customers and committed employees are important prerequisites for long-term, responsible enterprise. However, Hufvudstaden also works with a firm focus on developing its properties in terms of quality and in a manner that is environmentally sustainable. We have, as in previous years, low energy consumption in our buildings and a number of our properties are the subject of certification according to the Green Building concept. During the year we also scored highly in the international survey Carbon

Disclosure Project, where Hufvudstaden's score puts it among the top 10 in the Nordic region.

Profit for the year and prioritizations in 2011

The profit for the year after tax has developed positively and closed at SEK 1,733 million (-357), which includes unrealized changes in value in the property holdings of SEK 1,490 million (-1,239). The gross operating profit was SEK 944 million, which is on par with 2009.

The turnaround on the property and rental market came more quickly than expected and the prospects for 2011 are promising. Our focus during the coming year will be mainly on reducing vacant space in a cost-effective way by capitalizing on the increase in demand for Hufvudstaden's attractive offices and stores when negotiating new leases and renegotiating existing leases.

The Femman development project in Gothenburg has been assigned top priority in terms of both implementation and leasing in order to optimize profitability. We are also working on identifying new development projects in existing properties and at the same time we are constantly investigating the potential to acquire complementary properties in both Stockholm and Gothenburg.

The future

The prospects for Hufvudstaden's markets are bright in both the short term and the long term. There is considerable political will to develop Stockholm and Gothenburg into even more attractive cities in which to live, to pursue successful business and to promote tourism.

The influx of private individuals and companies is on the increase in both Stockholm and Gothenburg and at the same time major infrastructure investments are being made in both regions. Stockholm, for example, is expected to grow to an extent equivalent to a new Gothenburg over a 20-year period. This will, among other things, result in more job opportunities, greater purchasing power and, in all probability, greater demand for Hufvudstaden's products in the future.

I am therefore firmly convinced that even in the future we will be able to increase profits on current operations and with continued good dividend growth over time.

Finally, I would like to extend my sincere thanks to all the committed and skilful employees at Hufvudstaden for the excellent work they have done during the past year.

Stockholm, February 2011



Ivo Stopner
President

NORRMALMSTORG 1

Bibliotekstan, Stockholm





BIBLIOTEKSTAN

Smålandsgatan, Stockholm

MARC BY MARC JACOBS



MARC BY MARC JACOBS



Five-year summary – Group

Income Statements					
SEK m	2010	2009	2008	2007	2006
Net revenue					
Property management	1,321	1,305	1,282	1,213	1,097
Parking operations	71	67	65	63	56
	1,392	1,372	1,348	1,276	1,153
Operating expenses					
Maintenance, operation and administration	-263	-248	-260	-235	-254
Ground rents	-13	-16	-16	-16	-16
Property tax	-124	-117	-119	-115	-93
Property management	-401	-381	-395	-366	-363
Parking operations	-47	-47	-46	-45	-45
	-448	-428	-441	-411	-408
Gross profit	944	944	907	865	745
– of which Property management	920	924	887	847	734
– of which Parking operations	24	20	20	18	11
Central administration	-31	-29	-32	-31	-32
Changes in value					
Investment properties	1,490	-1,239	-1,629	2,598	2,648
Interest derivatives	51	-26	-127	16	-
Operating result	2,455	-350	-881	3,449	3,361
Financial income and expense	-103	-128	-144	-127	-140
Profit before tax	2,352	-478	-1,025	3,322	3,221
Tax	-619	121	576	-928	-904
Profit from discontinued operations, net after tax ¹⁾	-	-	-	7	1,106
Profit for the year	1,733	-357	-449	2,401	3,423
Balance Sheets					
Assets					
Properties	20,148	18,125	19,083	20,531	17,409
Other fixed assets	13	14	12	69	31
Current assets	378	461	489	349	3,080
Total assets	20,539	18,600	19,584	20,949	20,520
Equity and liabilities					
Equity	11,526	10,226	10,950	11,809	11,785
Interest-bearing liabilities	3,600	3,400	3,400	3,400	3,365
Other liabilities and allocations	5,413	4,974	5,234	5,740	5,370
Total equity and liabilities	20,539	18,600	19,584	20,949	20,520
Property holdings					
Fair value, SEK bn	20.1	18.1	19.1	20.5	17.4
Tax assessment value, SEK bn	12.6	11.8	11.9	11.9	9.0
Rentable floor space, 1,000 sq. m.	358	354	354	354	351
Rental vacancy level, %	5.1	6.2	5.3	3.3	6.5
Floor space vacancy level, %	6.8	7.4	5.9	4.6	8.1
Investments in properties, SEK m	533	281	182	524	181
Property sales, SEK m	-	-	-	6.6	1,106.3
Net operating income, SEK per sq. m. ²⁾	2,579	2,610	2,506	2,411	2,091
Financial key ratios					
Gross margin, %	67.8	68.8	67.3	67.8	64.7
Return on equity, %	15.9	-3.4	-3.9	20.4	33.6
Return on capital employed, %	16.7	-2.4	-5.7	22.3	23.9
Equity ratio, %	56.1	55.0	55.9	56.4	57.4
Interest coverage, multiple	7.7	7.0	5.5	6.2	5.1
Debt/equity, multiple	0.3	0.3	0.3	0.3	0.3
Net loan-to-value ratio, properties, %	16.1	16.4	15.6	15.8	19.3
Loan-to-value ratio, properties, %	17.9	18.8	17.8	16.6	19.3
Cash flow from current operations, SEK m	691	664	696	119	608
Cash flow for the year, SEK m	-77	-14	153	245	-52
Average number of employees in the Group	92	88	87	88	118
Share data					
Profit for the year, SEK ³⁾	8.40	-1.73	-2.18	11.64	16.60
Ordinary dividend, SEK	2.30 ⁴⁾	2.10	1.90	1.75	1.60
Extra dividend, SEK	-	-	-	-	10.00
Dividend proportion (ordinary), %	27.4	-	-	15.0	9.6
Equity, SEK	55.88	49.58	53.09	57.25	57.14
Fair value of properties, SEK	97.68	87.87	92.52	99.53	84.40
Cash flow from current operations, SEK	3.35	3.22	3.38	0.58	2.95
Cash flow for the year, SEK	-0.37	-0.07	0.74	1.19	-0.25
Net asset value, SEK	70.00	62.00	66.00	73.00	71.00
Share price, series A, at the year-end, SEK	78.55	54.25	55.25	62.00	77.50
P/E ratio, multiple	9.3	-	-	5.3	4.7
Share price, series A/equity, %	140.6	109.4	104.1	108.3	135.6
Direct yield (ordinary), %	2.9	3.9	3.4	2.8	2.1
Number of outstanding shares at the year-end	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Total number of issued shares at the year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933

1) A subsidiary sold in 2006 is reported in the Income Statement under the item Profit from discontinued operations.

For Definitions, see page 93.

2) The calculation was based on the number of square metres at the year-end. Acquired properties are adjusted upwards to the value for the year.

3) No dilution effect.

4) In accordance with a proposal by the Board.

Share capital and ownership structure

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a nominal value of SEK 100. To date, three new share issues, four non-share issues, nine bonus issues and four share splits have been implemented. Three convertible subordinated loans have also been issued. All these loans have been converted or redeemed. At the end of 2010, the share capital amounted to SEK 1,056.4 million with a par value of SEK 5 per share.

Share series

Hufvudstaden has two share series, series A and series C. Both series are listed in the large cap list on NASDAQ OMX Stockholm. Series A shares carry one vote per share and series C shares carry 100 votes per share. There is no limit on how many votes each shareholder may cast at a general meeting. Series A shares were first listed in 1938, on what was at the time the Stockholm Stock Exchange, whilst series C shares were first listed in 1998.

According to a decision taken at the Annual General Meeting in 2001, what is known as a conversion provision has been included in the Articles of Association. This means that the holders of series C shares are entitled, if they wish, to request conversion of their series C shares into series A shares. No such conversion took place during the year.

Outstanding shares

At the end of the year, the total number of outstanding shares was 206,265,933, of which 197,990,869 were series A shares and 8,275,064 were series C shares. In addition, Hufvudstaden held 5,006,000 series A shares.

Buy-back

Since the Annual General Meeting in 2003 the Board has had the mandate of the General Meeting to buy back a maximum of 10 per cent of all shares. The mandate was renewed at the 2010 Annual General Meeting. At the end of the year Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No shares were bought back during 2010.

Shareholder structure

The number of shareholders at the year-end was 18,781. The largest shareholder was L E Lundbergföretagen AB with 45.3 per cent of the total number of outstanding shares and 88.1 per cent of the votes. The second largest was

State Street Bank and Trust with 3.6 per cent of the total number of outstanding shares and 0.7 per cent of the votes.

As of December 31, 2010, institutions and companies with holdings of over 100,000 shares held a total of 182,354,154 shares, equivalent to 88.4 per cent of the total number of outstanding shares and 96.7 per cent of the votes. Of these, 62 were Swedish institutions and companies, which together held a total of 130,929,732 shares, equivalent to 63.5 per cent of the total number of outstanding shares and 91.7 per cent of the votes. There were 84 foreign institutions and companies with holdings over 100,000 shares. Their holdings amounted to 51,424,422 shares, equivalent to 24.9 per cent of the outstanding shares and 5.0 per cent of the votes. In addition, three Swedish private individuals each held more than 100,000 shares. The number of shareholders fell during the year by 276. The proportion of foreign ownership increased during the year from 20.1 to 25.4 per cent of the total number of outstanding shares.

Ownership structure as of December 31, 2010

		Number of share-holders	Proportion of share-holders, %	Number of issued shares	Proportion of shares, %
1 –	500	13,806	73.5	1,966,033	0.9
501 –	5,000	4,218	22.5	6,082,203	2.9
5,001 –	10,000	252	1.3	1,887,598	0.9
10,001 –	20,000	163	0.9	2,405,146	1.1
20,001 –	50,000	117	0.6	3,828,353	1.8
50,001 –	100,000	76	0.4	5,608,034	2.7
100,001 –		149	0.8	184,488,566	87.3
		18,781	100.0	206,265,933	97.6
Hufvudstaden				5,006,000	2.4
Total				211,271,933	100.0

Source: Euroclear Sweden

Market capitalization

At the end of 2010, Hufvudstaden's total market capitalization was SEK 16,960 million. The graph on the opposite page shows the price trend and trading in Hufvudstaden's series A shares during the year.

Dividend policy

Hufvudstaden shares shall have good growth over time and the dividend shall be more than half the net profit from current operations unless investments or the Company's financial position generally justify a deviation. A dividend of SEK 2.30 per share is proposed for 2010, equivalent to 79 per cent of the net profit on current operations. (See Definitions, page 93, Dividend amount).

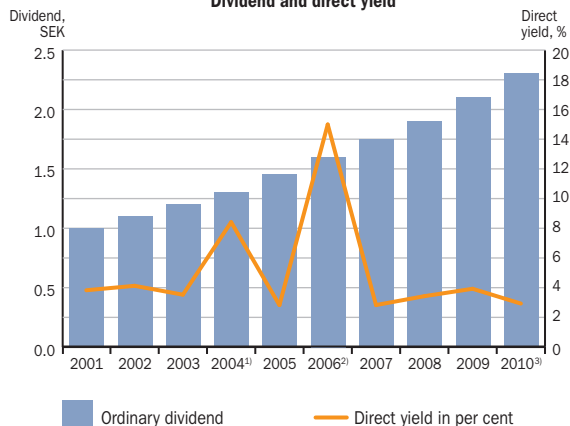
Share price trend, including dividend, and trading from 2006 in relation to the OMX Real Estate PI and the SIX Return Index



Share price trend, including dividend, and trading during 2010 in relation to the OMX Real Estate PI and the SIX Return Index



Dividend and direct yield



- 1) In 2004 there was an extra dividend of SEK 2.70
 2) In 2006 there was an extra dividend of SEK 10.00
 3) In accordance with a proposal by the Board

The ten largest listed property companies as of December 31, 2010

	Market value, SEK m
Hufvudstaden AB ¹⁾	16,960
Castellum AB	15,747
Fabege AB	12,992
Atrium Ljungberg AB	11,113
Wallenstam AB	9,425
Kungsleden AB	8,395
Wihlborgs Fastigheter AB	7,494
Klöver AB	5,663
Fastighets AB Balder	4,149
Sagax AB	3,118

¹⁾ Hufvudstaden's calculation

Source: NASDAQ OMX

The largest shareholder groups as of December 31, 2010

	Series A shares	Series C shares	Total number of shares	Outstanding shares, %		Issued shares, %	
				Capital	Votes	Capital	Votes
Lundbergs	85,200,000	8,177,680	93,377,680	45.3	88.1	44.2	87.6
State Street Bank and Trust	7,385,187	0	7,385,187	3.6	0.7	3.5	0.7
Mellon Fonder	5,312,493	0	5,312,493	2.6	0.5	2.5	0.5
SEB Investment Management	4,591,966	0	4,591,966	2.2	0.4	2.2	0.4
Nordea Investment Funds	4,240,695	0	4,240,695	2.0	0.4	2.0	0.4
Swedbank Robur fonder	3,678,396	0	3,678,396	1.8	0.4	1.7	0.4
JP Morgan fonder med Chase Bank	2,843,932	0	2,843,932	1.4	0.3	1.3	0.3
Handelsbanken fonder	2,524,454	0	2,524,454	1.2	0.3	1.2	0.3
Carnegie fonder	2,499,816	0	2,499,816	1.2	0.2	1.2	0.2
Other shareholders	79,713,930	97,384	79,811,314	38.7	8.7	37.8	8.7
Outstanding shares	197,990,869	8,275,064	206,265,933	100.0	100.0	97.6	99.5
Hufvudstaden	5,006,000	0	5,006,000			2.4	0.5
Total number of issued shares	202,996,869	8,275,064	211,271,933			100.0	100.0

Source: Euroclear Sweden

Votes (excl. own holdings)	197,990,869	827,506,400	1,025,497,269
Votes (incl. own holdings)	202,996,869	827,506,400	1,030,503,269

Corporate Social Responsibility

Corporate Social Responsibility is a prerequisite for long-term profitability, engendering trust among tenants, reinforcing the brand name and promoting increased growth in the Company. Hufvudstaden is striving to achieve sustainable development with consideration given to financial, environmental and social factors.

Long-term responsibility

Hufvudstaden is one of the leading property companies in central Stockholm and central Gothenburg and thus has a vested interest in co-operating with the city of Stockholm, the city of Gothenburg and other bodies to make our two largest cities more attractive and safer for people and companies. The Company contributes to community development by assuming responsibility for architecture, the function of the buildings and the surrounding environment.

Hufvudstaden operates exclusively in Sweden and thus considers the risk of any of its operations conflicting with the UN Universal Declaration of Human Rights to be very limited. When procuring contractors written assurance is required from the contractor that current laws are complied with and that the employees have terms and conditions of employment that are in line with national agreements. Normally, Hufvudstaden retains overall control by actively supervising the projects.

The work at Hufvudstaden is governed by four basic values – attentiveness, honesty, commitment and quality – which should permeate all our operations and be visible in our communication, both internally and externally. The human resources policy contains a presentation of how we work to bring about equality and to counteract discrimination, and our environmental policy states how we work to ensure an environmentally sustainable society.

Hufvudstaden is seeking to contribute to a better social situation for our less fortunate fellow human beings in our immediate environment by supporting organizations that work actively to improve their living conditions.

Quality and the environment

One of Hufvudstaden's strategies to achieve the Company's objectives is that our quality and environmental systems ensure the highest possible level of quality in all products and services. This is measured primarily through the annual Customer Satisfaction Index. The Company's quality programme is founded on structured processes for the control and follow-up of business operations. Detailed process descriptions have been prepared, covering everything from how construction should proceed to how customers are to be treated. There are regular evaluations of how projects and

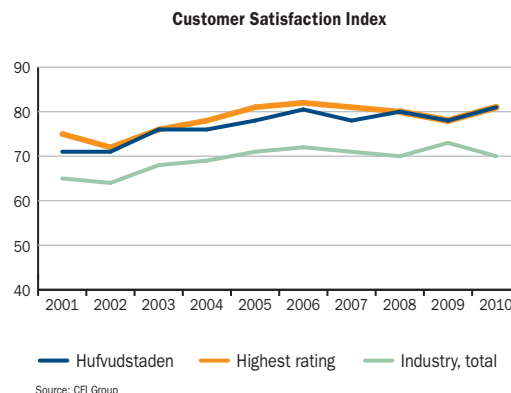
activities are implemented and the degree of compliance with the processes.

The environmental programme is an integral part of day-to-day work and the person responsible is the head of Property Development, who is also a member of the executive management. This work is governed by the environmental policy and prioritized areas are energy use, water consumption, waste management, choice of materials and hazardous substances. Hufvudstaden does not carry on any operations that require permits or notification under the Environmentally Hazardous Operations and Health Protection Ordinance (1998:899) and has no current environmental disputes.

Hufvudstaden's environmental work was analyzed again this year and was approved for investment in the Swedbank Robur Environmental Fund. The Company has taken part in a number of environmental surveys and among other things has achieved very good results in the Carbon Disclosure Project in which the climate programmes at publicly listed companies are analyzed.

Customer Satisfaction Index

According to the annual Customer Satisfaction Survey run by Fastighetsbarometern, Hufvudstaden has the most satisfied office tenants. This is the third year in succession and the sixth time since the Customer Satisfaction Survey began in 1997 that Hufvudstaden has come top in the survey, which covers most of the other leading property companies. The areas that have the greatest impact on customer satisfaction are the property owner's image, service, capacity to adapt premises and how reported faults are handled and rectified. In the 2010 survey, Hufvudstaden had the maximum score in 9 of the 10 categories.



Environmental Policy

Vision

Hufvudstaden will lead and develop operations towards a sustainable society in terms of both the environment and climate.

Objectives

- Reduce impact on the environment and climate.
- Manage the Earth's resources.
- Minimize the use and emission of harmful substances.
- Contribute to recycling materials and products that have reached the end of their useful life.

Strategy for achieving the objectives

- Train employees on a continuous basis in matters related to the environment and climate.
- Have a clear environmental management system that ensures a high level of quality.
- Apply the prudence and good management principle.
- Select as far as possible eco-friendly technology and environmentally labelled products.
- Prevent environmental problems and comply with current environmental legislation.
- Make clear demands on suppliers and contractors.
- Co-operate with our customers and other partners in their environmental programmes.

Follow-up of the quality and environmental objectives for 2010

Quality and environmental programmes

The quality programme is being developed constantly within all the designated and established areas – Leasing, Adaptation of Premises and Management – together with the auxiliary and support processes. In order to further improve customer service, which includes greater availability to tenants, the service organization has been reinforced. Visibility has increased through more visits and contacts with customers and the setting up of a customer service portal on which information and offers are presented.

During the year, Hufvudstaden employees took part in lectures and training programmes dealing with environmental and climate issues adapted to the various operating areas. This has led to greater knowledge and a distinct increase in interest and involvement in issues of this nature. The practical environmental work is concentrated mainly on the areas that have the greatest impact on the environment: environmentally adapted development, waste management and energy use. These areas are described in more detail below.

Environmentally adapted development

In construction projects we create long-term, flexible construction solutions that minimize resource wastage when changing tenants. The choice of products is made based on a long lifespan and a high level of quality. New, eco-friendly technology is evaluated on a continuous basis and during the year the preceding year's lighting training programme has been applied in practice in several projects.

Hufvudstaden plays an active role in the development of BVB, the construction products assessment system, which is a common tool in the property industry for the environmental assessment of construction products and construction management. The aim is to ensure that only environmentally examined and approved construction products are used. During the year, project managers, operating managers and technical managers underwent training to further improve their use of BVB.

During the summer and autumn the Oxhuvudet property underwent ecological facade cleaning. The cleaning was carried out entirely without chemicals and with ultrapure water. The method means that lead and other heavy metals that normally appear on facades in Stockholm are washed away carefully and collected in filters which are then sent for recycling. Using this process, the heavy metal levels in wastewater are reduced significantly and the emission of harmful substances is minimized.

Waste management

Refuse generated in Hufvudstaden properties mainly comes from the tenants' operations as well as the Company's construction activities. Hufvudstaden seeks to consistently apply the principle that sorting should in the first instance take place where the refuse is generated. Several of the tenants engage the services of Hufvudstaden's partner Ragn-Sells, which means that we receive a detailed follow-up of refuse fractions and volumes. The total volume of sorted refuse from Hufvudstaden's customers in 2010 was just over 2,008 tonnes, which is largely unchanged compared with the previous year. The proportion of sorted refuse in relation to the total volume of refuse was 94 per cent, compared with the figure of 93 per cent for 2009.

Construction waste from the Company's development projects and adaptation of premises is sorted on site according to set routines and then sent for recycling to companies specializing in the handling of refuse and residual products.

Energy use

Prioritized work is taking place at the Company to reduce energy use and thus also to reduce carbon dioxide emissions. Hufvudstaden has its own operating personnel who each day fine-tune our facilities to ensure optimal operation and minimal use of energy whilst still maintaining a good indoor climate for our tenants. In addition, energy-saving investments have been made in ventilation units, construction of new heating and cooling facilities and output monitors in installation systems. There has also been optimization of airflows and adjustment of operating times for the ventilation and lifts and replacement of lighting. In the adaptation of premises, which includes lighting, energy-efficient fittings have been chosen. Other improvements include the

replacement of Christmas lighting at NK in Stockholm, where energy use has been reduced by approximately 80 per cent.

Energy use in Hufvudstaden properties is exclusively in the form of electricity, district heating and district cooling. Following correction of energy use for a normal year, the level of use is virtually unchanged. Using this calculation, total energy use in Hufvudstaden’s properties during the period 2001–2010 fell by 18 per cent. During 2010, total energy use increased by 1 per cent, which is largely due to the fact that the winter months were considerably colder than normal and energy use was thus abnormally high. Hufvudstaden’s carbon dioxide emissions from energy use increased by 2,089 tonnes during the year. An evaluation of the period that was unaffected by the severe winter, April–October, revealed that energy use fell by two per cent compared with 2009. This reduction was possible despite the continued conversion from cell offices into office landscapes, which often results in increased staff density and thus higher use.

Energy and water use¹⁾

	2010	2009	2008	2007	2006
Electricity, MWh	44,044	44,629	46,905	46,405	46,277
District heating, MWh	20,450	18,226	19,767	20,011,	22,064
District cooling, MWh	4,368	5,633	4,521	4,453	4,910
Total, MWh	68,862	68,488	71,193	70,869	73,251
Water, cb. m.	232,880	226,936	251,672	243,567	242,731
CO ₂ , tonnes	9,444	7,355	7,407	7,500	9,453

1) Figures corrected for a normal year for comparable holdings and excluding projects.

During the year the Company took part in the Carbon Disclosure Project survey, which is a worldwide survey directed at publicly listed companies. As part of the survey, the companies report their climate work and climate impact. Hufvudstaden received the highest score of all property companies and was one of the top 10 results from all the companies in the Nordic region that took part in the survey, which is a result of the fact that our environmental programme is being pursued in the right direction.

During the year, Hufvudstaden became a member of the Sweden Green Building Council, whose aim is to develop and influence environmental and sustainability work within

the industry. Through this involvement, we can follow at close quarters how energy and sustainability issues are developing as well as environmental certification. In our new extension project in the Femman property in Gothenburg, efficient energy use has been prioritized. The two new office floors are expected to meet the stipulations laid down in the Green Building Programme and an examination is in progress into how the whole of the property can be certified.

The geographical concentration of the Company’s operations means that the number of business trips is very limited.

Information about energy and environmental issues to our tenants

During the year, Hufvudstaden examined a whole series of environmental issues that are of importance to us and our tenants.

Information regarding energy issues and Hufvudstaden’s ongoing environmental programme was presented during the year at special information meetings and customer meetings. Information is also available for the customers in their service binder and on Hufvudstaden’s customer service portal.

During the year, Hufvudstaden commenced work on providing tenants with practical hints on how they can contribute to reducing energy use and increasing the proportion of sorted refuse.

Quality and environmental objectives 2011

- Continue to develop the quality and environmental programmes.
- Improve energy efficiency by 3 per cent.
- Reduce Hufvudstaden’s carbon dioxide emissions by 5 per cent.
- Further certification of properties according to the Green Building Programme.
- Increase the proportion of sorted waste.
- Provide Hufvudstaden tenants with guidance in their primary sorting of refuse
- Improve information about energy and environmental issues to tenants.



BIBLIOTEKSTAN

Birger Jarlsgatan, Stockholm



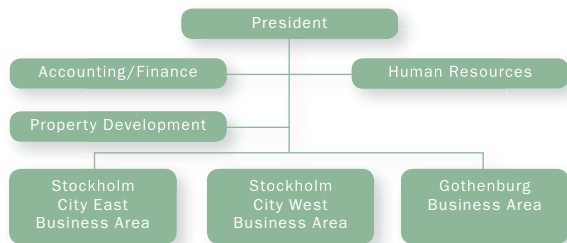
Organization and employees

“Satisfied employees mean satisfied customers and this is something that we have seen clear evidence of in the fact that in 2010, for the third year in succession, we have come top in the industry’s Customer Satisfaction Index survey. Satisfied employees are also a prerequisite if Hufvudstaden is to achieve its highly ambitious goals.”

Organization

Hufvudstaden’s objective is to have the most professional employees in the industry. During the past year training initiatives and seminar programmes were run to further increase involvement, professional know-how and business acumen. During 2011 we will continue to work on reinforcing Hufvudstaden’s position as an attractive employer.

