



HUFVUDSTADEN 2003

English



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Annual General Meeting

The Annual General Meeting will take place at 5pm on Thursday, March 18, 2004 at the Grand Hotel, Vinterträdgården, Stockholm. The entrance is on the corner of Stallgatan and Blasieholmsgatan.

Notice to attend the Annual General Meeting will be published in the Swedish Official Gazette, Dagens Nyheter and Svenska Dagbladet.

Notification

Shareholders who wish to attend the Annual General Meeting must be entered in the shareholders' register kept by VPC AB (Swedish Securities Register Centre) by Monday March 8, 2004 and must notify Hufvudstaden by 4pm on Friday March 12, 2004 at the latest. Notification, preferably in writing, should be sent to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification can also be made by fax on +46-8-762 90 01, by e-mail at anm@hufvudstaden.se or by telephone on +46-8-762 90 00.

Dividend

The Board of Directors proposes that a dividend of SEK 1.20 per share, totalling SEK 247.5 million, be paid for 2003.⁽¹⁾ The record date is March 23, 2004 and payment is expected to be made on March 26, 2004.

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 VPC AB of the change as soon as possible through the institution at which their account is registered.

(1) See Definitions, page 76, Dividend amount.

Financial information

Interim report, January – March 2004	May 6, 2004
Interim report, January – June 2004	August 24, 2004
Interim report, January – September 2004	October 29, 2004
Year-end report 2004	February 10, 2005
Annual Report 2004	March 2005

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

Hufvudstaden in brief

2003

Hufvudstaden's net revenue increased to SEK 1,360.5 million (1,347.9). Net revenue from property management increased by 3.3 per cent to SEK 1,277.3 million (1,236.2). Gross profit from property management totalled SEK 637.6 million (638.0). Excluding special projects, the gross profit from property management totalled SEK 753.6 million (724.3), an increase of 4.0 per cent. Profit after tax amounted to SEK 370.1 million (337.2), an increase of 9.8 per cent. The profit per share increased to SEK 1.78 (1.60).

The rental vacancy level fell during the year to 8.1 per cent (9.3) and the floor space vacancy rate fell to 8.7 per cent (9.2). Excluding Norrmalmstorg 1, the rental vacancy level was 7.4 per cent.

The Board proposes a dividend of SEK 1.20 per share (1.10).

Extensive refurbishment and development of the project property Norrmalmstorg 1 continued during the year. The bulk of the project had been completed by the end of 2003.

Extensive refurbishment of the lower floor of NK Stockholm was completed during autumn 2003.

The rental market in Stockholm was marked by an increase in vacant space, resulting in a fall in rents. In Gothenburg, the rental market showed a slight increase in vacant space but with stable rent levels.

Hufvudstaden came joint first in the Fastighetsbarometern Customer Satisfaction Survey. The Company was also included in the Banco Swedish Environmental Fund Top Companies list for 2004.

From the beginning in 1915

1915. Fastighetsaktiebolaget Hufvudstaden was founded by, among others, Ivar Kreuger.

1919. Hufvudstaden owned 40 properties in Stockholm.

1932