The Company’s operations are organized into three business areas: Stockholm City East, Stockholm City West (which includes the NK department stores in Stockholm and Gothenburg) and Gothenburg. The staff functions Accounting/Finance, Property Development and Human Resources support work on the operative level. Parking operations are run through the subsidiary Parkaden AB.



At the end of 2010, 93 persons worked in the Group, of whom 89 were in the Parent Company and four at the subsidiary Parkaden AB. At the year-end, the division was 46 per cent women and 54 per cent men. Of the Group’s managers, 35 per cent are women. The average age in the Group was 46 years for women and 42 years for men.

Value-driven corporate culture

Hufvudstaden’s corporate culture is marked by strong involvement on the part of employees and our aim is to apply a clear, common, broadly accepted set of values that are intended to permeate everything we do. The values are our most important tool in the task of leading and controlling operations towards achieving the Company’s vision and objectives but also a prerequisite for being able to conduct operations in such a way that they promote social responsibility. Our core values are attentiveness, honesty, commitment and quality. Our values are embodied in everything we do; from the induction of new employees to regular appraisal discussions and information meetings.

The Company’s values and policies have been brought together in a Human Resources Handbook, which provides guidance to employees on how they should act both on a day-to-day basis and in specific situations.

Attractive employer

At Hufvudstaden it is important that employees assume responsibility and feel involved in the work of the Company. This is measured in the annual Employee Satisfaction Survey, where questions related to job satisfaction, leadership and attitudes are highlighted. The 2010 survey, in line with previous years, had a high response rate and demonstrated that Hufvudstaden is a workplace characterized by equality and good leadership. The number of employees who are proud of working at Hufvudstaden has been consistently high for several years. This is something we feel is important and is reflected in the fact that many employees choose to remain at Hufvudstaden for a long time. In 2010, the average period of employment was nine years and staff turnover was 4 per cent.

Committed employees

Committed, expert, service-oriented, satisfied employees throughout the Company are a key requirement for achieving the Company’s objectives. A vital element in creating this corporate culture is the appraisal discussion. During the discussion, objectives and fulfilment of objectives are dealt with as well as competence development and similar issues. An individual activity plan for the coming year is then drawn up. Another important factor is that employees contribute to different projects in addition to their primary duties, which is a way of capitalizing on the broad and varied know-how and expertise within the Company. Working across departmental boundaries is good in terms of promoting an exchange of know-how and also to reinforce the corporate culture. In addition to stimulating tasks and good development opportunities, a bonus programme has been in place during the year for all employees to raise the level of involvement even further.

Competent employees

In its endeavour to maintain a high level of quality Hufvudstaden focuses on competence development in all parts of the organization. We want our employees to make use of their full potential and in doing so be strengthened in their professional roles. The training initiatives are strongly linked to demands from the market and the customers. We have, among other things, identified an increase in interest in environmental issues and in response we have run an

environmental seminar programme during the year for all employees. We have also noted a greater need to make the work of the Company more visible and greater interest in the Company on the part of international stakeholders, which requires a higher level of linguistic ability. Our range of training programmes in English and communication was thus reinforced during the year.

In addition to a number of training initiatives for the whole company, Hufvudstaden has opened up the opportunity for individually adapted competence development adapted to length of employment, position, occupational specialization and needs. The individual programmes focus primarily on business thinking and dealing with customers.

Healthy employees

Hufvudstaden adopts a preventive approach to health through regular health checks, ongoing health-promoting activities and health insurance for all employees. We encourage physical activity both at work and during leisure time and we contribute to this by offering to finance health and fitness pursuits and by arranging a variety of joint exercise activities. The success of these initiatives is reflected, for example, in the very low level of absenteeism due to illness and a pleasant working environment. Improving the working environment is an ongoing process, handled by a group made up of representatives from different parts of the organization and where health-related activities are planned and implemented.

In the Employee Satisfaction Survey the employees state that they feel well and that they have a good balance between work and leisure. To further reinforce this balance, we have allowed the whole organization to take part in a personal efficiency training programme.

Leadership development

Continuously identifying and developing employees with leadership qualities is a priority area. Hufvudstaden’s leadership is characterized by courage and exemplary behaviour as well as being forward-thinking and inspirational. We work with short lines of communication and clear mandates that extend far out into the organization. The focus in recent years on developing leadership has proved to be a key success factor. Regular seminars for managers have been arranged and an in-house manager network has been established. These initiatives help us to assure the emergence of skilled managers. In conjunction with the Employee Satisfaction Survey, there are, among other things, feedback and discussions on individual leadership.

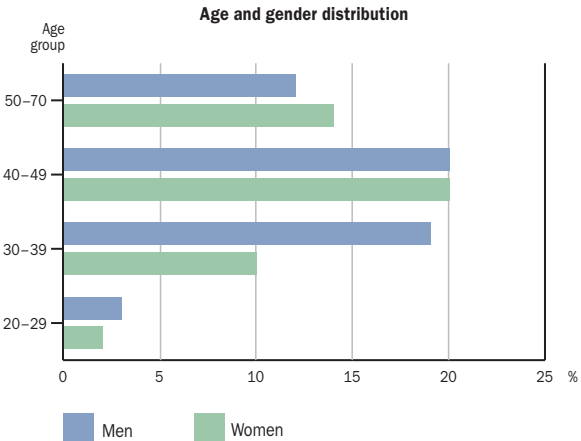
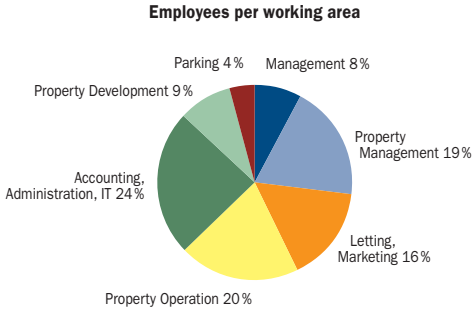
Employee development/Recruitment

One way of developing as an employee at Hufvudstaden is to take on new challenges. Hufvudstaden has a clear

recruitment policy and endeavours to ensure that as many vacant posts as possible are filled through internal recruitment. The three managerial positions that became vacant during the year were all filled in-house. This is one of the reasons why Hufvudstaden has a low staff turnover. Operations can therefore be built up based on solid experience and expertise. To attract new, talented people on the labour market the Company continued during the year to profile itself through participation in what are known as ‘labour market days’. There has also been positive experience from contact with colleges and universities and by taking in students on placement.

Ethics and equality

Hufvudstaden is working actively with its fundamental values, ethics and equality in every part of the organization. It is taken for granted that men and women are given the same opportunity to develop and that unfounded salary differences are counteracted. The Employee Satisfaction Survey has for several years shown that one of our best results has been in the equality area, which is evidence that work in these areas is being pursued correctly. We are an open, non-discriminatory company with strict demands in every operating area. It is important to find employees that have the correct knowledge and expertise to perform their duties and to in time grow within the Company.



HUFVUDSTADEN

Regeringsgatan, Stockholm





HUFVUDSTADEN

Regeringsgatan, Stockholm





Property market

Hufvudstaden's markets are in the most central parts of Stockholm and Gothenburg, where the Company owns office and retail properties in the central business districts of the city centres. This makes Hufvudstaden one of the most specialized and geographically concentrated property companies in Sweden.

Economic growth in Sweden has for a long time been concentrated in the city regions, where Stockholm occupies a unique position. During 2010, Stockholm and Gothenburg recovered strongly from the international finance crisis and the weak growth in the economy that characterized a great deal of 2009. GDP growth in the world economy showed slight signs of improvement during the year although growth has been impeded by the fact that many countries, particularly the USA and in Europe, are struggling with weak government finances and have been forced to make sweeping cuts. At the same time, unemployment remains high. In contrast, the Swedish economy recovered strongly during the year with good growth and a slight fall in unemployment compared with the previous year.

Stockholm and Gothenburg

One of the most striking features of the property market in Sweden and throughout the rest of Europe is the concentration of population growth and commercial expansion in the city regions.

The Stockholm region has one of the largest information and communication clusters in the world and one of the leading biotechnology clusters in Europe. There is also an industrial structure with a high proportion of IT and tele-

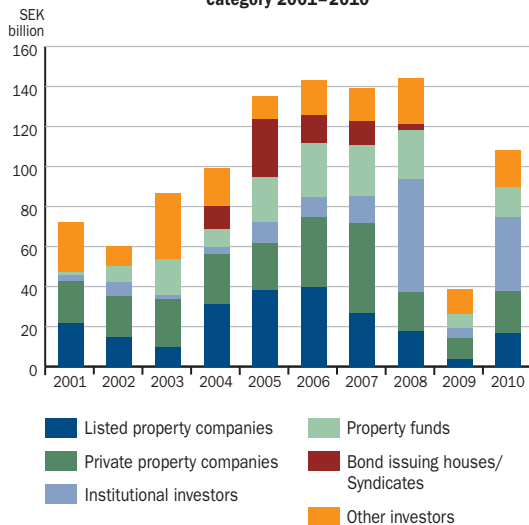
communications and strong banking, finance and service sectors. Stockholm is regarded as the financial centre of the Nordic region and has for a long time been the driving force in the Swedish economy. The business climate in Stockholm developed very positively during the year and there has been considerable industrial and commercial growth. A strong belief in the future, greater stability and domestic demand have contributed to this positive development. In line with the turnaround in the economy, employment has increased once again in the Stockholm region after the negative trend that has persisted for some time.

The Gothenburg region is continuing to be of major importance to development in Western Sweden and there is a very tangible international presence. The Economic Tendency Survey for the Gothenburg region shows that all major sectors have contributed strongly to recovery in the region following the financial crisis. There has been a strong upturn in construction during the second half of the year following a relatively weak period of growth during the spring. The labour market has also shown signs of recovery with a slight increase in employment during the second half of the year.

The investor market

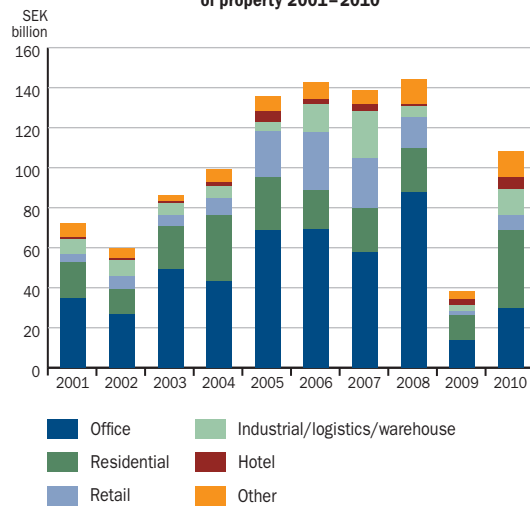
The Swedish property market recovered rapidly during 2010, which is reflected in a rise in transaction activity. The increase can be attributed in part to a large number of major portfolio transactions, primarily in residential properties. During the year, the turnover of Swedish properties by Swedish and foreign investors was in excess of SEK 100

Transaction volume according to investor category 2001–2010

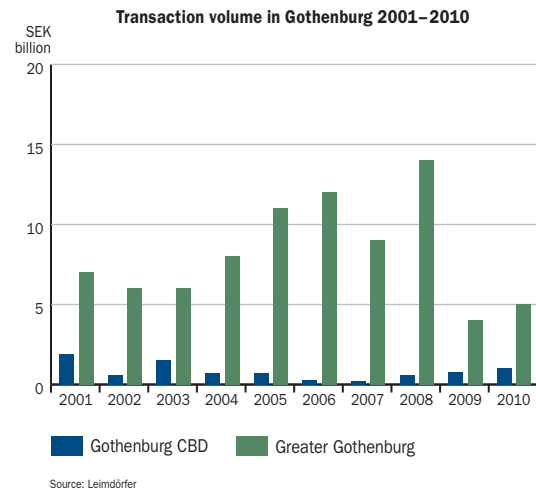
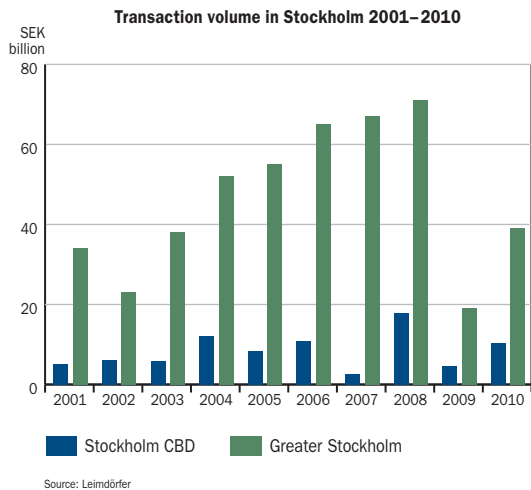


Source: Leimdörfer

Transaction volume according to type of property 2001–2010



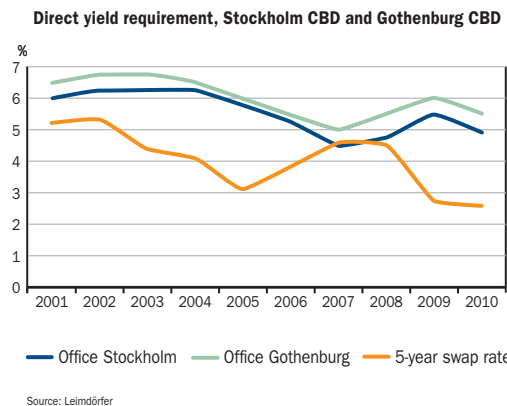
Source: Leimdörfer



billion. This is more than twice the figure compared with 2009 although still below the levels seen in the record-breaking period 2006–2008 when annual volumes were in the region of SEK 140 billion. The number of large transactions over SEK 1 billion also increased significantly compared with the previous year. It is mainly Swedish investors, both institutions and private property investors with low leveraging, as well as property funds that are behind the majority of the property acquisitions. Low-risk properties, such as residential properties but also offices in prime locations, accounted for a large proportion of the total transaction volume in 2010.

There were no major portfolio transactions during the year in the Stockholm CBD or Gothenburg CBD. However, a number of noteworthy transactions involving individual properties took place within the Stockholm CBD, the three largest being Blåmannen 20 (also known as Klara Zenit), Grävlingen 12 (also known as City-Cronan) and Stuten 12.

The direct yield requirements for good, well-located office premises in the Stockholm CBD and Gothenburg CBD fell during 2010 as a result of expectations of a stronger rental market coupled with a high level of demand and considerable competition between investors. This has had a positive effect on Hufvudstaden as it is within these sub-markets that the majority of the Company's properties are located. There was a falling direct yield requirement trend during the first decade of this century with the exception of the financial crisis when the opposite was the case. During 2010 it became easier to finance property acquisitions compared with 2009. Direct yield requirements for modern office and retailing properties in the Stockholm CBD ranged from 4.5 to 5.25 per cent and in the Gothenburg CBD between 5.0 and 5.75 per cent.



Rental market in Stockholm

The office rental market in Stockholm recovered well during 2010 following the downturn in conjunction with the financial crisis and the recession. The level of vacant space in the Stockholm CBD fell during the year and rent levels rose, a trend that is expected to spread to the peripheral areas. The increase in rent levels for office premises can be attributed to a high level of demand for modern, efficient premises in prime locations.

The demand for prime site retailing premises continued to be stable during 2010 with the result that the store rental market remained strong during the year with higher rent levels.

The availability of commercial properties outside the Stockholm inner city comprises holdings totalling approximately 5 million square metres of offices, of which 1.7 million square metres are within the CBD. Hufvudstaden is the second-largest commercial property owner in the Stockholm CBD with total rentable floor space of approximately 262,000 square metres.

Largest property owners in the Stockholm CBD

	Rentable floor space, sq. m.
Vasakronan	371,000
Hufvudstaden	262,000
AMF Pension	228,000
Diligentia	150,000
Fabege	98,000
SEB Trygg Liv	95,000
Pembroke Real Estate	92,000

Source: Leimdörfer

Offices

The rental market for offices in Stockholm developed positively during 2010, primarily in the Stockholm CBD with lower levels of vacant space and higher rent levels. The reason for this is high demand and limited availability. The greatest demand is for offices in central city locations within the Stockholm inner city areas and within nearby off-centre areas directly outside the Stockholm inner city areas and close to public transport, mainly in modern, new and redeveloped properties. One of the competitive advantages on the rental market is the ability to offer modern, office premises where the floor space can be utilized efficiently, thus allowing the rental cost per employee to be reduced. The potential to let large, cohesive office premises in the Stockholm CBD is relatively limited and this situation is expected to continue during the coming year and will probably lead to a continuing rise in rent levels. This will have a positive impact on Hufvudstaden as the Company owns compact, high-quality property holdings in this area comprising modern office premises.

With properties in all parts of the Stockholm CBD, Hufvudstaden is able to offer office premises in all city areas. It is Hufvudstaden's long-term strategy to own properties gathered within the same area, preferably comprising whole blocks, which also makes it possible for our tenants to expand within the existing property holdings.

The major projects in the Stockholm CBD, such as Stockholm Waterfront, The View, Kungsbrohuset and the Pennfaktaren block on Vasagatan, were completed during the year and tenants have already moved in. Hufvudstaden's redevelopment of the Rännilen 18 property was completed during the year and the first tenants moved into the property in September. During the coming year new construction and redevelopment projects in the Stockholm CBD will be relatively limited although there is still a high level of activity when it comes to upgrading older buildings into modern office premises, which will increase the availability although not to a sufficient extent to satisfy demand.

In Bibliotekstan, rents were noted of between SEK 4,000 and 5,000 per square metre per year, excluding the property tax supplement, and in the rest of the CBD prime office space was let for between SEK 3,500 and 5,000 per square metre per year, excluding the property tax supplement.

The level of vacant space during the year was between 5 and 6 per cent (7–8) in the CBD, 5 per cent (6) in Gamla Stan and 5–8 per cent (6–9) in Södermalm, Kungsholmen, Vasastan/Norrmalm and Östermalm/Gärdet.



Source: Leimdörfer

Larger property owners in central Stockholm.

Stores

The demand for well-located store premises in the most central sub-markets continued to be high during the year although such premises were generally not available, which resulted in an increase in rent levels. The good level of demand can in turn be attributed to the positive trend within the retail trade, in both the durable and non-durable goods sectors, as well as an increase in both domestic and foreign tourism.

The most sought-after retailing areas are in Bibliotekstan and on Hamngatan, Kungsgatan and Drottninggatan. Bibliotekstan and the NK department store have a special position as the most exclusive store locations. The rent for prime retailing space in this area is between SEK 12,000 and 18,000 per square metre per year, excluding the property tax supplement. Hufvudstaden owns properties in all of these attractive locations, which means that the Company enjoys a strong position within the retail segment in central Stockholm.

In the Stockholm CBD two major retail projects are in progress. A new retailing block is being developed comprising approximately 20,000 square metres of retailing space and extending along Regeringsgatan and Hamngatan opposite NK. Tenants began moving into the new stores during 2010 and will continue to do so during 2011. A shopping centre with a new shopping concept is also being developed in the Salén Building.

Market rents, December 2010 (excluding the property tax supplement)

Sub-market	Offices,		Stores,
	SEK/sq. m. per year	SEK/sq. m. per year	SEK/sq. m. per year
<i>Stockholm</i>			
Bibliotekstan/NK	4,000 – 5,000	12,000 – 18,000	
City, other	3,500 – 5,000	4,000 – 12,000	
Östermalm	2,400 – 3,600	3,000 – 8,500	
Gamla Stan	2,200 – 2,800	2,500 – 5,000	
Slussen/Södermalm	2,100 – 2,900	2,500 – 5,000	
Kungsholmen	1,700 – 2,700	2,000 – 7,000	
Liljeholmen	1,800 – 2,100	1,500 – 5,000	
Globen	1,400 – 1,900	3,500 – 5,000	
Kista	1,200 – 2,300	4,000 – 8,000	
<i>Gothenburg</i>			
Inom Vallgraven	1,800 – 2,400	6,000 – 12,000	

Rental market in Gothenburg

The rental market during the year for office space in central Gothenburg was marked by an unchanged level of vacant space and a slight increase in rent levels, which can be largely attributed to the fact that the Gothenburg market has been strengthened in line with the improvement in the financial situation in Sweden as a whole. Gothenburg reinforced its position as the most interesting market in Sweden

after Stockholm. In the office segment there is considerable interest in modern, efficient, centrally located premises and demand for office premises in the region generally increased during the year.

Rent levels for prime-location office premises continue to be stable during the year as a result of a high level of demand but also very limited availability.

Hufvudstaden is the third-largest commercial property owner in the Gothenburg CBD with total rentable floor space of approximately 80,000 square metres. The Company's properties are well located in the city areas Inom Vallgraven and Östra Nordstan, which makes Hufvudstaden's property holdings one of the most concentrated in Gothenburg.

Largest property owners in the Gothenburg CBD

	Rentable floor space, sq. m.
Vasakronan	250,000
Wallenstam	97,000
Hufvudstaden	80,000
Diligentia	73,000
Bygg-Göta Göteborg	67,000
Castellum	51,000

Source: Leimdörfer

Offices

Rent levels in the central parts of Gothenburg rose slightly during 2010 compared with 2009 and the number of new leases has also increased. Despite this, the level of vacant space is largely unchanged compared with the previous year. In the Gothenburg area there are approximately 3.2 million square metres of office space, of which 0.9 million square metres are within the Gothenburg CBD, which comprises the sub-areas Nordstan, Inom Vallgraven, Lilla Bommen and Kungssportsavenyn. The largest new construction and redevelopment projects during 2010 in central Gothenburg are the construction of Pagoden, comprising approximately 11,000 square metres of new office space, and Hufvudstaden's addition of two floors in Femman in Nordstan, where 5,100 square metres of modern office space are being created. Both projects commenced during the year and are expected to be completed during 2011/2012. Apart from this, there will be a relatively small volume of new office space produced in the Gothenburg area during the coming year.

The best locations for offices in central Gothenburg are considered to be the Inom Vallgraven areas, particularly areas near Östra Hamngatan and Västra Hamngatan as well as Nordstan, Kungssportsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Within the Gothenburg CBD, market rents were between SEK 1,800 and SEK 2,400 per square metre per year, excluding the property tax supplement. Vacant space in the Gothenburg CBD was



Source: Leimdörfer

Larger property owners in central Gothenburg.

stable during 2010 compared with 2009 and was between 6 and 7 per cent (6–7). As in Stockholm, Hufvudstaden in Gothenburg has high-quality properties with modern office premises which are mainly the type of office premises that are in demand on the market.

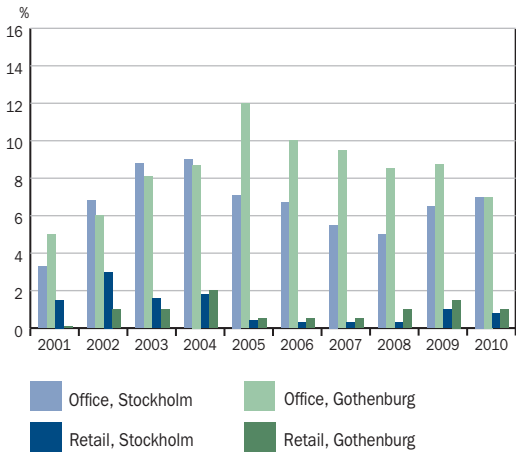
Stores

Rents for stores in prime locations were stable during the year with a very limited availability of vacant retailing space – the estimate is less than one per cent – matched by a high level of demand. In the best locations rents were noted between SEK 6,000 and 12,000 per square metre per year, excluding the property tax supplement. The high

level of demand can be attributed to the positive growth in the retail sector during the year and an increase in domestic and foreign tourism. In addition, the transformation of Gothenburg from a traditional industrial centre into a city with a more differentiated, service-oriented business sector has had a positive impact on the retailing trade. The prime locations for stores in central Gothenburg are considered to be Östra Nordstan, Fredsgatan, Arkaden and Kungälvsgatan between Östra Hamngatan and Västra Hamngatan. City centre retailing is very strong and Hufvudstaden has been affected positively through its presence in the best store locations with, among others, Femman in Nordstan and the NK department store.

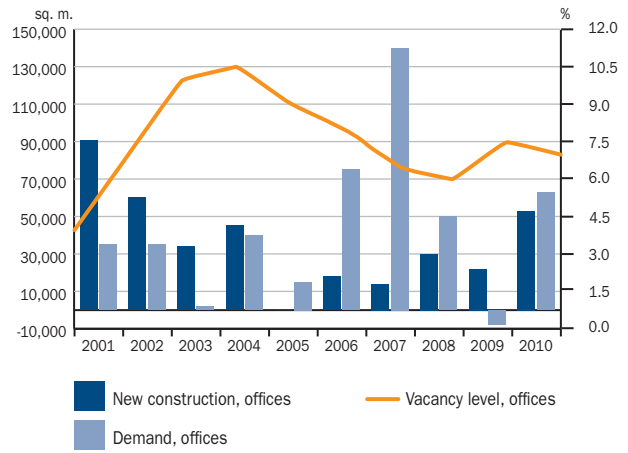


**Vacant office and retail space,
Prime location premises**



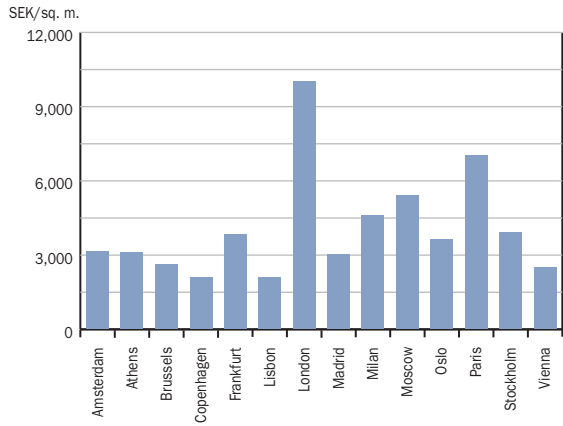
Source: Newsec

**New construction, demand and vacancy level,
office premises in Central Stockholm**



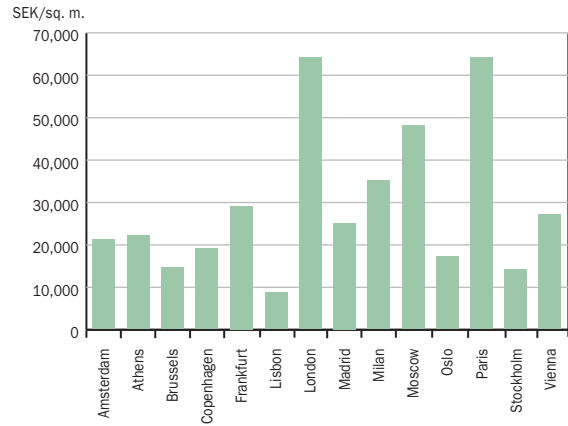
Source: Newsec

**Office rents in European cities, December 2010
Premises in prime locations**



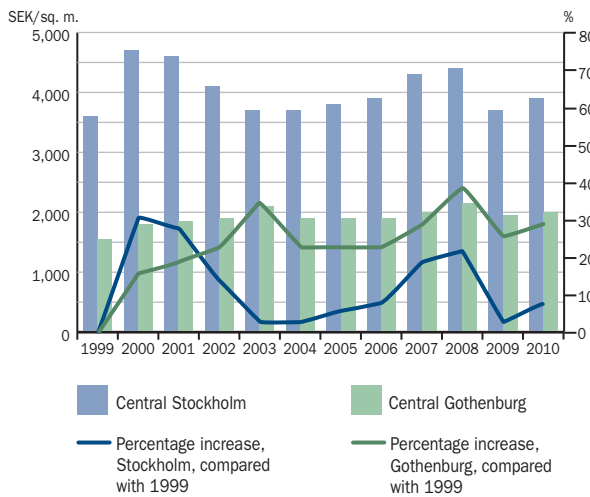
Source: Newsec

**Store rents in European cities, December 2010
Premises in prime locations**



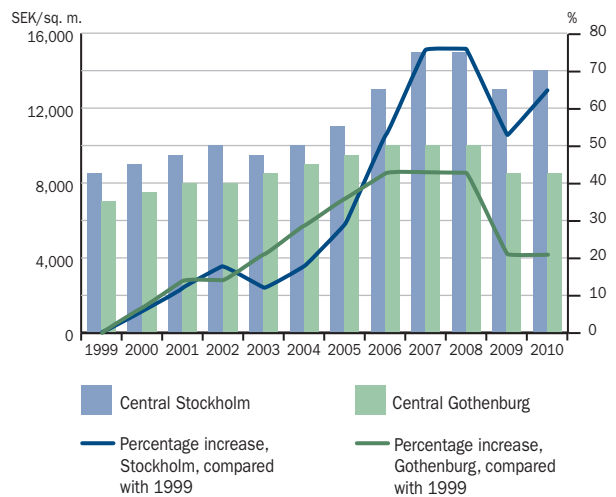
Source: Newsec

**Market rent trend, prime location offices, nominal
(excluding the property tax supplement)**



Source: Newsec

**Market rent trend, prime location stores, nominal
(excluding the property tax supplement)**



Source: Newsec

Property development

Hufvudstaden is working actively to develop the high quality and efficiency of its property portfolio. The aim is to create good growth in value and, in co-operation with the tenants, adapt offices and stores to new conditions. The process of developing the properties is under constant review. Changes and improvements, both large and small, are made regularly.

Development projects can be divided principally into redevelopment and investment in existing properties as well as the development of existing and new building rights. Development gives the buildings a higher technical standard and more efficient planning of available floor space. The customers have a better product and Hufvudstaden has a better net operating profit in the long term and a higher yield.

Adaptation of premises

Most redevelopment that is taking place in the Hufvudstaden property holdings comprises adaptation of premises to new or existing tenants. When premises become vacant an evaluation is made of the technical standard of the premises to establish whether there are any refurbishment requirements. Following initial refurbishment of the premises, they are adapted to the needs of the new tenant. Open-plan arrangements with more efficient use of floor space are being demanded more and more by tenants. This has increased the need for ventilation and cooling and older installations are being replaced by the latest technology to ensure an optimal indoor climate. Hufvudstaden owns many properties that are adjacent to each other. This facilitates the integration of premises with adjoining floor space, thus optimizing flexibility. In all redevelopment there is an emphasis on preserving the special character of the building and its architectural value.



During the year renovation and adaptation of approximately 24,000 square metres of office space were completed. The adaptations were mainly for existing tenants in conjunction with an extension of the lease period and expansion of the leased floor space. The development of the Oxhuvudet property continued during the year with the addition of new entrances and total renovation on behalf of the Swedish Export Credits Guarantee Board. On the Skären property extensive adaptation of premises is taking place on behalf of the law firm Advokatfirman Vinge, where approximately 5,000 square metres was adapted during the year. The project will be completely finished in 2011. At the beginning of the year the total redevelopment of the Rännilen 18 property was completed. The building, originally constructed in 1888, has been given state-of-the-art technology and been opened up internally to make the premises more efficient in terms of floor space and easier to adapt to the needs of tenants although at the same time preserving the original character of the building. Several adaptations have been carried out in the building in conjunction with new leases. In the 17th century property Achilles in Gamla Stan two floors have been modernized and fitted with new, modern technology to increase ventilation and cooling capacity. The aim is to improve flexibility and the potential to work efficiently in an office landscape.

Current projects

In April a new detailed development plan was received and building consent was granted for the addition of two floors in Femman, Nordstan in Gothenburg. Following completion of the planning phase, construction began during the summer. The aim is to create state-of-the-art, efficient, flexible office space with the very latest technology and with a marvellous view over the city of Gothenburg. Following the expansion, approximately 5,100 square metres of rentable floor space will be created. The first tenant to move in will be the law firm Advokatfirman Vinge, which will lease approximately 3,300 square metres, due to be completed in autumn 2011. In conjunction with the project, the majority of the technical systems, such as lifts and ventilation units, in the existing building will be replaced. This will generate significant energy savings and the project is expected to be completed fully in spring 2012.

BIBLIOTEKSTAN

Mäster Samuelsgatan, Stockholm



Stockholm City East Business Area

Property holdings

The Stockholm City East Business Area comprises 16 (16) properties and is made up of two management areas, Norrmalmstorg and Kungsgatan. The Norrmalmstorg Management Area comprises properties in Bibliotekstan. Historically, this area has been the core of Hufvudstaden's property holdings since the Company was founded in 1915. The Kungsgatan Management Area comprises properties on the eastern part of Kungsgatan and at the junction of Kungsgatan/Sveavägen. The properties are entirely commercial and consist of office and retailing premises.

Development of holdings

The major redevelopment project at Rännilen 18, Birger Jarlsgatan 7, was completed during the year. Through to the year-end 2010, almost 60 per cent of the office space had been let. The new office tenants include management consultants Quartz and the financial services company Wahlstedt Sageryd.

For a number of years several properties in Bibliotekstan have had the foundations reinforced. This has taken place in the lower ground floor of the properties and work in the stores and offices could continue virtually undisturbed. The work is now entering the final phase and is expected to be completed in spring 2011.

The property Oxhuvudet 18 at Kungsgatan 32–38, is undergoing gradual renovation, including the property's technical systems, stairwells and entrances. The facade has also been cleaned and major redevelopment has taken place at the offices of the Swedish Export Credits Guarantee Board.

The task of creating a more attractive retailing area in Bibliotekstan has continued. New stores opened during the year are Marc by Marc Jacobs, Haglöfs, WeSC, David & Martin and La Chemise. The marketing of Bibliotekstan has taken place primarily through events and PR. Events that took place during the year included Fashion Week in Bibliotekstan and Literary window displays. Important events in the area include those run by the stores themselves in conjunction with store openings such as the opening party held by Marc by Marc Jacobs.

Rental market

Market rents for office space within the Business Area reached their lowest level during the spring and since the summer have risen slightly. Market rents during the year for office premises in prime locations were between SEK 4,000 and 5,000 per square metre per year, excluding the property tax supplement.

The rental market for retailing premises also developed positively and market rents for prime locations were SEK 12,000 to 18,000 per square metre per year, excluding the property tax supplement.

Customers

The office tenant structure within the Stockholm City East Business Area consists mainly of companies that value centrally located, high-quality premises. The dominant sectors are banks, finance companies and law firms as well as recruitment, management and media consultants. In total, there are 315 tenants in the Business Area. The ten largest tenants lease 40,000 square metres (36,000), representing annual rent revenue of SEK 186 million (164). The largest office tenants are Vinge, Danske Bank, Brummer & Partners, the Swedish Export Credits Guarantee Board, JKL and Reuters.

The majority of store tenants in Bibliotekstan are younger Scandinavian brands such as Fifth Avenue Shoe Repair, Whyred, WeSC, David & Martin and Byredo, combined with larger brands and retailing chains such as Filippa K, Sand, By Marlene Birger, J Lindeberg, Urban Outfitters, GANT, Diesel, Karen Millen and Georg Jensen.

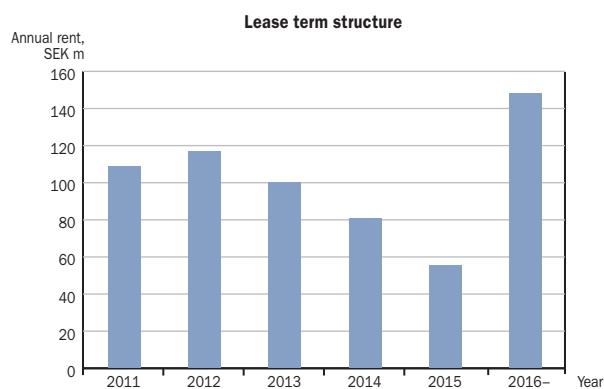
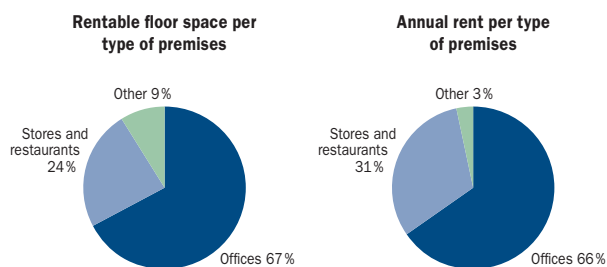
The stores along Norrlandsgatan have in recent years become specialized in sports fashion wear and include North Face, Haglöfs, T12 and Quiksilver. Stores along Kungsgatan are largely Swedish chain stores such as Stadium, Naturkompaniet, Alewalds and Cervera. Hufvudstaden is striving to build up long-term business relationships and we have a number of tenants who have been with us for decades. A well-known example is the old-established men's and women's clothing retailer Ströms, which has been at the junction of Sveavägen and Kungsgatan since 1939.

Strong brand names within the Business Area

Bibliotekstan. The area between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan and which contains stores specializing in high-class brands.

Birger Jarlspassagen. The passage, located between Birger Jarlsgatan and Smålandsgatan, is of considerable cultural, historical and architectural value.

Norrmalmstorg 1. The building is a unique profile property and a commercial landmark in central Stockholm.



Property holdings

	2010	2009
Number of properties	16	16
Rentable floor space, sq. m.	144,851	145,263
– of which offices	97,656	99,033
– of which stores and restaurants	34,719	33,843
Annual rent, SEK m	634	644
Rental vacancy level, %	8.7	10.4
Floor space vacancy level, %	10.6	12.4

Renegotiations and new leases

	2010	2009
New leases, sq. m.	12,100	8,100
New leases, annual rent, SEK m	46	34
Renegotiated leases, sq. m.	26,300	22,500
Renegotiated annual rent, SEK m	108	88

Property management result, comparable holdings

SEK m	2010	2009
Net revenue	569.5	579.7
Maintenance	-15.7	-15.7
Operation and administration	-75.1	-68.7
Other costs	-62.6	-59.3
Total costs	-153.4	-143.7
Gross profit	416.1	436.0



BJP, BIRGER JARLSPASSAGEN

Bibliotekstan, Stockholm





Stockholm City West Business Area

Property holdings

The Stockholm City West Business Area comprises properties in the areas to the south and west of Hötorget, on Regeringsgatan and the NK properties in Stockholm and Gothenburg. At the year-end the Business Area comprised 8 (8) properties in Stockholm and 1 (1) in Gothenburg. The holdings are entirely commercial and comprise office and retailing properties as well as the Parkaden multi-storey car park. The properties are located on Drottninggatan, Klara-bergsgatan, Hamngatan, Regeringsgatan, Västra Trädgårdsgatan and in Gamla Stan in Stockholm and on Östra Hamngatan in Gothenburg.

Development of holdings

Refurbishment and adaptation of premises was completed during the year on behalf of new and existing tenants. New office tenants include Nansen, which has moved in on Drottninggatan, the Council of the Baltic Sea States and the X5 Group, which have moved in on Slussplan. The X5 Group were previously a tenant in our property on Drottninggatan.

Work on developing the store mix within the Business Area is continuing with the purpose of establishing an attractive street environment.

The development and enhancement of the NK department stores in both Stockholm and Gothenburg is an ongoing process with the aim of creating even more attractive department stores which can more than hold their own internationally. To reinforce customer service, a completely new service centre has been established and a pharmacy has been opened in both Stockholm and Gothenburg. At NK Stockholm the women's wear department, Ralph Lauren Blue Label, has opened on the first floor and a completely new interior design department has opened on the third floor. Through these new establishments, the range has been broadened with several new brands and home design has once again become an exciting destination in the department store. In Gothenburg, a completely new personal accessories department has opened with brands that include Balenciaga, Bottega Veneta, Gucci and YSL.

Rental market

The rental market for office space within the Business Area has been stable during the year with considerable interest in our properties.

The market rents for office premises in prime locations in Stockholm during the year were between SEK 4,000 and 5,000 per square metre per year, excluding the property tax supplement. The rental market during the year for retailing

premises continued to be good. The market rents for the best retailing space in prime locations, excluding the NK department store and Bibliotekstan, were between SEK 4,000 and 10,000 per square metre per year, excluding the property tax supplement. At the NK department store, which occupies the very best location and best retailing space in Stockholm, market rents in conjunction with renegotiations and new leases are between SEK 14,000 and 18,000 per square metre per year, excluding the turnover-based rent supplement and property tax supplement. The equivalent rent levels for NK Gothenburg were between SEK 8,000 and 13,000 per square metre.

Customers

The tenant structure within the Business Area consists mainly of companies that value centrally located, high-quality premises. The dominant sectors are law firms, advertising agencies, IT and media companies, organizations and banks. In total, there are 215 customers in the Business Area. The ten largest customers lease 34,000 square metres (33,000), representing annual rent revenue of SEK 215 million (206).

The store tenants largely represent strong, well-known brands with very strict stipulations about establishing operations in attractive marketplaces. In the NK department stores a large number of the very strongest international and Swedish brand names are represented.

AB Nordiska Kompaniet

The NK properties in Stockholm and Gothenburg and the NK brand name are owned by the wholly owned subsidiary AB Nordiska Kompaniet. NK is included as two management areas in the Stockholm City West Business Area.

The NK brand name

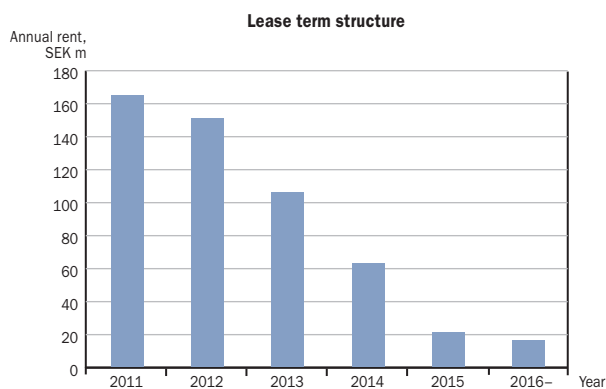
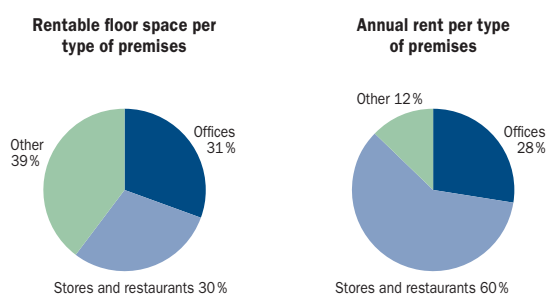
NK is one of Sweden's strongest and most well-known brands. It has reinforced and developed its value since 1902. The principal task of preserving and implementing the long-term build-up of the brand name is the basis of NK's ability to support retailing in the department stores, generating increased rental revenue and raising the value of the properties.

The NK brand name now enjoys a very strong position among Swedish and international consumers. This success is founded on close co-operation between the property owner and the proprietors through the proprietors' association, where co-operation is developed through the right mix of proprietors, a lively and attractive marketplace and continuous marketing directed at the right target groups.

Hufvudstaden and the proprietors' co-operative association work together to formulate annual marketing plans to reinforce NK as a brand name and retail outlet.

Rental and retailing market

Growth on the Swedish market in 2010 was positive and the retail trade could once again report a strong rise in consumption. According to the Retail Trade Index, DHI, sales increased in terms of price within the durable goods sector by 5 per cent. Clothing sales increased by 7 per cent. Total sales for the NK department stores were higher than the record year 2009. NK Stockholm sales increased by 7 per cent and NK Gothenburg sales increased by 5 per cent.



Parking operations

The wholly owned subsidiary Parkaden AB runs parking operations in two Hufvudstaden properties in Stockholm: Parkaden, the multi-storey car park on Regeringsgatan, opposite the NK department store, which has 800 parking spaces, and Continentalgaraget, on the Orgelpipan 7 property near the Central Station, with 454 parking spaces. At the Parkaden car park maintenance work was carried out during the year on, among other things, the driving lanes and a trial area with environmentally adapted lighting. Parkaden, one of the safest parking facilities in Stockholm, is an important service function for customers in the Hufvudstaden market areas.

Property holdings

	2010	2009
Number of properties	9	9
Rentable floor space, sq. m.	149,656	149,982
– of which offices	45,731	45,705
– of which stores and restaurants	44,654	44,878
Annual rent, SEK m	569	561
Rental vacancy level, %	2.0	2.5
Floor space vacancy level, %	4.3	4.2

Renegotiations and new leases

	2010	2009
New leases, sq. m.	5,400	9,100
New leases, annual rent, SEK m	25	37
Renegotiated leases, sq. m.	20,000	16,800
Renegotiated annual rent, SEK m	92	95

Property management result, comparable holdings

SEK m	2010	2009
Net revenue	571.8	552.3
Maintenance	-11.6	-10.7
Operation and administration	-123.3	-119.4
Other costs	-56.9	-58.1
Total costs	-191.8	-188.2
Gross profit	380.0	364.1

NK Department stores

	2010	2009
<i>NK Stockholm</i>		
Rentable floor space, sq. m.	23,973	24,067
Rentable storage space, sq. m.	3,540	3,533
Number of departments	105	105
Number of restaurants	8	8
Sales, including VAT, SEK m	2,274	2,133
<i>NK Gothenburg</i>		
Rentable floor space, sq. m.	10,094	10,095
Rentable storage space, sq. m.	1,258	1,321
Number of departments	49	44
Number of restaurants	2	2
Sales, including VAT, SEK m	559	534

NORDISKA KOMPANIET

Hamngatan, Stockholm





NORDISKA KOMPANIET

Hamngatan, Stockholm





CAFÉ LILLY



CAFÉ LILLY

FRANZOSISCHE KAFFEE
FRANZOSISCHE MILCH
KUCHEN MIT SAFTIGEN
WISCHEN
WONNIG
SCHNITT LUTER



NORDISKA KOMPANIET

Östra Hamngatan, Gothenburg





Gothenburg Business Area

Property holdings

At the year-end, the Gothenburg Business Area comprised 4 (4) properties, located in the very heart of the Gothenburg central business district. Two properties on Fredsgatan were acquired during the year. Fredsgatan is one of the busiest retailing streets in Gothenburg and is located between NK and the Femman Shopping Precinct. Through a property settlement the properties have been integrated with the neighbouring property Inom Vallgraven 12:8.

The largest building houses the Femman Shopping Precinct, which is in turn part of the Nordstan Shopping Centre. Nordstan receives more than 37 million visitors each year, around 11 million of whom visit Femman. Annual revenue is approximately SEK 3.7 billion, of which Femman accounts for around SEK 860 million. Hufvudstaden is one of the largest individual partners in the Nordstan Co-operative Association, which owns and manages the Nordstan multi-storey car park as well as the square and pedestrianized streets.

The Femman shopping precinct has 60 stores, cafes and restaurants on three floors. The largest retailing tenants are H & M, KappAhl, JC, Din Sko, Indiska and Dressmann.

Acquisitions

With completion on March 30, 2010, the properties Inom Vallgraven 12:1 and Inom Vallgraven 12:9 on Fredsgatan were acquired. The seller was Alecta Pensionsförsäkring and the purchase sum was approximately SEK 175 million. The acquisition is in line with Hufvudstaden's strategy of owning and managing properties in the most attractive parts of central Stockholm and central Gothenburg and is a natural complement to the Hufvudstaden holdings between NK and the Femman Shopping Precinct. Major synergies have been generated with other properties on the block. The rentable floor space is approximately 2,250 square metres for Inom Vallgraven 12:1 and approximately 1,800 square metres for Inom Vallgraven 12:9. The properties house both office and retail operations and the split between the two is shown in the table below. Inom Vallgraven 12:9 also has a small number of apartments.

Inom Vallgraven 12:1 and 12:9¹⁾

Type of premises	Floor space, sq. m.	Proportion, %
Offices	1,687	41.6
Stores	1,473	36.3
Residential	779	19.2
Other	118	2.9
Total	4,057	100

1) Now part of the property Inom Vallgraven 12:8

Development of holdings

Ongoing refurbishment of office premises was carried out during the year for a number of tenants in conjunction with lease extensions. The premises have thus been modernized and adapted to the needs of tenants.

In summer 2010, a major extension of the Femman property commenced, along with replacement of technical systems. In doing so, around 5,100 square metres of office space will be created on the roof of the existing property. The newly created offices will be completed in spring 2012 and tenants will move in gradually. The law firm Advokatfirman Vinge will move in during autumn 2011.

Leases for premises in the Femman property have also been signed with Alektum, and in the shopping precinct Saint Tropez has opened a store. In the property on Kungsgatan, Gina Tricot, Carlund & Co and Kom Design have all moved in.

Rental market

The rental market for office premises during the year was marked by an unchanged level of vacant space and a slight rise in rent levels. The market rent for office space in prime locations was between SEK 1,800 and 2,400 per square metre per year, excluding the property tax supplement. In the case of stores, the market rent trend continued to be good. Prime location premises attracted rents of between SEK 6,000 and 12,000 per square metre per year, excluding the property tax supplement.

Customers

The Business Area's customers are principally companies that appreciate centrally located, high-quality premises. The dominant sectors are law firms, accountants, the media, public authorities and organizations. There are 146 customers within the Business Area. The ten largest tenants lease 28,000 square metres (28,000), representing annual rent revenue of SEK 65 million (60).

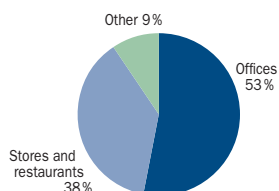


Brand names within the Business Area

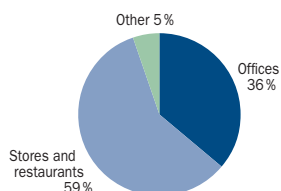
Femman. The Femman shopping precinct is one of the strongest brand names in retailing in western Sweden and represents a wide range within the clothing and other non-food sectors.

Nordstan. The Nordstan shopping centre is one of Europe's largest indoor centres. Hufvudstaden is one of the largest individual partners in the Nordstan Co-operative Association with a share of approximately 30 per cent.

Rentable floor space per type of premises



Annual rent per type of premises



Lease term structure



Property holdings

	2010	2009
Number of properties	4	4
Rentable floor space, sq. m.	63,036	58,818
– of which offices	33,568	31,825
– of which stores and restaurants	23,668	22,189
Annual rent, SEK m	170	161
Rental vacancy level, %	1.8	2.2
Floor space vacancy level, %	4.3	3.1

Renegotiations and new leases

	2010	2009
New leases, sq. m.	5,700	3,200
New leases, annual rent, SEK m	17	8
Renegotiated leases, sq. m.	15,200	7,200
Renegotiated annual rent, SEK m	39	25

Property management result, comparable holdings

SEK m	2010	2009
Net revenue	179.7	180.5
Maintenance	-1.1	-2.1
Operation and administration	-36.5	-32.9
Other costs	-17.9	-16.1
Total costs	-55.5	-51.1
Gross profit	124.2	129.4

Brands in the group

normalmstorg1



BJP
BIRGER JARLSPASSAGEN



BIBLIOTEKSTAN
EVOLVED SINCE 1885

WARUHuset
Femman

FEMMAN

Nordstan, Gothenburg





Administration Report

The Board of Directors and the President hereby present the Annual Report and the consolidated accounts for Hufvudstaden AB (publ), company registration number 556012-8240, NK 100, SE-111 77 Stockholm, visiting address Regeringsgatan 38, Stockholm.

Hufvudstaden is quoted in the large cap list at NASDAQ OMX Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group.

It is proposed that the Income Statements and Balance Sheets included in the Annual Report be adopted at the Annual General Meeting to be held on March 24, 2011.

CORPORATE GOVERNANCE REPORT

Hufvudstaden is a Swedish listed company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, and the rules of NASDAQ OMX Stockholm for issuers, including the Swedish Corporate Governance Code (the Code), as well as other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership and is intended to act as guidance in self-governance within Swedish industry. It is based on the principle of comply or explain, which means that it is not a breach of the Code to deviate from one or more rules if such a deviation exists and is justified and if the solution chosen can be explained.

Hufvudstaden complies with the Code with a deviation with regard to the Election Committee. The deviation from the Code is explained in more detail below.

Shares and shareholders

Hufvudstaden's share capital at the year-end amounted to SEK 1,056,359,665, divided into a total of 211,271,933 shares, giving a par value of SEK 5 per share. Of the shares, 202,996,869 are series A shares, carrying one vote per share, and 8,275,064 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is LE Lundbergföretagen AB, with a total of 45.3 per cent of outstanding shares and 88.1 per cent of the votes. Apart from LE Lundbergföretagen AB, there is no shareholder in the Company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the Company. According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request that their series C shares be converted into series A

shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected as a result of a public purchase offer. There is no pension fund or any other undertaking to the personnel with regard to shareholdings.

Annual General Meeting

A shareholder's right to decide in matters related to Hufvudstaden is exercised at the Annual General Meeting. Shareholders who are registered in the shareholders' register on the record date and who have notified their intention to attend the meeting within the specified time, are entitled to attend and vote at the Annual General Meeting, either in person or by proxy. Shareholders who have their shares registered with nominees must, in order to exercise their right to vote at the Annual General Meeting, have their shares re-registered temporarily in their own name as stipulated in the notice to attend the meeting. Decisions at the meeting are normally reached through a simple majority. In certain matters, however, the Swedish Companies Act stipulates that a proposal must be approved by a higher proportion of the votes represented and cast at the meeting.

Individual shareholders who wish to have a matter taken up at the meeting can make a request to the Hufvudstaden Board of Directors at a separate address, published on the Company's website, well in advance of the issuing of a summons to the meeting.

The Annual General Meeting must be held in Stockholm within six months of the end of the financial year. The Annual General Meeting makes decisions in a range of matters, including adoption of the Income Statements and Balance Sheets; dividend; discharge of the members of the Board of Directors and the President from liability; election of members of the Board of Directors, the Chairman of the Board and, where applicable, auditors, as well as remuneration to the Board of Directors and auditors; principles for remuneration to senior executives and other important matters.

The 2010 Annual General Meeting was held on March 25, 2010. A total of 244 shareholders, representing 106,486,405 series A shares and 8,256,959 series C shares, were present and they represented a total of 932,182,305 votes, equivalent to 91 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. At the Annual General Meeting it was decided to adopt the Income Statement and the Balance Sheet as well as the Consolidated Income Statement and the Consolidated Balance Sheet and to allocate the unappropriated earnings in such a way that SEK 2.10 per share is paid to the shareholders

as a dividend. At the meeting, discharge from liability was granted to the members of the Board of Directors and the President and a decision was reached on the fee to the members of the Board of Directors and the auditors. In addition, all members of the Board of Directors were re-elected for the period up to the end of the next Annual General Meeting. Finally, a decision was reached at the meeting on guidelines for salaries and remuneration to senior executives and authorization for the Board of Directors to acquire and assign Company shares.

In the light of a change in the Articles of Association regarding the procedure and time period for notice to attend a meeting of the shareholders, as decided at the Annual General Meeting in 2009, the summons process has been simplified for future meetings. The decision to make the change was subject to the condition that a change in the Swedish Companies Act would come into force. This took place on January 1, 2011. The new Articles of Association were registered with the Swedish Companies Registration Office on January 3, 2011. The changes mean that in the future notice to attend a general meeting will take place by means of publication in Post- och Inrikes Tidningar and on the Company's website. Information that notification has been issued will be published in Dagens Nyheter. The 2011 Annual General Meeting will be held in Stockholm on March 24, 2011.

Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall, in addition to the members appointed according to law by a party other than the general meeting, comprise a minimum of five and a maximum of ten members with a maximum of three deputies. Members and deputies are elected at a general meeting of the shareholders for the period up to the end of the first Annual General Meeting to be held after the year in which the members of the Board of Directors were appointed. In the light of the concentrated ownership structure there is no formally appointed Election Committee. The main shareholder presents a proposal for a chairman for the meeting, a Board of Directors, Chairman of the Board and Board fees and, where applicable, auditors and auditors' fees. Other shareholders have the opportunity to submit nominations to the Chairman of the Board at the address stated on the Company's website. Proposals are made public no later than in conjunction with the summons to the Annual General Meeting.

As a basis for its proposal prior to the 2011 Annual General Meeting, the main shareholder has made an assessment of whether the composition of the present Board of Directors is appropriate, among other things using applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

The election procedure at Hufvudstaden is a deviation from the Code.

Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organization and management and for ensuring that control of the accounting records, management of funds and financial circumstances in general are satisfactory. The Board of Directors reaches decisions in matters regarding overall aims, strategic orientation and policies of the Group as well as more important issues regarding financing, acquisitions, divestments and investments. Other duties which are incumbent on the Board of Directors include:

- continuously following up and assessing the Company's financial situation and business development
- continuously evaluating the Company's operative management and the work of the President
- ensuring that there is satisfactory control of the Company's compliance with laws and other rules and evaluating continuously the Company's systems for internal control and risk management
- adopting the Company's ethical guidelines.

The work of the Board of Directors follows the rules of procedure adopted by the Board of Directors, which provide the framework for decisions regarding investments, financing, financial reports and other matters of a strategic nature. The rules of procedure also govern the undertakings of the Board of Directors and the President and the allocation of duties between the Board and the President. The relevance and validity of the rules of procedure are reviewed each year.

The Chairman of the Board leads the work of the Board of Directors and has ongoing contact with the President to continuously follow the Group's operations and development. The Chairman of the Board consults with the President on strategic matters and represents the Company in ownership matters.

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The Board also evaluates the work of the President although without the person in question being present.

The work of the Board of Directors during 2010

During the 2010 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. Economic and financial reports and operational reports from the Business Areas are presented at each Board meeting. In addition, key matters of principle or major financial significance are taken up at each ordinary meeting. During the

year the work of the Board of Directors has been directed specifically at strategy discussions, issues pertaining to the economic climate and financing as well as investments. The planning and extension of Femman, Nordstan in Gothenburg and property acquisitions were some of the issues dealt with during the year. Officials in the Company attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2009 was approved and the Board Meeting in August in conjunction with the examination of the Company's six-monthly report.

Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members who are elected at the Annual General Meeting for a period of one year. The only member of the executive management on the Board is the President and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder LE Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see page 84. An external lawyer is engaged to act as secretary to the Board.

Name	Function	Attendance 2010 ¹⁾	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Bengt Braun		6	Yes	Yes
Peter Egardt		6	Yes	Yes
Louise Lindh		7	Yes	No
Hans Mertzig		6	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg		7	Yes	Yes
Ivo Stopner	President	7	No (employee)	Yes

1) Seven Board meetings were held during the year, of which five were after the Annual General Meeting.

Audit

According to the Articles of Association, the Company shall have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the 2008 Annual General Meeting, authorized public accountants George Pettersson and Joakim Thilstedt, both from KPMG, were elected as auditor and deputy auditor respectively for a period of four years. George Pettersson's other major assignments include LE Lundbergföretagen AB, Holmen AB and Skanska AB.

The Board meets the auditor twice a year, once in the absence of the President. On these occasions the auditor presents a report and there is a discussion about the audit orientation and observations made. Internal routines and

control systems are examined continuously during the year. A final examination and audit of the annual accounts and the Annual Report take place in January–February. The six-monthly report is examined on a general basis. The fee to the auditors, including the fee for advisory services, is reported in Note 9.

Audit Committee

The Board has examined the matter of establishment of an Audit Committee but has chosen not to appoint such a committee and will instead handle matters that rest with such a committee within the framework of the ordinary work of the Board of Directors. This means that the whole of the Board of Directors, apart from the President, discharge the duties that rest with an Audit Committee.

President and executive management

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President as well as the instructions issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to reach well-informed decisions.

In addition to the President, the executive management comprises the three business area heads, the Head of Finance, the Head of Property Development and the Head of Human Resources. The executive management meets approximately once a month to discuss current issues. For information about individual members, see page 86.

Remuneration to the Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2010 it was decided that remuneration for Board work for 2010, totalling SEK 1,575,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. The Chairman received SEK 350,000 and the other seven non-employed members received SEK 175,000 each.

Remuneration Committee

The Board of Directors has examined the question of setting up a Remuneration Committee but has opted not to set up such a committee and will instead handle the matter within the framework of the normal work of the Board of Directors. This means that the whole of the Board of Directors, apart from the President, discharge the duties that rest with a Remuneration Committee, including following up and evaluating current programmes and programmes concluded during the year for variable remuneration to executives.

The Board of Directors also follows and evaluates the application of the guidelines governing remuneration to executives as decided at the general meeting of the shareholders and also with regard to Company remuneration structures and remuneration levels for executives.

Remuneration to the President and the executive management

Guidelines for salaries, bonuses and other remuneration to the Company's executives are decided at the Annual General Meeting. For 2010, it was decided at the meeting that the same guidelines should be applied as previously, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited, profit-related bonus scheme as described below. The Company has no incentive schemes related to share price. These guidelines were followed during 2010 and a proposal that the same guidelines be applied in 2011 will be presented at the Annual General Meeting. The report by the Board of Directors covering the evaluation of variable remuneration programmes for the executive management, the application of guidelines for remuneration to executives and current Company remuneration structures and remuneration levels for executives will be published on the Company's website, www.hufvudstaden.se, no later than two weeks prior to the 2011 Annual General Meeting. The auditor's statement on whether guidelines for remuneration to executives, which were adopted at the Annual General Meeting in 2010, have been followed, is available on the Company's website www.hufvudstaden.se and will be attached to the documents distributed at the Annual General Meeting. The statement is also available from the Company on request.

Remuneration to the President is proposed by the Chairman of the Board and is confirmed by the Board of Directors. The President does not take part in this decision. The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

For further information regarding salaries and remuneration as well as guidelines for remuneration to executives, as adopted at the 2010 Annual General Meeting, see Note 8.

Bonus

Other permanent employees in the Group were included in a bonus scheme during the year. The bonus payment criteria are 'operating results' and 'customer satisfaction'. In the case of managers with responsibility for personnel, there is also a personal assessment with individual objectives.

In the case of both bonus schemes a decision is made one year at a time and is subject to a ceiling. A bonus is only payable if the Company reports a positive result with no consideration given to unrealized changes in value. In 2010, the bonus cost was SEK 2.5 million (0.7) or an

average of SEK 18,000 per employee. For the executive management, including the President, the average was SEK 141,000 per person. The bonus is not pensionable.

Buy-back of Company shares

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back a maximum of 10 per cent of all shares with the aim of giving the Board the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. The mandate was renewed at the 2010 Annual General Meeting. As of December 31, 2010, Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of all shares. The whole block was acquired in 2003 at an average price of SEK 27.30 per share. No shares were bought back during the year or after the reporting period (up to and including February 10, 2011).

Internal control and risk management

The Board of Directors has overall responsibility for ensuring that Hufvudstaden has a satisfactory internal control system. The President is responsible for ensuring that such a system is in place and covers any material risk of error in the financial statements. Hufvudstaden's internal control systems cover the control environment, risk assessment, control measures, information, communication and follow-up.

Control environment

The control environment is the basis for internal control of financial reporting. Hufvudstaden's internal control structure is based on, among other things, a clear allocation of responsibility and duties between the Board of Directors and the President and also within the Company's operations. The executive management and the Board of Directors continuously document and evaluate policies and guidelines, such as the Company's valuation principles, information policy and accounting handbook. These control documents and carefully prepared process descriptions are communicated via established information and communication channels and are also made available and known to the personnel concerned.

Risk assessment

Based on ongoing discussions and meetings in the organization, the Hufvudstaden executive management identifies, analyses and decides on the procedures regarding the risk of error in the financial reports. The Board of Directors examines the outcome of the Company's risk assessment and risk management process to ensure that it covers all material areas and that it confirms the orientation and any necessary measures. Hufvudstaden's greatest risks are linked to property valuation, financial transactions and property projects.

Control measures

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventive nature, i.e. measures aimed at avoiding losses or errors in the reporting, and also of an identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the Company's result and which have carefully formulated control measures are maintenance, redevelopment, interest payments and letting.

Information and communication

In-house information and external communication are governed on a general level by, among other things, an information policy. Internal communication to and from the Board and executive management takes place in a variety of ways, including the executive management holding regular information meetings for the whole Company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through this all employees have access to up-to-date information. Internal policies, guidelines, instructions and equivalent documents which control and support operations are published on the intranet. Feedback on internal control work follows the customary reporting channels.

Follow-up

The Hufvudstaden executive management evaluates on an ongoing basis internal control of financial reporting, particularly through analyses, asking questions and familiarization with the work of the controller function.

The Board of Directors receives quarterly reports with financial outcomes, including comments from the executive management on operations and internal control. The financial situation is dealt with at each Board meeting. The Company's auditor attends Board meetings on two occasions each year and reports his observations regarding the Company's internal routines and control systems. The members of the Board then have the opportunity to ask questions. Each year an examination is made of material risk areas and the Board adopts a position on risks in the financial reporting system and evaluates the internal controls.

Internal audit statement

The Hufvudstaden executive management has systematically examined and structured the internal documentation of the internal control system. Nothing has emerged to indicate that the control system is not functioning in the intended manner. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.

OPERATIONS

Hufvudstaden's business concept is, through its properties in central Stockholm and central Gothenburg, to offer successful companies high-quality office and retailing premises in attractive marketplaces.

Sweden's strong financial position, coupled with expansive money market and finance policy measures, led to economic recovery during autumn and winter 2009/2010. The improvement in the economy has meant that demand on the office rental market is stronger and at the beginning of the summer an upturn in rent levels could be noted. The increased need on the part of companies for new premises or more floor space has meant a fall in vacant space. During the year several large leases were also renegotiated at good rent levels and with long lease terms. This meant that stable cash flows could be achieved and the long-term relationships with tenants retained.

The turnaround in the economy has been obvious in both Stockholm and Gothenburg. Households' disposable income has improved, which has benefited the retail trade. Turnover at the NK department stores has exceeded earlier levels and it has been possible to raise rents on the store market. During the year two properties were acquired close to NK in Gothenburg and a project for the extension of Femman in Nordstan commenced. Even after completion of the acquisitions and current projects Hufvudstaden has stable finances and a strong cash flow. The equity ratio is in excess of 50 per cent, the interest coverage multiple is 7.7 and there are unutilized credit assurances totalling SEK 1.3 billion.

Low interest rates, together with less uncertainty on the credit market, have resulted in an increase in the number of transactions on the property market. As a result of the positive rent trend, the yield requirement for properties could be reduced, which has meant that from mid-year Hufvudstaden was in a position to revalue the property holdings.

Property holdings

At the end of the year Hufvudstaden owned 29 properties (29). The rentable floor space was 278,000 square metres in Stockholm and 80,000 square metres in Gothenburg, totalling 358,000 square metres.

Two properties were acquired in Gothenburg during the year through a property settlement. The properties have a total floor space of around 4,050 square metres and the purchase sum was SEK 175 million.

The total rental vacancy level in the Group as of December 31, 2010 was 5.1 per cent (6.2) and the floor space vacancy level was 6.8 per cent (7.4). In Stockholm, the rental vacancy level was 5.8 per cent and in Gothenburg 1.9 per cent.

During the year a total of 61,500 square metres (46,000) were renegotiated at a total value of SEK 238.6 million per year and new leases were signed totalling 23,200 square metres (20,300).

Property value and net asset value

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, 2010. To assure the valuation, external valuations were commissioned from two valuation companies. The external valuations made at the turn of the year were equivalent to 42 per cent of the fair value and the equivalent proportion for the whole of 2010 was 73 per cent.

The fair value of the property holdings as of December 31, 2010 was set at SEK 20.1 billion (18.1).

Valuation method

A valuation of the property holdings was made by assessing each individual property's fair value. The assessment took place on the basis of a valuation according to a variant of the location price method, known as the net capitalization method. This method means that the market yield requirement is set against the net operating income of the properties.

A presentation of the valuation method and assumptions can be found in Note 17, Investment properties.

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/sq. m.	SEK 700 million
Property costs	SEK 50/sq. m.	SEK 350 million
Rental vacancy level	1.0 percentage points	SEK 300 million
Yield requirement	0.5 percentage points	SEK 2,000 million

Net asset value

The assessed fair value of the property holdings as of December 31, 2010 was SEK 20.1 billion. Based on the valuation of the property holdings, the net asset value is SEK 14.4 billion or SEK 70 per share after tax. When computing the net asset value, calculated deferred tax has been used. This is 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 some compensation, which has been set at 10 per cent. If the rate for deferred tax according to the Balance Sheet (26.3 per cent) is used in the calculation, the net asset value would have been SEK 11.5 billion or

SEK 56 per share. If the tax rate is assumed to be 0 per cent, the net asset value would have been SEK 16.1 billion or SEK 78 per share.

Net asset value, December 31, 2010

SEK billion	
Reported equity	11.5
Reversal of reported deferred tax	4.6
Net asset value before tax	16.1
Calculated deferred tax of 10 per cent	-1.7
Net asset value after tax	14.4
Net asset value per share	SEK 70

Opportunities and risks

The global finance crisis that commenced in 2008 is still causing problems in many countries. Uncertainty has led to a credit market that is functioning less efficiently, which has resulted in a greater focus on the risk areas in the Company's operations. The Company's financial risks are reviewed on a continuous basis. Hufvudstaden's financing potential has been guaranteed through long-term loan assurances that are valid up to and including 2017. The framework is SEK 2,000 million, of which SEK 1,300 million is unutilized. The Company has satisfactory margins in relation to the lenders' restrictions (covenants) regarding the loan agreements. Loans that will fall due during 2011 amount to SEK 950 million, see Note 25. The interest risk has been handled by hedging the interest level for SEK 3,100 million of the total borrowing of SEK 3,600 million. The fixed interest period was 31 months and the average annual equivalent rate (AER) was 3.6 per cent. To minimize bad debts, a credit assessment of new customers is made as well as continuous monitoring of accounts receivable and rent receivables.

Hufvudstaden's potential to influence profits in current operations in the short term is limited. Revenue is governed by relatively long leases – normally three to five years – and operating costs are difficult to change in the short term without sacrificing service and quality. Hufvudstaden's profitability and operations are affected mainly by macro-economic factors, such as the business climate, interest rates, regional development in Stockholm and Gothenburg as well as political decisions. Long forward planning and clear strategies are vital if a property company is to handle opportunities and risks successfully. The Company has identified material risks and uncertainty factors as described below.

Changes in value in the property holdings

Changes in the fair value of the properties as a result of fluctuations in the economy and so forth represent both a risk and an opportunity. However, the risk is limited by the concentration of the properties in the most attractive commercial locations.

Rent trend

The rent trend involves both risks and opportunities. The risk, however, is limited by Hufvudstaden's concentration on properties in the most attractive commercial locations. The rent levels for vacant office premises are affected quickly in the event of a strengthening or weakening of the economy. The rent level for occupied premises with lease terms of three years or longer is linked to the consumer price index. Rent changes take place when the leases are renegotiated.

Property tax

Property tax increases constitute a risk although this risk is limited as a significant proportion of the property tax is passed on to Hufvudstaden's tenants.

Rent losses on vacant premises

In the event of a slowdown in the economy, the risk of an increase in vacant space is greater for Hufvudstaden's office premises than for the Group's retail premises. There should always be some vacant space in order to offer the tenants potential for expansion, to permit redevelopment to take place and to test the market's willingness to accept higher rent levels.

Lease term

A long average lease term is an advantage when market rents are falling and a disadvantage when they are rising. Excessively frequent relocation and vacation of premises give rise to considerable adaptation costs for premises. These costs cannot always be compensated for by increased rents. Normally, Hufvudstaden seeks to sign leases with a longer lease term.

Turnover-based rent

Turnover-based rent is mainly applied at the NK department stores. Hufvudstaden is striving to increase the proportion of lease agreements with turnover-based rent as it offers upward potential while at the same time the guaranteed minimum rent in turnover-based leases limits the risk of a fall in rents.

Operation and maintenance

Hufvudstaden is working actively to optimize the properties' consumption and in doing so reduce the operating costs. The procurement of energy takes place regularly through forward agreements to reduce sensitivity to fluctuations in energy prices. There is an ongoing review if the conditions change.

Hufvudstaden's property holdings are well maintained. The Company is very focused in the way it works with follow-up and control of costs in each individual property, thus reducing the risk of unforeseen cost increases.

Concentration on central Stockholm and central Gothenburg

The concentration of a property portfolio in a geographical market area could involve a potential increase in risk as a result of reduced diversification. In Hufvudstaden's case, however, the risk is limited as Stockholm and Gothenburg will over time be the country's strongest market areas and the most attractive growth markets.

Financial risks

Apart from its own funds, the Company's operations are also financed through loans from credit institutions. Consequently, the Group is exposed to financing, interest rate and credit risks. A presentation of the Company's finance policy and how financial risks are handled, as well as the handling of credit risks attributable to accounts receivable and rent receivables, is to be found in Note 2.

Sensitivity analysis

The effects on pre-tax profit on a full-year basis, excluding changes in value, in conjunction with changes in a number of factors are reported below.

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs, property tax and interest expense, refer to the effects that would have occurred during the 2010 financial year if the changes had occurred at the beginning of 2010.

The reported effects on profit should only be seen as an indication and do not include any effect resulting from compensatory measures the executive management could take and the changed conditions that could arise should certain events occur.

Change in pre-tax profit, excluding changes in value

	Change +/-	Impact on pre-tax profit, excluding changes in value, +/-
Rent level	SEK 100/sq. m.	SEK 36 million
Vacancy level ¹⁾	1 percentage point	SEK 12 million
Operation and maintenance	10 per cent	SEK 14 million
Property tax ²⁾	1 percentage point	SEK 12 million
Interest rate ³⁾	1 percentage point	SEK 36 million

1) Vacant floor space is estimated at SEK 3,500 per square metre.

2) Taking into account the fact that the costs are in part passed on to the tenants within the framework of the lease agreements.

3) Without taking into account the fixing of interest through derivatives. For details of the effect, including derivatives, see Note 2, page 69.

Non-financial result indicators

Corporate social responsibility, both internally and externally, is a prerequisite for success. Hufvudstaden contributes to the development of society by assuming responsibility for its properties and the surrounding environment. The Company ensures that it complies with prevailing laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are an active tool in the day-to-day

work. All forms of discrimination and unfounded salary differences are counteracted.

Environmental impact

Hufvudstaden is working actively to reduce negative environmental impact by, for example, reducing energy use and demanding the use of environmentally friendly products. No operations were carried on during 2010 that required a permit or were subject to a reporting obligation under the Environmentally Hazardous Operations and Health Protection Ordinance (1998:899).

Stock market information

All publishing of information is governed by the Company's information policy. The Annual Report and interim reports are published in Swedish and English and are distributed to shareholders and other parties who have expressed an interest.

Reports and press releases are available on the Company's website, www.hufvudstaden.se, where subscription applications can be made as well as requests for information.

Key events after the year-end

No events of material significance took place after the end of the financial year.

Future prospects

There has been strong development in the economy in both the city regions, Stockholm and Gothenburg, and conditions are good for this growth to continue. The demand on the office rental market strengthened gradually during 2010 and our assessment is that this trend will continue

during 2011. This means that rent levels are expected to rise even further and at the same time there will be a fall in vacant space. As regards stores, there are few unlet premises and greater scope for consumption among households is something that we believe could lead to growth in the retail sector with subsequent potential for raising rents.

Hufvudstaden's strong financial position and stable earning capacity will open up potential to develop the property holdings. In Gothenburg, an extension is currently in progress in the Femman building in Nordstan and the first tenant will move in at the end of 2011. To make our market areas more attractive and in the long-term increase the Company's profitability, there is ongoing evaluation of investments in new projects.

Transactions on the property market have gathered momentum and there is considerable interest in centrally located properties in Gothenburg and Stockholm. It is likely that despite higher interest rates expected higher rent levels will lead to a stable or slightly falling direct yield requirement for properties. Hufvudstaden will continue to examine the potential for making complementary property acquisitions.

Proposed dividend and allocation of profit

The Board has proposed a dividend of SEK 2.30 per share, making a total of SEK 474.4 million. The Board of Directors' proposed profit allocation is presented in full on page 82.

A statement regarding the dividend proposal, complete with reasons, can be found on the Company's website, www.hufvudstaden.se, and will also be enclosed with the documents at the Annual General Meeting. The statement is also available from the Company on request.



Income Statements with comments – Group

SEK m	Note	2010	2009
<i>Net revenue</i>			
Property management	4, 5	1,321.0	1,304.8
Parking operations		71.1	66.9
	3	1,392.1	1,371.7
<i>Property management costs</i>			
– Maintenance		-28.4	-28.5
– Operations and administration	6	-234.9	-219.6
– Ground rents		-13.3	-16.2
– Property tax		-124.1	-116.5
Property management expenses		-400.7	-380.8
Parking operations, costs	3, 6	-47.5	-47.0
Cost of operations		-448.2	-427.8
Gross profit		943.9	943.9
– of which Property management	3	920.3	924.0
– of which Parking operations	3	23.6	19.9
Central administration		-31.0	-29.2
Operating profit before changes in value	8–11	912.9	914.7
<i>Changes in value</i>			
– Investment properties	12	1,490.3	-1,239.1
– Interest derivatives		51.4	-25.6
Operating result		2,454.6	-350.0
<i>Financial income and expense</i>			
Financial income	13	17.7	2.9
Financial expense	14	-120.4	-131.0
		-102.7	-128.1
Result before tax		2,351.9	-478.1
Tax	16	-618.6	120.6
RESULT FOR THE YEAR AFTER TAX		1,733.3	-357.5
Other total result:			
Change in hedging reserve		–	25.5
TOTAL RESULT FOR THE YEAR		1,733.3	-332.0
Result for the year per share before and after dilution, SEK		8.40	-1.73
Ordinary dividend per share, SEK (proposed)		2.30	2.10

Property Management

Net revenue from property management during the year totalled SEK 1,321.0 million (1,304.8), equivalent to an increase of 1 per cent. The rise can be attributed to the net of higher gross rents in conjunction with renegotiations and new leases as well as higher property tax and turnover-based rent supplements. The gross rents have also been affected by an index fall. During the year, Hufvudstaden renegotiated leases equivalent to SEK 238.6 million in annual rental revenue. Renegotiations for both office and retailing premises resulted in increased rent levels by an average of around 2 per cent (9).

The turnover-based rent supplement in the NK properties was SEK 10.7 million (5.6). Turnover at the NK department stores increased by 6 per cent, totalling approximately SEK 2.8 billion. Apart from the turnover-based rent supplement, there are no material seasonal variations with regard to rents.

Maintenance costs amounted to SEK 28.4 million (28.5). Operating costs amounted to SEK 171.2 million (164.1). The higher operating costs can be attributed to a severe, snowy beginning and end of the year. Administration costs increased to SEK 63.7 million (55.5), as a result of a strengthening of the personnel within the property management organization. Property tax increased to SEK 124.1 million (116.5) in accordance with a new tax assessment in 2010. The cost of property tax has mainly been passed on to the tenants. Overall, this means that the total cost for property management amounted to SEK 400.7 million (380.8).

The gross profit for the year was SEK 920.3 million (924.0).

Parking operations

Parking operations comprise parking operations at Parkaden AB.

Net revenue was SEK 71.1 million (66.9). Costs amounted to SEK 47.5 million (47.0) and the gross profit SEK 23.6 million (19.9).

Changes in value

Changes in the value of investment properties amounted to SEK 1,490.3 million (-1,239.1). The unrealized change in value can be attributed to higher rents and a lower yield requirement. The average direct yield requirement in conjunction with the above valuation, was 5.0 per cent (5.3).

Changes in value of interest derivatives totalled SEK 51.4 million (-25.6). Hufvudstaden uses interest derivatives to reduce the impact on profit of changes in interest levels by achieving fixed interest periods that take into account the lease agreement renewal structure. Changes in the fair value of derivatives are therefore reported together with the changes in the value of investment properties. See also Interest risk section in Note 2.

Financial items

Financial income was SEK 17.7 million (2.9), which includes a supplementary purchase sum received of SEK 16.0 million for an earlier sale of a subsidiary. Financial expense amounted to SEK -120.4 million (-131.0). Interest expense has fallen despite an increase in borrowing, which can be explained by lower interest rates on loans with short-term fixed interest.

Tax

The Group's tax expense was SEK -618.6 million (120.6), of which SEK -165.8 million (-159.4) was actual tax and SEK -452.8 million (280.0) deferred tax. The positive tax for the preceding year can be attributed to dissolution of deferred tax as a result of unrealized changes in value.

Result for the year

The result for the year was SEK 1,733.3 million (-357.5). The improved result can be explained primarily by the positive change in value in the property holdings compared with the preceding year.

Balance Sheets with comments – Group

SEK m	Note	31-12-2010	31-12-2009
ASSETS			
Fixed assets			
Investment properties	17	20,148.3	18,125.3
Tangible fixed assets	18	6.4	8.5
Non-current receivables	20	5.9	5.0
Total fixed assets		20,160.6	18,138.8
Current assets			
Accounts receivable	21	10.4	13.7
Other receivables		1.3	1.2
Prepaid expenses and accrued income	22	18.9	21.4
Current investments		320.0	410.0
Liquid funds	23	27.9	14.9
Total current assets		378.5	461.2
TOTAL ASSETS		20,539.1	18,600.0
EQUITY AND LIABILITIES			
Equity			
Share capital		1,056.4	1,056.4
Other contributed capital		628.1	628.1
Profit brought forward, including result for the year		9,841.5	8,541.4
Total equity	24	11,526.0	10,225.9
<i>Non-current liabilities</i>			
Interest-bearing liabilities to credit institutions	25	2,650.0	2,900.0
Deferred tax liabilities	26	4,788.8	4,335.9
Other non-current liabilities		87.2	138.0
Other provisions	27	7.4	6.3
Total non-current liabilities		7,533.4	7,380.2
<i>Current liabilities</i>			
Interest-bearing liabilities to credit institutions	25	950.0	500.0
Accounts payable		101.3	63.5
Current tax liabilities		41.1	70.6
Other liabilities	28	94.1	84.1
Accrued expenses and prepaid income	30	293.2	275.7
Total current liabilities		1,479.7	993.9
Total liabilities		9,013.1	8,374.1
TOTAL EQUITY AND LIABILITIES		20,539.1	18,600.0

Investment properties

The properties' carrying amount in the Group was SEK 20,148.3 million (18,125.3). The increase in the properties' fair value can be attributed to the acquisition of two properties in Gothenburg at a purchase sum of SEK 175.0 million, an unrealized change in value of SEK 1,490.3 million (-1,239.1) and the investments in the property holdings made during the year, which amounted to SEK 357.7 million (281.2). Investment properties in the Group are reported at fair value according to IAS 40, which does not permit depreciation. The valuation method is described in Note 17, Investment properties. The properties' fiscal residual value was SEK 2.3 billion.

Liquid funds

Liquid funds, the sum of cash and bank holdings as well as current investments, amounted to SEK 347.9 million (424.9). Rent payments take place mainly at the turn of the quarter, whereupon a temporary surplus could arise. This surplus liquidity is normally used for the amortization of loans or is invested in short-term instruments with high liquidity and low risk. As of December 31, 2010, such current investments amounted to SEK 320.0 million (410.0). There are no limits on the right of use of liquid funds. In addition to liquid funds there are unutilized overdraft facilities of SEK 40 million (40).

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 3,600.0 million (3,400.0). The average fixed interest period was 31 months (36), the average capital tie-up period was 43 months (39) and the average annual equivalent interest cost at the year-end was 3.6 per cent (3.7). Net indebtedness totalled SEK 3,252.1 million (2,975.1). Financial items included in net indebtedness are listed in Note 2, page 70.

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 4,788.8 million (4,335.9). The increase can be explained by the provision for deferred tax as a result of unrealized changes in value.

Changes in Equity – Group

SEK m	Share-capital	Other contributed capital	Reserves	Profit brought forward, including profit for the year	Total
Opening equity 1-1-2009	1,056.4	628.1	-25.5	9,290.7	10,949.7
Result for the year				-357.5	-357.5
Other comprehensive income for the year			25.5		25.5
Total comprehensive income for the year			25.5	-357.5	-332.0
Dividend				-391.9	-391.9
Closing equity 31-12-2009	1,056.4	628.1	0.0	8,541.4	10,225.9
Opening equity 1-1-2010	1,056.4	628.1	0.0	8,541.4	10,225.9
Result for the year				1,733.3	1,733.3
Other comprehensive income for the year					-
Total comprehensive income for the year				1,733.3	1,733.3
Dividend				-433.2	-433.2
Closing equity 31-12-2010	1,056.4	628.1	0.0	9,841.5	11,526.0

The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of all shares. At the Annual General Meeting held on March 25, 2010, the Board of Directors was given a renewed mandate to buy back a maximum of 10 per cent of all shares with the aim of giving the Board of Directors the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. No buy-backs took place during 2010.

During 2010, a dividend of SEK 2.10 per share was paid to the Company's shareholders, totalling SEK 433,158,459.

The proposed dividend according to the allocation of unappropriated earnings is SEK 474.4 million. (See Definitions, page 93, Dividend amount)

SVEAVÄGEN/KUNGSGATAN

Stockholm



Cash Flow Statements with comments – Group

SEK m	2010	2009
Current operations		
Result before tax	2,351.9	-478.1
Depreciation and impairment of assets	4.1	6.0
Change in value, investment properties	-1,490.3	1,239.1
Change in value, derivatives	-51.4	25.6
Other changes	1.1	1.2
Income tax paid	-195.3	-165.1
Cash flow from current operations before changes in working capital	620.1	628.7
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	5.4	11.5
Increase (+) / Decrease (-) in operating liabilities	65.9	24.3
Cash flow from current operations	691.4	664.5
Investments		
Investment in investment properties	-532.7	-281.2
Investment in equipment	-1.7	-4.2
Change in financial assets	-0.8	-1.2
Cash flow from investments	-535.2	-286.6
Financing		
Loans raised	200.0	0.0
Dividend paid	-433.2	-391.9
Cash flow from financing	-233.2	-391.9
Cash flow for the year	-77.0	-14.0
Liquid funds at the beginning of the year	424.9	438.9
Liquid funds at the year-end	347.9	424.9
Supplementary information, cash flow statements		
Interest received	18.3	4.4
Interest paid	120.3	127.2

Cash flow from current operations

Cash flow from current operations before changes in operating capital decreased by SEK 8.6 million to SEK 620.1 million (628.7), which can be explained mainly by higher tax payments. Changes in working capital increased the cash flow by SEK 71.3 million (35.8). Cash flow from current operations thus totalled SEK 691.4 million (664.5).

Cash flow from investments

Cash flow from investments amounted to SEK -535.2 million (-286.6). Investments in property holdings increased by SEK 251.5 million compared with the preceding year, which can be attributed mainly to the acquisition of two properties and an extension project at Femman in Gothenburg.

Cash flow from financing

Cash flow from financing increased by SEK 158.7 million to SEK -233.2 million (-391.9). The increase can be explained by an increase in lending in conjunction with property acquisitions and a higher dividend decided at the 2010 Annual General Meeting. The net change in interest-bearing liabilities to credit institutions totalled SEK -200 million (0). No buy-back of Company shares took place during the year (0).

The cash flow for the year was SEK -77.0 million (-14.0).

Liquid funds

The Group's liquid funds totalled SEK 347.9 million (424.9), of which cash and bank holdings amounted to SEK 27.9 million (14.9) and current investment of surplus liquidity was SEK 320.0 million (410.0). Including unutilized overdraft facilities, liquidity amounted to SEK 387.9 million (464.9). All current investments have a term shorter than three months. As of December 31, 2010, Hufvudstaden had non-current loan assurances of SEK 2.0 billion. At the turn of the year SEK 1.3 billion had been unutilized.

There are no limits on the right of use of liquid funds.

Hufvudstaden AB – Parent Company

Income Statements – Parent Company

SEK m	Note	2010	2009
Net revenue		790.7	796.0
Operating costs		-454.7	-463.4
Gross profit		336.0	332.6
Central administration		-31.0	-29.2
Changes in value – interest derivatives	12	51.4	-25.6
Operating profit	6–11	356.4	277.8
Profit from financial items			
Financial income	13	17.5	720.9
Financial expense	14	-120.6	-129.5
		-103.1	591.4
Profit after financial items		253.3	869.2
Appropriations	15	98.2	103.1
Profit before tax		351.5	972.3
Tax	16	-92.2	-71.4
PROFIT FOR THE YEAR		259.3	900.9

Statement of Comprehensive Income – Parent Company

SEK m	Note	2010	2009
Profit for the year		259.3	900.9
Other comprehensive income			
Change in hedging reserve		–	25.5
COMPREHENSIVE INCOME FOR THE YEAR		259.3	926.4

Balance Sheets – Parent Company

SEK m	Note	31-12-2010	31-12-2009
ASSETS			
Fixed assets			
Investment properties	17	6,240.6	5,959.2
Tangible fixed assets	18	4.4	5.5
		6,245.0	5,964.7
<i>Financial fixed assets</i>			
Participations in Group companies	19	2,824.8	2,824.8
Other non-current receivables	20	5.9	5.0
<i>Total financial fixed assets</i>		2,830.7	2,829.8
Total fixed assets		9,075.7	8,794.5
Current assets			
<i>Current receivables</i>			
Accounts receivable	21	1.8	2.5
Receivables from Group companies		476.9	502.1
Prepaid expenses and accrued income	22	10.9	13.7
<i>Total current assets</i>		489.6	518.3
Other current investments		320.0	410.0
Cash and bank holdings	23	27.6	14.7
Total current assets		837.2	943.0
TOTAL ASSETS		9,912.9	9,737.5

Balance Sheets – Parent Company cont'd.

SEK m	Note	31-12-2010	31-12-2009
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital (211,271,933 shares)		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
Total restricted equity		1,978.7	1,978.7
<i>Non-restricted equity</i>			
Profit brought forward		1,947.2	1,232.7
Profit for the year		259.3	900.9
Total non-restricted equity		2,206.5	2,133.6
Total equity	24	4,185.2	4,112.3
<i>Untaxed reserves</i>			
	29	556.0	654.1
<i>Provisions</i>			
Pension provisions	27	7.1	6.0
Provisions for taxes	26	1,118.4	1,103.6
Total provisions		1,125.5	1,109.6
<i>Non-current liabilities</i>			
Liabilities to credit institutions	25	2,650.0	2,900.0
Liabilities to Group companies		0.7	0.7
Other liabilities		87.0	137.8
Total non-current liabilities		2,737.7	3,038.5
<i>Current liabilities</i>			
Liabilities to credit institutions	25	950.0	500.0
Accounts payable		72.2	35.0
Liabilities to Group companies		7.7	8.5
Current tax liabilities		38.6	55.6
Other liabilities	28	39.9	39.1
Accrued expenses and prepaid income	30	200.1	184.8
Total current liabilities		1,308.5	823.0
Total liabilities		5,727.7	5,625.2
TOTAL EQUITY AND LIABILITIES		9,912.9	9,737.5

SEK m	Note	31-12-2010	31-12-2009
Pledged assets	31	1,811.9	1,711.0
Contingent liabilities	31	None	None

Changes in equity – Parent Company

SEK m	Share capital	Revaluation reserve	Statutory reserve	Profit brought forward, including profit for the year	Total
Opening equity 1-1-2009	1,056.4	124.2	798.1	1,374.5	3,353.2
Profit for the year				900.9	900.9
Other comprehensive income for the year				25.5	25.5
Comprehensive income for the year				926.4	926.4
Group contributions received				304.8	304.8
Tax effect, group contributions				-80.2	-80.2
Dividend in Parent Company				-391.9	-391.9
Closing equity 31-12-2009	1,056.4	124.2	798.1	2,133.6	4,112.3
Opening equity 1-1-2010	1,056.4	124.2	798.1	2,133.6	4,112.3
Profit for the year				259.3	259.3
Other comprehensive income for the year					-
Comprehensive income for the year				259.3	259.3
Group contributions received				334.8	334.8
Tax effect, group contributions				-88.0	-88.0
Dividend in Parent Company				-433.2	-433.2
Closing equity 31-12-2010	1,056.4	124.2	798.1	2,206.5	4,185.2

Cash Flow Statements – Parent Company

SEK m	2010	2009
Current operations		
Profit after financial items	253.3	869.2
Depreciation and impairment of assets	66.8	59.2
Changes in value, interest derivatives	-51.4	25.6
Change, other provisions	1.1	1.2
Income tax paid	-182.4	-132.3
Cash flow from current operations before changes in working capital	87.4	822.9
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	363.4	-484.3
Increase (+) / Decrease (-) in operating liabilities	53.3	91.7
Cash flow from current operations	504.1	430.3
Investments		
Investment in investment properties	-345.6	-49.0
Investment in equipment	-1.5	-2.2
Investment in financial assets	-0.9	-1.2
Cash flow from investments	-348.0	-52.4
Financing		
Loans raised	200.0	0.0
Dividend paid	-433.2	-391.9
Cash flow from financing	-233.2	-391.9
Cash flow for the year	-77.1	-14.0
Liquid funds at the beginning of the year	424.7	438.7
Liquid funds at the year-end	347.6	424.7
Supplementary information, cash flow statements		
Interest received	17.9	3.9
Interest paid	120.0	125.6

Notes

Note 1. Accounting principles

General information

Hufvudstaden AB (publ) is a Swedish listed company with its registered office in Stockholm. Hufvudstaden is quoted in the large cap list on NASDAQ OMX Stockholm. The Group's principal area of business is the ownership, development and management of commercial properties. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. LE Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Annual Consolidated Accounts for Hufvudstaden AB (publ) for 2010 have been approved for publication according to a decision reached by the Board on February 11, 2011. It is proposed that the Annual Report and consolidated accounts be adopted at the Annual General Meeting on March 24, 2011.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. In addition, the Swedish Financial Accounting Standards Council recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, has been applied. Hufvudstaden's Income Statements are classified according to function and are adapted to the Company's operations.

The Parent Company applies the same accounting principles as the Group except in those cases stated below under the section 'Parent Company accounting principles'. The deviations that occur between the Parent Company's and the Group's principles are attributable to limits on the potential to apply IFRS in the Parent Company as a result of the Annual Accounts Act, the Safeguarding of Pension Commitments Act and in certain cases for tax reasons.

Prerequisites in conjunction with the drawing up of the financial statements for the Group and the Parent Company

The Group's functional currency is Swedish kronor, which is also the reporting currency for the Group and the Parent Company. Assets and liabilities are reported at the historical acquisition values, apart from certain financial assets and liabilities, and in the Group where investment properties are valued at fair value. Financial assets and liabilities which are valued at fair value comprise derivatives and assets classified as financial assets valued at fair value in profit or loss. Valuation at fair value of investment properties and financial derivatives is the accounting principle that has greatest impact on the Group's financial statements.

The accounting principles stated below for the Group have been applied to all periods which are presented in the Group's financial statements unless stated otherwise below. The Group's accounting principles have been applied to reporting and consolidation of the Parent Company and subsidiaries.

In certain cases rounding-off has taken place, which means that tables and calculations do not always tally.

Assessments and estimates

In order to prepare statements in compliance with IFRS, the executive management makes use of a number of material accounting estimates. In addition, it is required that the executive management makes certain assessments in conjunction with the application of the Group's accounting principles.

The most important sources of uncertainty in the estimates are presented below.

Investment properties

The value of a property can only be determined with certainty when payment has been received following its sale. In the final accounts an estimate is made of the market value, which in accounting terms is known as the fair value. The fair value is determined based on a valuation according to a variant of the location price method, which is known as the net capitalization method. The method means that the market yield requirement is put in relation to the net operating income of the properties. In this valuation assessment is made of the yield requirement of each individual property. The properties' net operating income is calculated based on the market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Hufvudstaden's internal property valuation is checked with external valuation companies, where an uncertainty range of +/- 5

per cent of the assessed fair value is given on the property level. If Hufvudstaden's valuation is outside the uncertainty range an explanation for the deviation is given.

External changes could mean that an assumption made by the executive management needs to be reviewed. This could result in a considerable variation in the value of the property holdings, which can be seen in the sensitivity analysis in Note 17.

Amended accounting principles

The following new accounting principles have been applied since January 1, 2010:

IAS 1 Presentation of Financial Statements. The presentation of Changes in equity has been changed.

Comparison periods have been changed consistently in the Annual Report so that they comply with the new arrangement. As the amendments only affect the layout, no amount has been changed, neither with regard to the profit per share nor with regard to other items in the financial statements.

New IFRS and interpretations

A number of new standards, amendments to the standards as well as interpretation statements will come into force from the 2011 financial year and have not been applied in the preparation of these financial statements. These are not considered to have any major impact on Hufvudstaden's financial statements.

Classification etc.

Fixed assets and non-current liabilities in the Parent Company and Group comprise amounts which are expected to be recovered or paid after more than twelve months, calculated from the period-end. Current assets and current liabilities in the Parent Company and the Group comprise amounts which are expected to be recovered or paid within twelve months, calculated from the period-end. Fixed assets, the carrying amount of which is estimated to be recovered through sale within one year, are classified as fixed assets held for resale and are reported according to IFRS 5.

Consolidated accounts

The consolidated accounts cover the Parent Company and all subsidiaries. Those companies in which the Parent Company, directly or indirectly, has a controlling interest are consolidated subsidiaries. The subsidiaries have been reported in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued at fair value according to the acquisition analysis. Untaxed reserves have been divided into a deferred tax liability and equity. Intra-Group receivables, liabilities and profits or losses that arise from intra-Group transactions have been eliminated in conjunction with the preparation of the consolidated accounts. Consolidation in conjunction with acquisitions takes place from the date on which we acquire a controlling influence and in conjunction with disposals the date on which the controlling influence ceases.

Reporting of income and costs

Net revenue from property management includes rental income as well as costs passed on, such as property tax and media costs. Rental income is allocated to a specific period on a linear basis over the period of the lease. Rent paid in advance is thus reported as prepaid rental income.

Income from property sales

Income from property sales is reported on the completion date. In addition, circumstances are taken into account which could affect the outcome of the deal and which are beyond the control of the seller and/or purchaser.

Intra-Group rents and costs

Intra-Group rents and costs are on market terms and are reported in their entirety as incurred.

Administration costs

Administration costs have been split into property management administration costs, which are included in gross profit, and central administration costs, which are included in operating profit.

Note 1 continued on page 67.

Financial income and expense

Financial income and expense comprises interest income and interest expense, dividends from subsidiaries and unrealized and realized gains on financial investments. Interest income and interest expense are reported in the Income Statement for the period to which they refer, apart from borrowing expenses, which are attributable directly to investments and where the financing cost is of material significance. Interest income attributable to accounts receivable is included in the gross profit. Interest income and interest expense are calculated according to the annual equivalent interest rates method.

Leases

All the Group's lease agreements for the letting of premises are classified as operational lease agreements with the Group as the lessor. All rental, leasehold and tenancy agreements which the Group has entered into as the lessee are classified as operational lease agreements. The cost of these is expensed on an ongoing basis.

Remuneration to employees

Remuneration to employees, such as salaries, paid holidays and social insurance costs etc., are reported in line with the employee performing services in return for payment. Remuneration according to a bonus scheme is reported in line with the employee performing services during the term of the programme.

As regards the Group's pension undertakings, the majority of the white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and the blue-collar workers are covered by the SAF-LO pension agreement. During the 2010 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined contribution plans are reported as a cost in the Income Statement when they arise.

Tax

Tax is reported in the Income Statement except when the underlying transaction is reported directly against equity, whereupon the associated tax effect is reported under equity. Actual tax is the tax to be paid or received for the year in question. This also includes an adjustment of actual tax attributable to previous periods. Deferred tax is calculated according to the Balance Sheet method, using temporary differences between carrying amounts and tax values of assets and liabilities as a starting point. The amounts are calculated based on how the temporary differences are expected to be realized and on application of the tax rates and tax rules that had been decided or notified as of the year-end. In the Parent Company, untaxed reserves are reported inclusive of the deferred tax liability.

Deferred prepaid taxes recoverable in respect of deductible temporary differences and deficit deductions are only reported to the extent it is likely that these will entail lower tax payments in the future.

Financial instruments

The Group classifies financial assets as follows: Financial assets valued at fair value in profit or loss, Loan receivables and Accounts receivable. The financial liabilities are classified as follows: Financial liabilities valued at fair value in profit or loss or Other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

A financial instrument is valued initially at the fair value with a supplement for transaction costs, with the exception of the 'financial asset' and 'financial liability' categories valued at fair value in profit or loss, which are reported at the fair value excluding transaction costs. Financial assets and liabilities are recorded on application of the business date principle. A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to an agreement. An account receivable is recorded in the Balance Sheet when an invoice has been sent. A rent receivable, however, is recorded when each rental period has commenced. A liability is taken up when the counter-party has performed and a contractual obligation to pay exists even if an invoice has not yet been received. A financial asset (or part thereof) is removed from the Balance Sheet when the rights in the agreement are realized, fall due or the Company transfers in all material respects the risks and benefits that are linked to ownership. A financial liability (or part thereof) is removed from the Balance Sheet when the obligation in the agreement is performed or is in some other manner extinguished.

A financial asset and a financial liability are set off and reported as a net amount in the Balance Sheet only when there is a legal right to set off the amounts and when there is an intention to settle the items at a net amount or at the same time realize the asset and settle the liability. Hufvudstaden has not

identified any embedded derivatives that should be separated from their host contracts and reported separately.

Financial assets and liabilities valued at fair value in profit or loss

This category comprises two sub-groups: financial assets and liabilities, which comprise a holding for trading purposes, i.e. where the main purpose is to sell or repurchase in the short term, and other financial assets and liabilities which the Company has initially chosen to place in this category (according to what is known as the Fair Value Option). Derivatives are classified as being held for trading purposes if they are not identified as hedges. Financial assets in this category are valued continuously at fair value with changes in value reported in the Income Statement.

This category includes interest derivatives.

Loan receivables and accounts receivable

Receivables are valued at the accrued acquisition value. The accrued acquisition value is determined based on the annual equivalent rate of interest calculated at the time of acquisition. The expected term of the account receivable is short and consequently the value is reported at the nominal amount without discounting. Accounts receivable and loan receivables are reported at the amounts at which they are expected to be paid, i.e. following a deduction for doubtful receivables.

Cash and bank holdings are reported at the nominal value. The overdraft facility is referred to loan liabilities under current liabilities.

Receivables with a remaining term of more than 12 months are reported at the accrued acquisition value.

This category includes rent receivables, customer receivables, cash and bank, loan receivables and other receivables.

Other financial liabilities

All loans are reported at the accrued acquisition value, which means that the value is adjusted by any discounts or premiums in conjunction with the raising or repayment of the loan as well as costs in conjunction with raising the loan, capitalized over the term of the loan. The period allocation is calculated based on the annual equivalent rate of interest for the loan. Any profit or loss which arises when the loan is repaid is reported in the Income Statement.

Liabilities are reported initially at fair value and thereafter at the accrued acquisition value. This category includes loans as well as other financial liabilities, such as accounts payable.

Derivatives

Derivatives are reported in the Balance Sheet on the contract date and are valued at fair value, both initially and in conjunction with subsequent revaluations. The Group uses derivatives of financial instruments to reduce interest risks. Borrowing at a variable rate of interest is switched to fixed interest loans through interest swap contracts. The Group reports interest swap contracts as financial instruments valued at fair value in profit or loss.

Impairment of financial instruments

At each period-end, the Group assesses whether there are any objective grounds for impairment of a financial asset. A provision for a decrease in value of accounts receivable is made when there are objective grounds for the Group not being able to receive all the amounts which have fallen due according to the original terms and conditions of the receivables. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or undergo a financial reconstruction and payments will not be made or will be delayed (fallen due more than 60 days) are regarded as indicators that there could be a need for impairment of a receivable. The size of the provision comprises the difference between the carrying amount of the asset and the current value of assessed future cash flows, discounted using the original annual equivalent rate of interest.

Tangible fixed assets

Tangible fixed assets are reported as an asset in the Balance Sheet if it is probable that there will be future financial benefits for the Company. Tangible fixed assets are valued at cost with a deduction for accumulated depreciation and any impairments. If an investment is made, borrowing costs that are directly attributable are expensed in those cases where the financing cost is of material significance.

Depreciation, property management

Depreciation of tangible fixed assets used in administration is included in property management administration.

Depreciation, Parking Operations

Depreciation of tangible fixed assets is included in the cost of Parking Operations.

Depreciation principles

Depreciation according to plan is based on the original acquisition values and the estimated useful life. The estimated useful life for equipment is 3–5 years.

Investment properties

Investment properties are properties that are held for the purpose of securing rental income and/or an increase in value. Initially, investment properties are reported as an acquisition expense, which includes expenses directly attributable to the acquisition. After the initial report, investment properties are reported in the Balance Sheet at fair value. The fair value is based on internal valuations of each individual property. These valuations normally take place each quarter. To assure the valuation, external valuations are made by external valuation companies at least once a year. The external valuations normally cover 20–30 per cent of the internally assessed market value of the property holdings and the selection of properties represents different property categories, towns, locations, technical standards and construction standards. There is a continuous update during the year of the internal valuation of the properties to take account of purchases, sales and investments. Hufvudstaden also investigates on an ongoing basis if there are other indications of changes in the fair value of the properties. These indications could, for example, take the form of major lettings, terminations and material changes in the yield requirements.

Both unrealized and realized changes in value are reported in the Income Statement. Changes in value are reported net.

Additional expenses are only capitalized when it is probable that the future financial advantages that are associated with the asset will be to the benefit of the Company, that the cost value can be calculated reliably and that measures refer to replacement of an existing component or the inclusion of a new, identified component. Other repair and maintenance expenses are expensed continuously during the period in which they arise.

The loan charges attributable to the construction of what are termed qualified assets, are capitalized as part of the acquisition value of the qualified asset. In the Group this mainly involves construction or major re-development projects related to investment properties. Calculation of loan charges is done based on the financing requirements of the project and the Group's borrowing cost.

Impairments

The carrying amounts for the Group's assets – with the exception of investment properties and assets held for resale – are examined at each period-end to assess whether there is an indication that the carrying amount cannot be recovered. If there is such an indication the recoverable amount of the asset is calculated. The asset is impaired to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the fair value minus sales expenses and its value in use. See above for impairment of financial assets.

Share capital

Acquisition of Company shares is reported as a reduction in equity. The sum received from the disposal of Company shares is reported as an increase in equity.

Profit per share

Calculation of the profit per share is based on the consolidated profit for the year and on the weighted average number of shares during the year.

Fixed assets which are held for resale and discontinued operations

Assets which are to be disposed of are classified as assets held for resale. Operations that are to be disposed of are classified as assets, liabilities and result from discontinued operations.

Provisions

Provisions are reported in the Balance Sheet when there is a legal or informal obligation arising from an event and where it is likely that the obligation will be fulfilled and the amount can be calculated reliably. If the effect of the time when the future payment is deemed to be material, the value of the provision is determined by calculating the current value of the expected future cash flow using a discounting factor (before tax) that reflects the market's current valuation of the time value and any risks that are attributable to the obligation. A provision for a deferred tax liability is not subject to discounting.

Contingent liabilities

A contingent liability is reported when there is a possible undertaking that arises from events that have occurred and the occurrence of which is only confirmed by one or more uncertain future events or when there is an undertaking that is not reported as a liability or provision due to the fact that it is not probable that an outflow of resources will be required.

Cash Flow Statements

The Cash Flow Statements have been prepared according to the indirect method.

Segment reporting

From an accounting point of view, a segment is an identifiable part of the Group that provides services that are exposed to risks and opportunities that are different from other segments. The Group's operations are divided into two segments, Property Management and Parking Operations.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board for listed companies have also been applied. RFR 2 means that the Parent Company shall in the annual report for the legal entity apply all EU-approved IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Safeguarding of Pension Commitments Act and with consideration given to the link between the accounts and taxation. Recommendations state the exceptions and additions that should be made to IFRS. The differences between the Group's and the Parent Company's accounting principles are stated below.

When group contributions have been granted/received for tax equalization purposes, the group contributions are reported as a decrease or an increase in non-restricted equity with consideration given to tax according to UFR 2.

The Parent Company makes allocations to untaxed reserves within the framework of current tax rules.

Investment properties

The Parent Company's investment properties are valued at cost with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, cost of title deeds and value-enhancing improvements. Hufvudstaden only capitalizes charges that generate a permanent increase in the value of the properties. Development costs of a maintenance nature are charged to profit. Loan charges are not capitalized in the Parent Company.

Valuation of investment properties and tangible fixed assets

The carrying amount of investment properties and tangible fixed assets is examined with regard to possible impairment requirements when events or a change in conditions indicate a possibility that the carrying amount might not be recovered. If there are such indications and if the carrying amount exceeds the expected recoverable amount, the assets are impaired to the recoverable amount. The recoverable amount is equivalent to the maximum of the net realizable value and the value in use. The net realizable value is set through comparison with the sale of similar objects. The value in use comprises the current value of the expected future cash flows according to a discounting factor before tax, which reflects the market's current estimate of the time value and the risks associated with the asset.

For assets that do not to a predominant extent generate independent cash flows, the recoverable amount is set for the cash-generating unit to which the asset belongs. Any impairment is reported in the Income Statement. Reversal of impairments is made if the recoverable amount once again exceeds the previous carrying amount. Reported revaluations of investment properties have been made at the fair value with a deduction for deferred tax.

Information about the properties' fair values as of the year-end can be found in Note 17.

Depreciation – investment properties

The Parent Company's depreciation according to plan is based on the original acquisition values, adjusted where applicable for revaluations and impairments and the estimated useful life. The estimated useful life for buildings is 50–100 years and for building equipment 5 years.

Depreciation of properties with mixed operations has been calculated through a weighing up of each floor space category's percentage for depreciation. For a property with a dominant (75 per cent) category the percentage for the category in question is applied to the whole property. The revaluation is depreciated over the underlying asset's remaining depreciation period. Percentages for depreciation are reported in Note 17.

Note 2. Financial risks

Hufvudstaden is mainly exposed to financing risks and interest risks. The Group endeavours to have a credit portfolio with a diverse credit renewal structure which facilitates possible amortizations. Borrowing normally takes place with short fixed interest periods and interest swaps are used to achieve the desired fixed interest structure. Derivatives are only used for the purpose of minimizing the risk and should be linked to an underlying exposure. At present the Group has derivatives reported in the category financial assets and liabilities valued at fair value in profit or loss. Hedge accounting is not applied.

Hufvudstaden's finance function is a Group function charged with central responsibility for financing and liquidity planning. The work is governed by the Finance policy decided by the Board of Directors, which aims to secure the Group's financing requirements at the lowest possible cost and risk. Within the finance function there are instructions, systems and rules of procedure to achieve good internal control and follow-up of operations. Major financing solutions and derivative transactions should be approved by the Chairman of the Board and the Board is informed at each Board meeting about financial issues.

Hufvudstaden's aim is to use surplus liquidity to amortize existing loans. Surplus liquidity not used for amortization may only be invested in instruments with high liquidity and low risk. Information regarding borrowing, loan frameworks and terms and conditions is to be found in Note 25.

Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company must have loan assurances that cover the rescheduling of loans and investments. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. The executive management prepares rolling forecasts for the Group's liquidity on the basis of expected cash flows. Hufvudstaden's borrowings amounted to SEK 3,600.0 million at the year-end. The average fixed interest period was 31 months (36), the average capital tie-up period was 43 months (39) and the average interest cost 3.6 per cent (3.7). Net debt totalled SEK 3,252.1 million compared to SEK 2,975.1 million at the end of 2009. As of December 31, 2010, the Group had non-current loan assurances of SEK 2.0 billion, of which SEK 1.3 billion was unutilized. The Company has satisfactory margins with regard to the lenders' restrictions (covenants) in the loan agreements.

Due date structure, interest and capital, December 31, 2010

Year due	Interest payment, SEK m	Of which swaps, SEK m	Nominal amount, SEK m	Proportion, %
2011, Q 1	32.2	14.1	650.0	18
2011, Q 2	27.3	11.7	300.0	8
2011, Q 3	25.7	11.7	-	-
2011, Q 4	25.7	11.7	-	-
2012	106.4	50.3	250.0	7
2013	75.8	37.9	950.0	26
2014	64.6	34.4	-	-
2015	58.3	28.2	-	-
2016	52.7	22.6	-	-
2017	31.3	8.4	1,450.0	41
Total	500.0	231.0	3,600.0	100

In addition to the above there are other liabilities, which also include accounts payable, which normally fall due within 30 days, as well as derivatives with a negative value of SEK 84.4 million.

Interest risk

The interest risk refers to the impact on profit that a permanent change in the interest rate has on the Group's net financial income/expense. Hufvudstaden's financing sources are primarily equity, cash flow from current operations, the raising of loans and loan assurances. Investment of surplus liquidity is made in financial instruments with a short fixed interest period, thus limiting the Group's exposure to an interest risk in an investment.

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's finance policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest structure for the net debt should normally be 12–48 months. Loans are normally raised at a variable rate of interest and to achieve the desired fixed interest structure derivatives are

used. As of December 31, 2010, the Group's fixed interest period was 31 months. A change in the interest level of +/- 1 percentage point, assuming an unchanged loan volume and fixed interest period according to current derivative agreements, would affect Hufvudstaden's interest expense in 2010 to the amount of +/- SEK 9 million. The change in interest would at the same time mean a change in value in interest derivatives to the amount of SEK 100 million in the result.

Fixed interest structure: December 31, 2010 (Including effect of interest derivatives)

Year due	Volume, SEK m	Proportion, %	Average AER, %
2011 ¹⁾	1,500.0	42	2.7
2012	250.0	7	4.9
2013	600.0	17	3.9
2014	200.0	5	3.6
2015	300.0	8	3.6
2016	-	-	-
2017	750.0	21	4.8
Total	3,600.0	100	3.6

1) Of which SEK 200 million will be fixed in February 2011 and SEK 200 million will be fixed in June 2011, both for five years.

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. A credit risk can be mainly attributed to outstanding accounts receivable/rent receivables, liquid funds as well as financial derivative agreements with positive values, which as of the year-end had a collective carrying value of SEK 358.3 million, which means that the Group has limited exposure to credit risks.

Losses on accounts receivable/rent receivables occur when tenants are put into receivership or for other reasons they are unable to meet their payment commitments. The risks are limited by Hufvudstaden deliberately selecting customers with documented business skills and competitive operations. To limit the risks the financial position of the Group's customers is checked in terms of their credit rating by obtaining information from different credit information companies. In accordance with Hufvudstaden's credit policy, a bank guarantee or guarantee undertaking is normally required in conjunction with new leases. Rent receivables are invoiced in advance.

The Group's ten largest tenants represent 25 per cent of the total contracted rent and the single largest customer accounts for 9 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual customers is relatively limited. Exposure regarding financial derivative agreements is limited by the Group policy of only entering into such agreements with major financial institutions with a very good rating and with whom the Company has a long-term relationship. In addition, there are general agreements with these institutions regarding the setting off of different derivative agreements, which further reduces the credit risk exposure.

Concentration of credit risk, December 31, 2010¹⁾²⁾

Annual rent, KSEK	Number of customers	Total annual rent, KSEK	Proportion, %
0 – 99	83	3,249	-
100 – 499	131	35,423	3
500 – 999	143	106,919	9
1,000 – 2,499	135	206,156	16
2,500 – 4,999	77	272,437	22
5,000 – 9,999	39	282,956	23
10,000 –	13	339,177	27
Total	621	1,246,317	100

1) Excluding vacant floor space and space (storage and office) for the Company's own use.

2) Annual rent as of 31-12-2010.

Fair value

The fair value of financial instruments traded on an active market (such as financial assets held for resale) is based on listed market prices on the reporting date. The listed price used is the current purchase price. The fair value of financial instruments not traded on an active market is set with the aid of valuation techniques. Fair values are set by discounting future payment flows to the current market rate of interest for similar instruments. For financial instruments such as accounts receivable, accounts payable and so on, which are reported at the accrued acquisition value with a deduction for possible impairment, the fair value is considered to be in line with the carrying value as these instruments have a very short term. Liabilities to credit institutions have a three-month fixed interest period whereupon the fair value is considered to essentially concur with the carrying value.

Information regarding fair values, financial instruments										
SEK m	Items valued at fair value through profit or loss								Total carrying amount	
	Derivatives		Accounts receivable and loan receivables		Other liabilities		Non-financial items		2010	2009
	2010	2009	2010	2009	2010	2009	2010	2009		
GROUP										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables			5.9	5.0					5.9	5.0
Current receivables			28.0	29.3			2.6	7.0	30.6	36.3
Liquid funds			347.9	424.9					347.9	424.9
Non-current liabilities	81.8	135.2			2,662.8	2,909.1			2,744.6	3,044.3
Current liabilities	2.6	0.6			1,199.9	707.8	236.1	214.9	1,438.6	923.3
PARENT COMPANY										
<i>Financial instruments included in the financial net liability</i>										
Non-current receivables			5.9	5.0					5.9	5.0
Current receivables			12.4	13.8			0.3	2.4	12.7	16.2
Liquid funds			347.6	424.7					347.6	424.7
Non-current liabilities	81.8	135.2			2,662.3	2,908.6			2,744.1	3,043.8
Current liabilities	2.6	0.6			1,124.8	635.2	134.8	123.1	1,262.2	758.9

The fair value concurs with the carrying value. The fair value of all instruments valued at fair value in the Balance Sheet is attributable to level 2 in IFRS 7, i.e. the value has been calculated based on official market listings.

Note 3. Segment information**Property management**

The Group's operations are divided into two segments, Property Management and Parking Operations. The Property Management segment is divided into business areas that follow the operative control of the Company's business, which mainly follows the geographical division of the rental market into sub-markets. In the Parent Company there is only the property management segment. The following presentation shows income and costs, assets and investments for the different business areas for 2010 and the comparison year 2009.

SEK m	Stockholm City East Business Area		Stockholm City West Business Area		Gothenburg Business Area		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
GROUP								
<i>Income and costs¹⁾</i>								
Net revenue	569.5	579.7	571.8	552.3	179.7	172.8	1,321.0	1,304.8
<i>(of which turnover-based rent supplement)</i>	(0.6)	(-)	(10.7)	(5.6)	(-)	(-)	(11.3)	(5.6)
Maintenance	-15.7	-15.7	-11.6	-10.7	-1.1	-2.1	-28.4	-28.5
Operations and administration	-75.1	-68.7	-123.3	-119.4	-36.5	-31.5	-234.9	-219.6
Ground rent	-0.2	-0.2	-13.1	-16.0	-	-	-13.3	-16.2
Property tax	-62.4	-59.1	-43.8	-42.1	-17.9	-15.3	-124.1	-116.5
Gross profit, property management	416.1	436.0	380.0	364.1	124.2	123.9	920.3	924.0
Parking operations			23.6	19.9			23.6	19.9
Central administration							-31.0	-29.2
<i>Changes in value</i>								
Investment properties							1,490.3	-1,239.1
Interest derivatives							51.4	-25.6
Operating profit							2,454.6	-350.0
Financial income and expense							-102.7	-128.1
Profit before tax							2,351.9	-478.1
Assets								
Investment properties	10,133.6	9,164.5	7,805.1	6,982.8	2,209.6	1,978.0	20,148.3	18,125.3
Rent receivables	0.7	0.1	-0.3	1.6	0.3	0.1	0.7	1.8
Investments								
Tangible investments for the period	223.1	226.6	55.6	55.9	255.7	2.9	534.4	285.4

1) For comparable holdings, the net revenue for the Gothenburg Business Area and the Group must be reduced by SEK 7.7 million and the gross profit by SEK 5.5 million for 2010.

Continuation, Note 3.

Parking Operations

The Parking Operations segment includes parking operations at Parkaden AB.

SEK m	2010	2009
GROUP		
Net revenue	71.1	66.9
Rental costs	-38.5	-39.2
Operations and administration	-8.2	-7.2
Depreciation	-0.8	-0.6
Gross profit	23.6	19.9

Total assets amounted to SEK 5.1 million (6.3).

Note 4. Profit trend – summary

SEK m	January–March		April–June		July–September		October–December		January–December	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
GROUP										
<i>Property management</i>										
Net revenue	321.4	325.7	324.3	324.2	330.2	322.5	345.1	332.4	1,321.0	1,304.8
Maintenance	-4.8	-4.8	-7.6	-6.5	-5.2	-3.6	-10.8	-13.6	-28.4	-28.5
Operations and administration	-60.7	-57.1	-57.1	-52.5	-50.8	-49.6	-66.3	-60.4	-234.9	-219.6
Other costs	-31.3	-33.8	-33.7	-33.9	-38.7	-31.4	-33.7	-33.6	-137.4	-132.7
Property management costs	-96.8	-95.7	-98.4	-92.9	-94.7	-84.6	-110.8	-107.6	-400.7	-380.8
Other operations, net	5.6	4.4	5.4	4.2	4.7	3.4	7.9	7.9	23.6	19.9
Gross result	230.2	234.4	231.3	235.5	240.2	241.3	242.2	232.7	943.9	943.9
Central administration	-6.8	-7.1	-8.5	-7.6	-7.5	-5.2	-8.2	-9.3	-31.0	-29.2
<i>Changes in value</i>										
Investment properties	-	-562.7	184.5	-495.1	367.5	-	938.3	-181.3	1,490.3	-1,239.1
Interest derivatives	-22.6	-45.3	-16.0	38.4	10.6	-6.6	79.4	-12.1	51.4	-25.6
Net financial income/expense	-28.0	-34.8	-30.0	-32.2	-30.2	-30.6	-14.5	-30.5	-102.7	-128.1
Tax	-46.7	107.8	-96.4	67.1	-153.6	-53.4	-321.9	-0.9	-618.6	120.6
Result for the period after tax	126.1	-307.7	264.9	-193.9	427.0	145.5	915.3	-1.4	1,733.3	-357.5

Note 5. Operational lease agreements – Group as lessor

The Group has commercial lease agreements for the investment property holdings, which comprise offices, stores, warehouses and other non-residential premises. The remaining term is between 1 and 10 years.

*Renewal structure*¹⁾²⁾³⁾

	2011	2012	2013	2014	2015	2016–	Total
<i>Number of agreements</i>							
Offices	78	85	83	41	19	16	322
Stores	84	103	102	38	20	13	360
Other	451	184	155	44	27	32	893
Total	613	372	340	123	66	61	1,575
Proportion, %	38.9	23.6	21.6	7.8	4.2	3.9	100.0
<i>Annual rent, SEK m</i>							
Offices	137.0	129.0	82.5	83.2	48.4	134.2	614.3
Stores	136.2	167.2	136.2	64.7	33.8	56.9	595.0
Other	30.5	27.2	18.8	8.9	8.6	2.0	96.0
Total	303.7	323.4	237.5	156.8	90.8	193.1	1,305.3
Proportion, %	23.2	24.8	18.2	12.0	7.0	14.8	100.0

1) Including contracts signed for future occupancy/commencement, whereupon the corresponding present floor space is excluded.

2) Excluding vacant floor space and floor space (storage and office) for Company use.

3) Excluding residential contracts.

Note 6. Depreciation, tangible fixed assets and investment properties

SEK m	Group		Parent Company	
	2010	2009	2010	2009
<i>Depreciation per type of asset</i>				
Investment properties	-1)	-1)	64.2	56.4
Tangible fixed assets	3.7	3.4	2.7	2.6
Total	3.7	3.4	66.9	59.0
<i>Depreciation per function</i>				
Property management	2.9	2.8	66.9	59.0
Parking operations	0.8	0.6	-	-
Total	3.7	3.4	66.9	59.0

1) Investment properties in the Group are reported at fair value and consequently there is no depreciation.

Note 7. Average number of employees and absence due to illness

Average number of employees	2010	2010	2009	2009
		Of which men, %		Of which men, %
Parent Company	88	54	84	50
of which executives	7	86	7	86
<i>Wholly owned subsidiaries</i>				
Parkaden AB	4	50	4	50
Total, Group	92	54	88	50
of which executives	7	86	7	86

Of the Group's 26 managers (25), 9 are women (8) or 35 per cent (32). The Board of the Parent Company comprised 7 men (7) and 2 women (2). In the Group there is one other member of the Board (1 man). The Group only has employees in Sweden.

Absenteeism due to illness

Per cent	2010	2010	2009	2009
	Total absenteeism due to illness	Of which long-term absenteeism due to illness	Total absenteeism due to illness	Of which long-term absenteeism due to illness
GROUP				
Total absenteeism due to illness	3	41	2	7
Absenteeism due to illness divided according to gender:				
Men	2		1	
Women	1		2	
Absenteeism due to illness divided according to age category:				
20–29 years	-1)		-1)	
30–49 years	2		2	
50 years or older	1		2	
PARENT COMPANY				
Total absenteeism due to illness	3	42	2	7
Absenteeism due to illness divided according to gender:				
Men	2		1	
Women	1		2	
Absenteeism due to illness divided according to age category:				
20–29 years	-1)		-1)	
30–49 years	2		2	
50 years or older	1		2	

1) Not reported due to the exception rule in the law, which means that information should not be furnished if the number of employees in the Group is 10 or fewer or if the information can be traced to a single individual. The term 'group' refers to both age category and the gender division within an age category.

Note 8. Salaries and remuneration

SEK K	Group				Parent Company			
	2010	(of which bonus)	2009	(of which bonus)	2010	(of which bonus)	2009	(of which bonus)
<i>Salaries and other remuneration</i>								
Fee to the Chairman of the Board	350		350		350		350	
Fee to other Board members	1,245		1,245		1,225		1,225	
Payment and benefits, President	3,714	262	3,519	75	3,714	262	3,519	75
Payment and benefits, other senior executives	7,770	725	7,436	320	7,770	725	7,436	320
Payment and benefits, other employees	37,721	1,559	34,065	296	36,548	1,531	32,881	227
Total	50,800	2,546	46,615	691	49,607¹⁾	2,518	45,411¹⁾	622
<i>National insurance expenses, including special employer's contribution</i>								
Chairman of the Board	110		110		110		110	
Other Board members	354		354		348		348	
President	1,404		1,319		1,404		1,319	
Other senior executives	2,812		2,696		2,812		2,696	
Other employees	12,746		11,759		12,437		11,443	
Total	17,426		16,238		17,111		15,916	
<i>Pension expenses</i>								
President	924		878		924		878	
Other senior executives	1,719		1,486		1,719		1,486	
Other employees	4,374		3,976		4,294		3,908	
Total	7,017		6,340		6,937		6,272	

1) Salaries and other remuneration also include non-monetary benefits.

A director's fee was paid during the year to the Chairman of the Board Fredrik Lundberg to the amount of SEK 350,000 and to Board members Claes Boustedt, Bengt Braun, Peter Egardt, Hans Mertzig, Sten Peterson, Anna-Greta Sjöberg and Louise Lindh to the amount of SEK 175,000 each. President Ivo Stopner does not receive any payment for his work on the Board. Within the Group there is also Arne Lundin, who is a member of the board of Parkaden AB. Arne Lundin received a director's fee of SEK 20,000.

Guidelines for salary, bonus and other remuneration to senior executives are decided at the Annual General Meeting. For 2010, the meeting decided that the same guidelines should be applied as previously.

Salary conditions for senior executives shall be formulated in line with the market plus an incentive element in the form of a bonus which is only payable if the Company reports a positive result without consideration given to unrealized changes in value. Such a bonus shall be decided for one year on each occasion, shall be linked to pre-determined, quantifiable criteria, and shall be subject to a ceiling. The bonus part, which shall not be pensionable, aims to provide the management with a special incentive to work to achieve positive results for the Company and thus support the interests of the shareholders.

Payment to both the President and other senior executives shall comprise a fixed permanent salary with the possibility of a bonus, which in the manner stated is made subject to achievement of objectives for the Company and for the individual.

The bonus for the President can amount to a maximum of SEK 500,000/year and for other senior executives a maximum of SEK 250,000/person per year. The bonus payable to the current number of senior executives can amount to a maximum of SEK 2 million.

The retirement age for the President is 65 years, although with the right for the President or the Company to decide on retirement with a full pension from the age of 60. Pensions for members of the Group management, including the President, are covered by the ITP plan and are defined benefit. In addition, there is a defined contribution pension for the President for the part of the salary not covered by the ITP plan.

If the President and other senior executives are given notice of termination of employment by the Company, the fixed salary during the period of notice plus severance pay shall in total not exceed an amount equivalent to the fixed salary for two years. In the case of notice of termination of employment being given by the President or other senior executives, the period of notice shall be a maximum of six

months, without any right to severance pay. In all cases any payment received from a new employer shall be offset.

These guidelines shall cover the persons who during the time the guidelines apply were part of the Group management. The guidelines apply to agreements which are entered into following a decision at the Annual General Meeting and also in those cases where changes were made in existing agreements after this point in time.

The Board of Directors shall be entitled to deviate from the guidelines if in an individual case there are particular reasons for doing so. These guidelines were followed during 2010 and a proposal that the same guidelines be applied for 2011 will be presented at the Annual General Meeting.

Pensions for Group employees, including the President, are covered by the ITP plan and are defined benefit pensions. Alecta's surplus in the form of the collective consolidation level as of December had not at the time of the signing of this annual report been published and consequently this cannot be given. Alecta's most recent official consolidation level amounted as of September to 134 per cent. (December 2009: 141 per cent). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with ISA 19.

For the President and senior executives there was a bonus scheme in place during the year based on result, customer satisfaction and personal objectives. Other permanent employees in the Group were also covered by a bonus scheme during the year. The bonus criteria were 'operating result' and 'customer satisfaction'. For managers with personnel responsibility there was also a personal assessment and individual objectives. The bonus payable was a maximum of half a month's salary, although subject to a minimum of SEK 15,000 for full-time employees. For managers, the bonus was a maximum of one month's salary.

Both bonus schemes are subject to a decision, are valid for one year on each occasion and are subject to a ceiling. A bonus is only payable if the Company reports a positive result without consideration given to unrealized changes in value. The bonus is not pensionable.

In the final accounts, a provision has been made for a bonus for profit targets and customer satisfaction. For personal objectives a provision is made equivalent to 75 per cent of the maximum outcome. The bonus outcome for 2010 has been charged with a cost for 2009 amounting to SEK 139,000.

Note 9. Fees and cost reimbursements to auditors

SEK m	Group		Parent Company	
	2010	2009	2010	2009
KPMG				
Audit assignments	0.9	0.8	0.9	0.8
Audit work in addition to the audit assignment	-	-	-	-
Tax consulting	-	-	-	-
Other assignments	0.3	0.1	0.3	0.1
Total	1.2	0.9	1.2	0.9

Note 10. Operational lease agreements – Group as the Lessee

Annual charges, SEK m	Group		Parent Company	
	2010	2009	2010	2009
- 1 year	0.2	1.4	0.2	0.2
1 year - 5 years	18.9	18.4	7.9	7.9
5 years -	0.3	0.3	0.3	0.3

Agreements entered into refer to site leasehold agreements, tenant charges and rental agreements with an external landlord.

Note 11. Operating costs per cost category

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Maintenance	28.4	28.5	172.1	207.3
<i>(of which special projects)</i>	0.8	1.9	36.7	91.7
Operation and administration	230.5	222.0	75.1	72.7
Ground rent	13.3	16.2	8.1	8.1
Property tax	124.1	116.5	86.0	79.4
Depreciation	3.7	3.4	66.9	56.4
Personnel costs	79.2	70.4	77.5	68.7
Total	479.2	457.0	485.7	492.6

Note 12. Changes in value

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Investment properties	1,490.3	-1,239.1		
Interest derivatives	51.4	-25.6	51.4	-25.6
Total	1,541.7	-1,264.7	51.4	-25.6

Note 13. Financial income

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Dividend from subsidiary	-	-	-	718.0
Additional purchase sum, sale of subsidiary	16.0	-	16.0	-
Interest income on bank holdings	0.8	0.1	0.8	0.1
Interest income on current investments	0.7	2.7	0.7	2.7
Interest income, other	0.2	0.1	0.0	0.1
Total	17.7	2.9	17.5	720.9

Of the financial income, SEK 17.7 million (2.9) refers to financial instruments not valued at fair value.

Note 14. Financial expense

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Interest expense to credit institutions	37.4	52.1	37.4	52.1
Interest expense, swaps	81.9	72.6	81.9	72.6
Interest expense, other	1.1	6.3	1.3	4.8
Total	120.4	131.0	120.6	129.5

Of the financial expense, SEK 38.5 million (58.4) refers to financial instruments not valued at fair value.

Note 15. Appropriations

SEK m	Parent Company	
	2010	2009
Change in accumulated additional depreciation	3.2	0.6
Change in tax allocation reserve	95.0	102.5
Total	98.2	103.1

Note 16. Income taxes

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Actual tax expense				
Tax expense for the year	-165.5	-159.2	-77.4	-77.0
Tax attributable to previous years	-0.3	-0.2	0.0	-0.1
<i>Deferred tax expense/tax income</i>				
Difference between fiscal and accounting depreciation:				
Original acquisition values	-76.8	-81.7	-1.3	-1.0
Unrealized change in value, investment properties	-392.0	325.9	-	-
Unrealized change in value, securities	-13.5	6.7	-13.5	6.7
Effect, allocation to untaxed reserves	29.5	29.1	-	-
Total tax	-618.6	120.6	-92.2	-71.4
<i>Result before tax</i>	2,351.9	-478.1	351.5	972.3
Tax according to the current tax rate 26.3%	-618.5	125.7	-92.4	-255.7
Tax attributable to previous years	-0.3	-0.2	0.0	-0.1
Non-taxable income in conjunction with the dividend from a subsidiary	-	-	-	188.9
Non-taxable income	4.5	0.1	4.4	0.1
Non-deductible expense	-0.8	-1.3	-0.7	-0.9
Standard income, tax allocation reserve	-3.5	-3.7	-3.5	-3.7
Total tax	-618.6	120.6	-92.2	-71.4
<i>Tax items reported directly against equity</i>				
Deferred tax in respect of hedge provision	-	-9.1		
	-	-9.1		
<i>Tax items reported within other comprehensive income</i>				
Deferred tax in respect of hedge provision			-	-9.1
Actual tax in Group contributions received			-88.0	-80.2
			-88.0	-89.3

There were no deficit deductions as of the year-end.

These subsidiary Fastighets AB Stockholms City is involved in a dispute with the National Tax Agency on how much is to be capitalized as a building. As the Company does not share the view of the Tax Agency the decision was appealed. The County Administrative Court and the Administrative Court of Appeal found in favour of the Company. The National Tax Agency has filed for leave to appeal with the Supreme Administrative Court. The amount of taxes and charges is approximately SEK 25 million and does not have any impact on the total reported tax expense for the Group and is only a shift between actual and deferred tax.

Hufvudstaden AB is involved in a dispute with the National Tax Agency regarding how much should be capitalized as a building as well as the right to make a deduction for VAT on consulting costs in conjunction with the sale of a subsidiary. The decision has been appealed. The amount of taxes and charges is approximately SEK 15 million and does not have any impact on the total reported tax expense for the Group and is only a shift between actual and deferred tax.

Note 17. Investment properties

GROUP

Investment properties were reported according to the fair value method.

SEK m	2010	2009
Investment properties, Group	20,148.3	18,125.3

Information about changes in the carrying amounts of investment properties

SEK m	Investment properties	
	Purchased	Owned for the full year
2010		
Opening fair value	-	18,125.3
Acquisition value	175.0	-
Property settlement	-175.0	175.0
Investment in properties	-	357.7
Unrealized change in value	-	1,490.3
Closing fair value	-	20,148.3
2009		
Opening fair value	-	19,083.2
Investment in properties	-	281.2
Unrealized change in value	-	-1,239.1
Closing fair value	-	18,125.3

All properties generated rental income during the year. For income and costs attributable to investment properties, reference can be made to Note 3.

All properties are owned by the Group and are classified as investment properties and cover the items Buildings, Building Equipment, Land and Development in Progress in the Balance Sheet. Fair value is based on an internal valuation.

The investment amount includes capitalized loan charges totalling SEK 0.5 million. The loan charge has been calculated based on a rate of interest of 3.5 per cent.

Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The assessment took place through the application of a valuation according to a variant of the location price method, known as the net capitalization method. The method means that the market yield requirements are put in relation to the net operating income of the properties.

The assessment of the yield requirements is based on information gathered on the market return on investment requirements for purchases and sales of comparable properties in similar locations. If few or no deals were concluded in the property's sub-area, transactions in the adjoining area are analyzed. Deals not concluded also provide guidance on the market yield requirements. Account has also been taken of the property type, technical standard and building construction. The yield requirements used in the valuation vary between different regions and different sub-areas within the regions. Information is checked with valuation and consulting companies. Hufvudstaden's average yield requirement since 2005 has varied between 4.6 per cent and 5.7 per cent and as of December 31, 2010 the figure was 5.0 per cent. For leasehold properties, the calculation is based on a yield requirement that is 0.25 percentage points higher.

The net operating income is based on market-adapted rental income. Rental income is adapted to the market by adjusting existing rents with newly signed and renegotiated leases and with account taken of the expected rent trend.

Income has been reduced to take into account an assessed, long-term rental vacancy level. The vacancy level is based on the true outcome of the property holdings over a business cycle and the expected rental situation for the individual property. In the valuation, an average vacancy level of 5 per cent has been estimated. The actual vacancy level during the period 2001–2010 varied between 3 and 9 per cent and as of December 31, 2010 the figure was 5.1 per cent.

A deduction has been made for standard costs for operation and maintenance, excluding costs passed on and part of the property administration. These are based on the actual outcome and are adjusted for non-permanent deviations. The average cost per square metre over the most recent five-year period has been in the range SEK 400–450 and the estimated cost in the valuation as of December 31, 2010 was on the same level.

The following information has been used in the valuation

	Rental revenue, SEK m	Net operating profit, SEK m	Direct yield requirement, % ¹⁾
Stockholm, commercial			4.65–5.0
Gothenburg, commercial			5.25–6.0
Property holdings, Group	1,393.0	1,008.3	5.0 ²⁾

1) Office and retailing properties.

2) Average.

External valuation

To assure the valuations, external valuations have been made by two valuation companies, DTZ Sverige AB and Forum Fastighetsekonomi AB. The external valuations cover eight properties and are equivalent to 42 per cent of the internally assessed fair value and the corresponding figure for the whole of 2010 was 73 per cent. 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 Pumpstocken 10 (part of), Skären 9, Kvasten 2, Grönlandet Södra 11, Hästhuvudet 13, Orgelpipan 7, Hästen 19 and 20 in Stockholm and Inom Vallgraven 10:9 in Gothenburg.

The external valuation companies have set a fair value of SEK 8.5 billion with an uncertainty range of +/- 5 per cent. Hufvudstaden's internal valuation of the same properties was also SEK 8.5 billion. The internal valuations thus concur with the external valuations.

Sensitivity analysis

Fair value is an assessment of the probable sales price on the market at the time of the valuation. The price can, however, only be set when a transaction has been completed. In conjunction with a property valuation, a range is often given to indicate the degree of uncertainty surrounding the estimates of fair value. The value range is usually +/- 5 per cent but can vary depending, among other things, on the market situation, the technical standard of the property and investment requirements. Hufvudstaden's property holdings are valued at SEK 20.1 billion with a degree of uncertainty of +/- 5 per cent and consequently this means that the assessed fair value varies by +/- SEK 1 billion. Below are the key factors that influence the valuation and the consequent impact on profit.

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax +/-
Rent revenue	SEK 100/sq. m.	SEK 700 million
Property costs	SEK 50/sq. m.	SEK 350 million
Rental vacancy level	1.0 percentage points	SEK 300 million
Yield requirement	0.5 percentage points	SEK 2,000 million

Tax values, investment properties, Group

SEK m	2010	2009
Tax values, buildings	7,021.6	7,578.2
Tax values, land	5,618.6	4,281.3
	12,640.2	11,859.5

Note 17 continued on page 76.

Continuation, Note 17.

PARENT COMPANY

Investment properties are reported according to the principles for tangible fixed assets but without the possibility of applying the fair value method.

SEK m	2010	2009
Investment properties, Parent Company	6,240.6	5,959.2

Investment properties, excluding land

SEK m	2010	2009
Opening acquisition values	1,998.4	1,949.4
Investments for the year	283.4	49.0
Closing acquisition values	2,281.8	1,998.4
Opening depreciation	-649.9	-607.5
Depreciation for the year	-50.2	-42.4
Closing depreciation	-700.1	-649.9
Closing revaluations according to the adopted Balance Sheet for the preceding year	1,161.0	1,175.0
Depreciation for the year	-14.0	-14.0
Closing revaluations	1,147.0	1,161.0
Closing residual value according to plan	2,728.7	2,509.5

Land

SEK m	2010	2009
Opening acquisition value	408.1	408.1
Investments for the year	62.2	-
Closing acquisition value	470.3	408.1
Opening value, revaluations	3,041.6	3,041.6
Closing value, revaluations	3,041.6	3,041.6
Closing residual value according to plan	3,511.9	3,449.7

Investment properties are divided into different categories, which are depreciated as follows.

- Buildings: offices 1 per cent
- Buildings: Department stores, multi-storey car parks, hotels, restaurants 2 per cent
- Building equipment: 5-10 per cent
- Land improvements: 3.75-5 per cent

Information about the fair value of investment properties

SEK m	2010	2009
Investment properties, Parent Company	12,716.3	11,361.4

In the valuation of the Parent Company's properties at fair value, the same valuation method is used as for the Group.

The following information has been used in the valuation:

	Rent revenue, SEK m	Net operating profit, SEK m	Direct yield requirement, %
Stockholm, commercial			4.75-5.0
Gothenburg, commercial			5.5 -6.0
Property holdings, Parent Company	893.1	646.3	5.1 ¹⁾

1) Average

Tax values, investment properties, Parent Company

SEK m	2010	2009
Tax values, buildings	4,464.1	4,993.5
Tax values, land	4,189.0	3,151.7
	8,653.1	8,145.2

Note 18. Tangible fixed assets

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Opening acquisition value	35.1	34.6	18.1	19.5
Investments for the year	1.8	4.2	1.6	2.2
Disposals	-6.9	-3.7	-2.1	-3.6
Closing acquisition value	30.0	35.1	17.6	18.1
Opening depreciation	-26.6	-26.8	-12.6	-13.6
Depreciation for the year	-3.7	-3.4	-2.7	-2.6
Disposals	6.7	3.6	2.1	3.6
Closing accumulated depreciation	-23.6	-26.6	-13.2	-12.6
Closing residual value according to plan	6.4	8.5	4.4	5.5

Note 19. Participation in Group Companies

	Company reg. no.	Reg. office	Capital (votes), %	Number	Nominal value, SEK 1,000	Carrying amount 2010, SEK m
PARENT COMPANY						
<i>Shares in subsidiaries</i>						
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3
Aktiebolaget Hamngatgaraget	556068-6601	Stockholm	100	3,000	300	231.2
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.6
						2,824.5
<i>Shares in dormant companies</i>						
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	0.0
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	0.0
Förvaltnings AB Liljeholmstorget	556030-5251	Stockholm	100	1,000	100	0.0
Förvaltnings AB Norrmalmstorg nr. 1	556019-5405	Stockholm	100	150	150	0.0
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1
						0.3
Parent Company, Total						2,824.8
OTHER GROUP COMPANIES						
<i>Owned by AB Citypalatset</i>						
Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	239.5
<i>Owned by Fastighetsaktiebolaget Stockholms City</i>						
Hotel Stockholm Aktiebolag	556031-4303	Stockholm	100	10,000	1,000	3.4
<i>Owned by AB Nordiska Kompaniet</i>						
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1
						0.5
Other Group companies, total						243.4
<i>Change in Parent Company's holdings in Group companies</i>						
			Parent Company			
SEK m	2010	2009				
Opening carrying amount	2,824.8	2,824.8				
Change for the year	-	-				
Closing carrying amount	2,824.8	2,824.8				
The Group has no non-Swedish subsidiaries.						

Note 20. Other non-current receivables

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Opening carrying amount	5.0	3.8	5.0	3.8
Change for the year	0.9	1.2	0.9	1.2
Closing carrying amount	5.9	5.0	5.9	5.0

Note 21. Accounts receivable

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Accounts receivable	9.7	11.9	1.1	2.3
Rent receivables	0.7	1.8	0.7	0.2
Total	10.4	13.7	1.8	2.5

Accounts receivable and rent receivables are reported at the accrued acquisition value, which normally means the nominal value.

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 0.4 million (2.5). Accounts receivable that have fallen due but which have not been impaired amounted to SEK 2.3 million (2.1).

Note 22. Prepaid expenses and accrued income

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Accrued rent revenue	14.0	13.8	8.3	10.7
Prepaid expenses	2.6	7.0	0.3	2.4
Accrued interest income	2.3	0.6	2.3	0.6
Total	18.9	21.4	10.9	13.7

Note 23. Cash and bank holdings

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Bank balances	27.9	14.9	27.6	14.7
Total	27.9	14.9	27.6	14.7

The Company receives interest on bank balances at a variable rate of interest based on the banks' daily investment rate.

Note 24. Equity

GROUP		
Specification of equity item, reserves		
SEK m	2010	2009
<i>Hedge reserve</i>		
Opening hedge reserve	-	-25.5
<i>Cash flow hedges:</i>		
Reported directly against equity	-	34.6
Tax attributable to hedges for the year	-	-9.1
Closing hedge reserve	-	0.0
<i>Total reserves</i>		
Opening reserves	-	-25.5
Change in hedge reserve	-	25.5
Closing reserves	-	0.0

Other capital contributed

Refers to equity contributed by the owners. This includes share premium reserves paid out in conjunction with share issues.

Reserves

Hedge reserve. The hedge reserve covers the accumulated change in fair value following a deduction for deferred tax on the effective part of the cash flow hedging instrument.

Profit brought forward, including profit for the year

The profit brought forward, including profit for the year, includes profit in the Parent Company and its subsidiaries. Previous allocations to the statutory reserve, excluding share premium reserves transferred, are included in this equity item.

Dividend

In 2010, a dividend was paid of SEK 2.10 per share or a total of SEK 433,158,459.

Asset management

The Company's capital is defined as the Group's reported equity. The Company's financial aims are to have good dividend growth and an equity ratio of at least 40 per cent.

Share capital

SEK m	2010	2009
<i>Breakdown of share series</i>		
A 202,996,869 shares, par value SEK 5	1,015.0	1,015.0
C 8,275,064 shares, par value SEK 5	41.4	41.4
Total	1,056.4	1,056.4

Hufvudstaden AB (publ) has two share series, series A and series C. Both share series are registered on NASDAQ OMX Stockholm. Series A carry one vote per share. Series C carry 100 votes per share. All shares carry the same right to a proportion of the Company's assets and liabilities.

Shareholders are entitled to request conversion of series C shares into series A shares. No such conversion took place during the year.

Hufvudstaden's own holding is 5,006,000 series A shares. No buy-back of shares took place during the year. The average number of outstanding shares was 206,265,933, which is unchanged compared with the preceding year.

There are no instruments that mean that a dilution of the number of shares can take place.

PARENT COMPANY**Restricted funds**

Restricted funds may not be reduced through a dividend.

Statutory reserve. The aim of the statutory reserve has been to save part of the net profit which is not used to cover a loss brought forward.

Revaluation fund. In the event of a revaluation of a tangible or financial fixed asset, the revaluation amount is allocated to the revaluation fund.

Non-restricted equity

Profit brought forward. This comprises non-restricted equity from previous years after dividends are paid. Profit brought forward, together with the profit for the year, is the amount available for payment of a dividend to the shareholders.

Note 25. Liabilities to credit institutions

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Loans	3,600.0	3,400.0	3,600.0	3,400.0
Total	3,600.0	3,400.0	3,600.0	3,400.0
Credit facility granted	40.0	40.0	40.0	40.0
Loan assurances	1,300.0	2,000.0	1,300.0	2,000.0

As of December 31, 2010, Hufvudstaden had non-current loan assurances of SEK 2.0 billion. The loan assurances are subject to undertakings regarding the equity ratio and interest coverage ratio. At the year-end SEK 1.3 billion had been unutilized.

Information regarding maturity, loan terms and conditions and annual equivalent rate of interest.

**Bank loans 31-12-2010
Group and Parent Company**

Year due	Average AER, % ¹⁾	Nominal amount, SEK m
2011	2.1	950.0
2012	2.0	250.0
2013	2.2	950.0
2014		
2015		
2016		
2017	2.1	1,450.0
Total		3,600.0

1) Interest terms are three months Stibor with a supplement for an interest margin. Interest is paid quarterly. All loans are in SEK.

Loans raised are normally secured by means of a property mortgage and supplemented in many cases with a guarantee regarding the equity ratio and interest coverage level.

**Interest swaps 31-12-2010
Group and Parent Company**

Year due	Average AER		Nominal amount, SEK m	Fair value, SEK m
	Fixed interest, %	Variable interest, % ²⁾		
2011	3.3	1.9	600.0	-2.6
2012 ¹⁾	4.8	1.9	250.0	-9.6
2013	3.6	1.9	600.0	-12.2
2014	3.2	1.9	200.0	-2.1
2015	3.4	1.9	300.0	-4.5
2016 ³⁾			400.0	0.3
2017	4.7	1.9	750.0	-53.7
Total			3,100.0	-84.4

1) Interest is paid annually

2) Interest terms are 3 months Stibor. Interest is paid quarterly.

3) SEK 200 million has a variable rate of interest up to and including February 2011, thereafter a fixed rate of interest of 3.4%, excluding a margin, for 5 years and SEK 200 million has a variable rate of interest up to and including June 2011, thereafter a fixed rate of interest of 3.1%, excluding a margin, for 5 years. Swap contracts are denominated in SEK.

For a presentation of the finance policy, risks and interest exposure, see Note 2.

Note 26. Deferred tax liability

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Investment properties	4,630.1	4,161.2	1,140.6	1,139.3
Interest derivatives	-22.2	-35.7	-22.2	-35.7
Untaxed reserves	180.9	210.4	-	-
Total	4,788.8	4,335.9	1,118.4	1,103.6

No deficit deduction as of the year-end 2010 (0)

Change in deferred tax

SEK m	Balance as of January 1	Reported within profit or loss	Reported within other comprehensive income	Balance as of December 31
GROUP				
2010				
Investment properties	4,161.2	468.9	-	4,630.1
Untaxed reserves	210.4	-29.5	-	180.9
Interest derivatives	-35.7	13.5	-	-22.2
	4,335.9	452.9	-	4,788.8
2009				
Investment properties	4,405.5	-244.3	-	4,161.2
Untaxed reserves	239.5	-29.1	-	210.4
Interest derivatives	-38.1	-6.7	9.1	-35.7
	4,606.9	-280.1	9.1	4,335.9

Note 26 continued on page 80.

Continuation, Note 26.

SEK m	Balance as of January 1	Reported within profit or loss	Reported within equity	Balance as of December 31
PARENT COMPANY				
2010				
Investment properties	1,139.3	1.3	-	1,140.6
Interest derivatives	-35.7	13.5	-	-22.2
	1,103.6	14.8	-	1,118.4
2009				
Investment properties	1,138.4	0.9	-	1,139.3
Interest derivatives	-38.1	-6.7	9.1	-35.7
	1,100.3	-5.8	9.1	1,103.6

Note 27. Other provisions

A provision has been made in the Balance Sheet for a pension liability in respect of endowment insurance for the President as well as former holders of positions in the Company.

Note 28. Other liabilities

SEK m	Group		Parent Company	
	2010	2009	2010	2009
VAT settlement	52.3	45.0	27.4	28.4
Other	41.8	39.1	12.5	10.7
Total	94.1	84.1	39.9	39.1

Note 29. Untaxed reserves

SEK m	Parent Company	
	2010	2009
Accumulated depreciation in excess of plan		
Opening balance	81.1	81.7
Depreciation for the year	-3.1	-0.6
Closing balance	78.0	81.1
Tax allocation reserves		
Total	478.0	573.0
Total untaxed reserves	556.0	654.1

Note 30. Accrued expenses and prepaid income

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Accrued interest	10.9	8.7	10.9	8.7
Prepaid rent	236.1	214.9	134.8	123.1
Other	46.2	52.1	54.4	53.0
Total	293.2	275.7	200.1	184.8

Note 31. Pledged assets and contingent liabilities

SEK m	Group		Parent Company	
	2010	2009	2010	2009
Property mortgages for liabilities at credit institutions	1,806.2	1,706.2	1,806.2	1,706.2
(of which mortgages on subsidiaries' properties)			(606)	(606)
Other non-current receivables	5.7	4.8	5.7	4.8
Total	1,811.9	1,711.0	1,811.9	1,711.0

Pledged assets for own liabilities include mortgages which Hufvudstaden has lodged as collateral for loans on its own properties. Mortgages not used to raise loans are filed with the Company. The Group's contingent liabilities refer mainly to tax cases involving disputed amounts for which no provision has been made. See also Note 16.

Note 32. Affiliations

Hufvudstaden AB is under the controlling influence of LE Lundbergföretagen and Fredrik Lundberg. No material transactions have taken place with LE Lundbergföretagen. Fredrik Lundberg's director's fee for 2010 was SEK 350,000. Details of payments to Board members and senior executives are to be found in Note 8.

In addition to the affiliations that have been stated for the Group, the Parent Company also has affiliations, which means that it has a controlling influence over its subsidiaries, see Note 19.

Note 33. Events after the year-end

No events of material significance occurred after the end of the financial year.

BIBLIOTEKSTAN

Smålandsgatan/Biblioteksgatan, Stockholm



Proposed distribution of unappropriated earnings

The Board of Directors proposes that the funds available for appropriation at the Annual General Meeting, as reported in the Parent Company Income Statement, be distributed as follows.

A statement giving reasons for the proposed distribution of earnings is available on the Company's website, www.hufvudstaden.se or from the Company on request.

Profit brought forward	SEK 1,947,121,234
Profit for the year	SEK 259,337,046
	<hr/>
	SEK 2,206,458,280
Dividend to the shareholders,	
SEK 2.30 per share	SEK 474,411,646 ¹⁾
To be carried forward	SEK 1,732,046,634
	<hr/>
	SEK 2,206,458,280

1) See Definitions, page 93, Dividend.

The Board of Directors and the President hereby certify that to the best of their knowledge the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards, as stated in Regulation No. 1606/2002 of the European Parliament and the Council (EC) dated July 19, 2002 regarding the application of international accounting standards. The Annual Report and the Consolidated Accounts provide a true and fair picture of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and for the Group provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and also describes material risks and uncertainties facing the Parent Company and the companies that form part of the Group.

Stockholm, February 10, 2011

Fredrik Lundberg
Chairman

Claes Boustedt

Bengt Braun

Peter Egardt

Louise Lindh

Hans Mertzig

Sten Peterson

Anna-Greta Sjöberg

Ivo Stopner

President

My audit report was submitted on February 14, 2011

George Pettersson
Authorized Public Accountant
KPMG

Auditors' Report

To the Annual General Meeting of the shareholders of Hufvudstaden AB (publ), company registration number 556012-8240.

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Hufvudstaden AB (publ) for 2010. The Company's annual accounts are included in the printed version of this document on pages 48-82. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards, IFRS, as adopted by the EU, and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and the circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President. I also examined whether any Board member or the President

has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles or Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards, IFRS, as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of the shareholders that the Income Statements and Balance Sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 14, 2011

George Pettersson
Authorized Public Accountant
KPMG

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all of whom are elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder LE Lundbergföretagen. The President is also a member of the Board of Directors. Other executives in the Company take part in Board meetings to present specific points. During the 2010 financial

year, the Board of Directors held seven meetings, of which one was a statutory meeting. The work of the Board of Directors is in compliance with the rules of procedure adopted by the Board governing the undertakings of the President and the Board and the allocation of duties between the Board and the President.



Fredrik Lundberg

Born 1951. MSc, MBA, Honorary PhD in Economics, Honorary PhD in Engineering. Chairman, board member since 1998. President and CEO of L E Lundbergföretagen AB. Chairman of Holmen AB and Cardo AB. Deputy Chairman of Svenska Handelsbanken AB. Board member of L E Lundbergföretagen AB, AB Industrivärden and Sandvik AB. Holding in Hufvudstaden: 1,659,412 shares.



Claes Boustedt

Born 1962. MBA. Board member since 1998. Vice President of L E Lundbergföretagen AB. President of L E Lundberg Kapitalförvaltning AB. Holding in Hufvudstaden: 1,000 shares.



Bengt Braun

Born 1946. MBA, LL.M. Board member since 2000. Chairman of the Board of Euro Comfort Holding GmbH and Aleris Holding AB. Deputy Chairman of Bonnier AB and Hjärnfonden. Board member of Bonnier Holding AB, TV4, Independent News & Media Plc and Mertzig Asset Management AB. Previous experience includes the position of President and CEO of Bonnier AB. Holding in Hufvudstaden: 3,750 shares.

Auditors

George Pettersson born 1964. Authorized Public Accountant, KPMG. Auditor since 2008.
Joakim Thilstedt born 1967. Authorized Public Accountant, KPMG. Deputy auditor since 2008.



Peter Egardt

Born 1949. BA.

Board member since 2003.

County Governor, County of Uppsala.

Chairman of the Swedish National Space Board and the Swedish National College of Defence.

Member of the Board of Governors of the Bank of Sweden.

Previous experience includes the position of President of the Stockholm Chamber of Commerce and the Association of Swedish Chambers of Commerce.

Holding in Hufvudstaden: 15,000 shares.



Louise Lindh

Born 1979. MBA.

Board member since 2007.

Vice President,

Fastighets AB L E Lundberg.

Member of the Board of Byggnads AB

Karlsson & Wingsjö,

L E Lundberg Kapitalförvaltning AB,

L E Lundbergföretagen AB

and Holmen AB.

Holding in Hufvudstaden: 29,166 shares.



Hans Mertzig

Born 1941. Economist.

Board member since 2000.

President of Mertzig Asset

Management AB.

Previous experience includes the position of asset manager at Ramsbury AB and the KK Foundation.

Holding in Hufvudstaden: –



Sten Peterson

Born 1956. MSc.

Board member since 2006.

President

of Byggnads AB Karlsson & Wingsjö.

Member of the Board

of L E Lundbergföretagen AB,

Fastighets AB L E Lundberg and

Byggnads AB Karlsson & Wingsjö.

Holding in Hufvudstaden: 2,000 shares.



Anna-Greta Sjöberg

Born 1967. MBA.

Board member since 2006.

President of Crispa AB.

Chairwoman of St. Eriks Vårdbolag AB.

Member of the Board of LKAB.

Previous experience includes the position of Managing Director of the Royal Bank of Scotland, Nordic Branch.

Holding in Hufvudstaden: 3,000 shares.



Ivo Stopner

Born 1962. MSc.

President and Board member since 1999.

Holding in Hufvudstaden:

3,300 shares (including family).

Ivo Stopner and family have no material shareholding or partnership in companies with which the Company has significant business relations.

Secretary

Mattias Karlsson *born 1965. Lawyer at Mannheimer Swartling Advokatbyrå AB. Secretary to the Board since 2008.*

President and Senior Executives

Ivo Stopner

*Born 1962. MSc. President, employed since 1990.
Holding in Hufvudstaden: 3,300 shares (including family).
Ivo Stopner and family have no material shareholding or partnership
in companies with which the Company has significant business relations.*

Ki Hummelgren

*Born 1968. Head of Human Resources, employed 2008.
Holding in Hufvudstaden: –*

Magnus Jacobson

*Born 1958. MBA. Head of Finance, employed 2002.
Holding in Hufvudstaden: –*

Sverker Källgården

*Born 1968. MSc. Head of the Stockholm City West Business Area,
employed 2005. Holding in Hufvudstaden: –*

Daniel Massot

*Born 1970. MSc. Head of the Gothenburg Business Area,
employed 2009. Holding in Hufvudstaden: –*

Anders Nygren

*Born 1970. MSc. Head of Property Development,
employed 2006. Holding in Hufvudstaden: –*

Bo Wikare

*Born 1963. MSc. Head of the Stockholm City East Business Area,
employed 1994. Holding in Hufvudstaden: 62 shares.*



The Hufvudstaden executive management on the upper deck of the Parkaden multi-storey car park. From the left: Magnus Jacobson, Daniel Massot, Ki Hummelgren, Ivo Stöpner, Sverker Källgård, Anders Nygren and Bo Wikare.

Business Areas in figures

Property holdings (comparable holdings)	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	2010		2009		2010		2009		2010		2009		2010		2009	
	m /sq. m.		m /sq. m.		m /sq. m.		m /sq. m.		m /sq. m.		m /sq. m.		m /sq. m.		m /sq. m.	
Gross rent, including charge for consumables	637.5	4,401	642.5	4,423	588.6	3,933	573.8	3,826	183.3	2,908	182.8	2,907	1,409.4	3,942	1,399.1	3,907
(of which property tax supplement)	56.9	393	52.8	363	39.7	265	37.8	252	15.9	252	15.9	253	112.5	315	106.5	297
Rent losses on vacant space	-67.5	-466	-61.7	-425	-16.9	-113	-20.1	-134	-3.7	-59	-2.3	-36	-88.1	-246	-84.1	-235
Bad debt losses	-0.5	-3	-1.1	-8	0.1	1	-1.4	-9	0.1	2	-	-	-0.3	-1	-2.5	-7
Net sales	569.5	3,932	579.7	3,990	571.8	3,821	552.3	3,683	179.7	2,851	180.5	2,871	1,321.0	3,695	1,312.5	3,665
Maintenance	-15.7	-108	-15.7	-108	-11.6	-78	-10.7	-71	-1.1	-17	-2.1	-33	-28.4	-80	-28.5	-80
Operating costs	-45.0	-311	-41.6	-286	-96.6	-645	-96.2	-641	-29.6	-470	-27.5	-438	-171.2	-479	-165.3	-462
Administration	-30.1	-208	-27.1	-187	-26.7	-178	-23.2	-155	-6.9	-109	-5.4	-86	-63.7	-178	-55.7	-155
Ground rent	-0.2	-1	-0.2	-1	-13.1	-88	-16.0	-107	-	-	-	-	-13.3	-37	-16.2	-45
Property tax	-62.4	-431	-59.1	-407	-43.8	-293	-42.1	-281	-17.9	-284	-16.1	-256	-124.1	-347	-117.3	-327
Total property expenses	-153.4	-1,059	-143.7	-989	-191.8	-1,282	-188.2	-1,255	-55.5	-880	-51.1	-813	-400.7	-1,121	-383.0	-1,069
Gross operating profit	416.1	2,873	436.0	3,001	380.0	2,539	364.1	2,428	124.2	1,971	129.4	2,058	920.3	2,574	929.5	2,596

Property data	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	2010		2009		2010		2009		2010		2009		2010		2009	
	Number of properties	16		16		9		9		4		4		29		29
Floor space, sq. m.	144,851		145,263		149,656		149,982		63,036		58,818		357,543		354,063	
Rental vacancy level, %	8.7		10.4		2.0		2.5		1.8		2.2		5.1		6.2	
Floor space vacancy level, %	10.6		12.4		4.3		4.2		4.3		3.1		6.8		7.4	
Total rentable parking spaces	172		173		1,295		1,276		51		51		1,518		1,500	

Rentable space and annual rent	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	Area, sq. m.		Annual rent, SEK m		Area, sq. m.		Annual rent, SEK m		Area, sq. m.		Annual rent, SEK m		Area, sq. m.		Annual rent, SEK m	
	Offices	97,656		415.0		45,731		157.1		33,568		61.7		176,955		633.8
Stores and restaurants	34,719		198.4		44,654		340.5		23,668		99.9		103,041		638.8	
Cinemas	-		-		1,893		1.4		-		-		1,893		1.4	
Storage and miscellaneous	6,548		12.8		18,066		30.2		3,771		6.6		28,385		49.6	
Garages	4,838		6.3		39,009		39.4		1,250		1.4		45,097		47.1	
Residential	1,090		1.9		303		0.3		779		0.7		2,172		2.9	
Total	144,851		634.4		149,656		568.9		63,036		170.3		357,543		1,373.6	

Floor space vacancy level and rental vacancy level	Stockholm City East Business Area				Stockholm City West Business Area				Gothenburg Business Area				Property management, total			
	Vacant floor space, sq. m.		Rental vacancy level, SEK m		Vacant floor space, sq. m.		Rental vacancy level, SEK m		Vacant floor space, sq. m.		Rental vacancy level, SEK m		Vacant floor space, sq. m.		Rental vacancy level, SEK m	
	December 31, 2010	11,772		46.8		1,621		2.9		2,080		2.1		15,473		51.8
Offices	721		4.5		1,504		5.0		62		0.3		2,287		9.8	
Stores and restaurants	-		-		-		-		-		-		-		-	
Cinemas	1,683		2.4		3,011		3.4		493		0.6		5,187		6.4	
Storage and miscellaneous	837		1.1		270		0.2		50		0.1		1,157		1.4	
Garages	311		0.6		-		-		46		-		357		0.6	
Residential	15,324		55.4		6,406		11.5		2,731		3.1		24,461		70.0	
Total	15,324		55.4		6,406		11.5		2,731		3.1		24,461		70.0	

Lease term structure¹⁾²⁾³⁾							
December 31, 2010							
NUMBER OF CONTRACTS	2011	2012	2013	2014	2015	2016–	Total
Stockholm City East Business Area							
Offices	39	40	46	27	16	9	177
Stores	19	23	27	9	7	9	94
Other	273	97	54	24	8	27	483
Total	331	160	127	60	31	45	754
Proportion, %	43.9	21.2	16.8	8.0	4.1	6.0	100.0
Stockholm City West Business Area							
Offices	27	27	18	6	2	2	82
Stores	51	58	52	22	8	1	192
Other	127	70	58	16	13	4	288
Total	205	155	128	44	23	7	562
Proportion, %	36.5	27.6	22.8	7.8	4.1	1.2	100.0
Gothenburg Business Area							
Offices	12	18	19	8	1	5	63
Stores	14	22	23	7	5	3	74
Other	51	17	43	4	6	1	122
Total	77	57	85	19	12	9	259
Proportion, %	29.7	22.0	32.8	7.4	4.6	3.5	100.0
Hufvudstaden, total							
Offices	78	85	83	41	19	16	322
Stores	84	103	102	38	20	13	360
Other	451	184	155	44	27	32	893
Total	613	372	340	123	66	61	1,575
Proportion, %	38.9	23.6	21.6	7.8	4.2	3.9	100.0
ANNUAL RENT, SEK m							
Stockholm City East Business Area							
Offices	62.3	66.9	54.2	64.7	40.6	106.0	394.7
Stores	33.2	38.2	42.3	14.1	12.6	40.2	180.6
Other	13.0	11.5	3.7	1.6	1.8	2.0	33.6
Total	108.5	116.6	100.2	80.4	55.0	148.2	608.9
Proportion, %	17.8	19.2	16.5	13.2	9.0	24.3	100.0
Stockholm City West Business Area							
Offices	61.9	39.5	23.6	17.6	3.5	8.0	154.1
Stores	89.1	98.0	69.7	40.6	12.3	7.7	317.4
Other	13.4	13.4	12.4	4.8	4.9	–	48.9
Total	164.4	150.9	105.7	63.0	20.7	15.7	520.4
Proportion, %	31.6	29.0	20.3	12.1	4.0	3.0	100.0
Gothenburg Business Area							
Offices	12.8	22.6	4.7	0.9	4.3	20.2	65.5
Stores	13.9	31.0	24.2	10.0	8.9	9.0	97.0
Other	4.1	2.3	2.7	2.5	1.9	–	13.5
Total	30.8	55.9	31.6	13.4	15.1	29.2	176.0
Proportion, %	17.5	31.8	18.0	7.6	8.5	16.6	100.0
Hufvudstaden, total							
Offices	137.0	129.0	82.5	83.2	48.4	134.2	614.3
Stores	136.2	167.2	136.2	64.7	33.8	56.9	595.0
Other	30.5	27.2	18.8	8.9	8.6	2.0	96.0
Total	303.7	323.4	237.5	156.8	90.8	193.1	1,305.3
Proportion, %	23.2	24.8	18.2	12.0	7.0	14.8	100.0

1) Including leases signed for future occupation/implementation, whereupon the corresponding current rent has been excluded.

2) Excluding vacant floor space and floor space (storage and offices) occupied by Hufvudstaden for its own use.

3) Excluding residential leases.

Properties

Property designation	Address	Site area, sq. m.	Year of purchase	Year of construction/ redevelopment	Tax assessment 2010, SEK m
Stockholm City East Business Area					
<i>Kungsgatan Management Area</i>					
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	297.0
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	302.0
Kåkenhusen 39	Kungsgatan 4 A–B–10, Brunnsgatan 5–9, Norrlandsgatan 29	3,788	1921	1926/28/30/84/85/89/91	575.0
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,013.0
<i>Total</i>		10,684			2,187.0
<i>Norrmalmstorg Management Area</i>					
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	173.0
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	309.0
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	175.0
Norrmalm 2:63 ²⁾	Norrmalmstorg, Café Palmhuset		1992	1993	6.0
Packarhuset 4 ¹⁾³⁾	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	920.0
Pumpstocken 10 ¹⁾	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78 91/2000	1865/97/1901/29/84 96/97/2006	676.2
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	143.0
Rännilen 11	Biblioteksgatan 8, Mäster Samuelsgatan 5	775	1958	1902/85	144.0
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	366.0
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39 2007	1902/42/64/90/2002	601.0
Skären 9	Smålandsgatan 20, Norrlandsgatan 10	2,195	1917	1984/2001	543.0
Vildmannen 7 ¹⁾	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	189.6
<i>Total</i>		17,663			4,245.8
Total, Stockholm City East Business Area		28,347			6,432.8
Stockholm City West Business Area					
<i>NK Management Area, Stockholm</i>					
Hästen 19 ¹⁾ och 20, Spektern 14 ⁴⁾	Hamngatan 18–20, 29–33, Regeringsgatan 26–32, 36–40	8,875	1998	1915/91	2,057.0
<i>NK Management Area, Gothenburg</i>					
Inom Vallgraven 10:9 ⁵⁾	Östra Hamngatan 42, Kyrkogatan 54, Fredsgatan 5–7, Drottninggatan 39, 45	4,520	1998	1964/94	614.0
<i>Parkaden Management Area</i>					
Hästskon 10 ⁶⁾	Regeringsgatan 49–53, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	323.0
<i>West Management Area</i>					
Achilles 1 ⁷⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th Century/1974	143.0
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	208.0
Kungl Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	107.0
Medusa 1 ¹⁾⁸⁾	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	73.1
Orgelpipan 7 ⁹⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	674.0
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	192.0
<i>Total</i>		12,075			1,397.1
Total, Stockholm City West Business Area		30,391			4,391.1
Gothenburg Business Area					
Inom Vallgraven 12:8 ¹¹⁾	Drottninggatan 50-52, Södra Hamngatan 45, Fredsgatan 2-4	1,712	1967/2010	1875/1929/1930	133.0
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	221.0
Inom Vallgraven 20:4	Kungsgatan 46, Kyrkogatan 21	982	1974	1914	63.0
Nordstaden 8:24	Postgatan 26–32, Nordstadstorget 6, Spannmålsgränd 19, Nils Ericssonsgatan 17	8,404	1979	1972	1,212.0
Nordstaden GA:5 ¹⁰⁾	Nordstadstorget and others				187.3
Total, Gothenburg Business Area		15,255			1,816.3
TOTAL		73,993			12,640.2

Rentable space, sq. m.								
Offices	Stores	Restaurants	Cinemas	Storage	Garage	Residential	Other	Total
4,962	1,959			239				7,160
6,391	1,809			1,028				9,228
11,605	3,336	548		500				15,989
20,900	5,102			1,985	1,643		5	29,635
43,858	12,206	548		3,752	1,643		5	62,012
2,861	765			285	792			4,703
3,523	2,751	243		170	206			6,893
2,469	534	192		256				3,451
	52	137						189
10,883	3,269	704		406				15,262
7,753	3,845	513		64		192	1	12,368
1,917	561	167						2,645
1,598	876	539		2				3,015
5,393	895	444		437				7,169
7,756	2,319			748	1,058			11,881
7,710	1,642			411	1,139			10,902
1,935	1,517			10		898	1	4,361
53,798	19,026	2,939		2,789	3,195	1,090	2	82,839
97,656	31,232	3,487		6,541	4,838	1,090	7	144,851
11,291	21,932	2,041		3,540			15	38,819
5,172	9,727	367		1,258			12	16,536
	2,696	512		8,670	24,482		1	36,361
4,000	351			604				4,955
7,563	378	263		863				9,067
2,617								2,617
1,282	242	271		101		303		2,199
9,913	3,780	1,919		2,610	13,421		1	31,644
3,893	175		1,893	391	1,106			7,458
29,268	4,926	2,453	1,893	4,569	14,527	303	1	57,940
45,731	39,281	5,373	1,893	18,037	39,009	303	29	149,656
2,104	1,659			459		779		5,001
10,269	3,218	404		1,014	1,250			16,155
757	1,690			31				2,478
20,438	15,957	740		2,185			82	39,402
33,568	22,524	1,144		3,689	1,250	779	82	63,036
176,955	93,037	10,004	1,893	28,267	45,097	2,172	118	357,543

- 1) The property is classified as being of cultural and historical importance.
- 2) The property is held on a lease. The previous property designation was Norrmalm 2:62.
- 3) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- 4) Owned by the subsidiary AB Nordiska Kompaniet. Hästen 20 och Spektern 14 are leaseholds. The ground rent for Hästen 20 is SEK 2.5 million and is fixed until May 1, 2012. The ground rent for Spektern 14 is SEK 0.5 million and is fixed until October 1, 2015. Both ground rents are regulated every 10 years. The tax assessment value of the land is included to the amount of SEK 686.0 million.
- 5) Owned by the subsidiary AB Nordiska Kompaniet.
- 6) Owned by the subsidiary AB Hamngatgaraget. Leasehold. The ground rent is SEK 4.4 million, fixed until August 31, 2014 and reviewed every 10 years. The tax assessment value of the land is included to the amount of SEK 93.0 million.
- 7) The property is a listed building.
- 8) Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- 9) Leasehold. The ground rent is SEK 7.9 million, fixed until November 1, 2014 and reviewed every 10 years. The tax assessment value of the land is included to the amount of SEK 284.0 million.
- 10) The property is jointly owned and includes parking operations, some leasing of premises as well as servicing and maintenance of pedestrian precincts, loading areas, cooling and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 29.6 per cent, equivalent to 25,359 square metres.
- 11) Following a property settlement, the newly acquired former properties Inom Vallgraven 12:1 and Inom Vallgraven 12:9 are included.

BIBLIOTEKSTAN

Mäster Samuelsgatan, Stockholm



Definitions and glossary

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

Average interest on interest-bearing liabilities. Interest expense in relation to the average interest-bearing liabilities.

Average number of employees calculated on a full-time basis. The average number of persons employed during the year.

Average number of outstanding shares. The average value of the number of outstanding shares during the year.

Bibliotekstan. The area between Norrmalmstorg, Birger Jarlgatan, Stureplan and Norrlandsplan and which contains stores with high-class brands.

Capital employed. Total assets less non-interest-bearing liabilities and deferred tax liabilities.

Cash flow from current operations per share. Cash flow from current operations in relation to the average number of outstanding shares during the year.

Cash flow for the year per share. Cash flow for the year in relation to the average number of outstanding shares during the year.

CBD. Central Business District. The most central part of a city for office and retailing properties.

Central administration. The costs for Group Management and Group staff functions as well as the cost of maintaining the Company's stock exchange listing and other Company costs.

Comparable holdings. Properties disposed of during the year are excluded. Properties acquired during the year are included and the previous year is adjusted for the equivalent period.

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

Direct yield, properties. Net operating profit in relation to the fair value of the properties.

Direct yield. Dividend per share in relation to the share price at the year-end.

Dividend proportion. Dividend per share divided by the profit per share for the year.

Dividend. The total dividend is calculated on the total number of outstanding shares as of the date on which the annual accounts are published. The amount could change depending on any buy-back of Company shares during the period up to the record date.

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

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

Fair value. The estimated market value of the properties.

Fair value, properties. The amount the properties could be assigned for on condition that the transaction took place between parties that are independent of each other and which have an interest in the transaction being implemented. In accounting terms this is known as fair value.

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

Gross rent. The contracted rent, including the estimated market rent for vacant premises.

Interest coverage ratio. Profit after financial income and expense, excluding unrealized changes in value, plus interest expense, in relation to interest expense less interest contributions.

Investments. Expenses related to value-enhancing improvements that generate future financial benefits are capitalized. Rebuilding costs of an ongoing maintenance nature are charged to profit.

Loan-to-value ratio, properties. Interest-bearing liabilities in relation to the properties' carrying values.

Net liabilities. Interest-bearing liabilities minus current investments and cash and bank holdings.

Net loan-to-value ratio, properties. Net liability in relation to the fair value of the properties.

Net operating profit. Net property management revenue less the cost of special projects, maintenance, operation and administration, ground rent and property tax.

Net profit on current operations. Profit before tax, excluding changes in value, properties and derivatives and items affecting comparability charged with 26.3% standard tax.

New leases. Leases signed during the year with a new tenant other than the tenant that leased the property previously or for premises that were previously vacant.

Outstanding shares. The total number of issued shares reduced by the shares bought back by the Company.

P/E ratio. The share price at the year-end in relation to profit per share for the year.

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

Properties' carrying amount per share. The carrying amount of the properties in relation to the number of outstanding shares at the year-end.

Property tax supplement. Reimbursement of property tax from tenants.

Renegotiated leases. New or extended leases with existing tenants whose earlier leases came to an end during the year.

Rentable floor space. Total floor space available for renting.

Rental losses. Loss of revenue as a result of vacancies.

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

Return on capital employed. Profit before tax plus interest expense in relation to the average capital employed.

Return on equity. Profit for the year after tax in relation to the average equity.

Share price/equity. The share price at the year-end in relation to equity per share.

Surplus ratio. The gross profit in relation to net revenue.

Special projects. Costs for the development and improvement of the property holdings. In the Income Statement this refers to the part of the cost that has been expensed.

Tax. The Group's total tax comprises actual tax and deferred tax.

Turnover-based rent supplement. Rent in addition to the guaranteed minimum rent, based on the store's net turnover.

Yield gap. The difference between the long-term interest rate and the properties' direct yield.

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

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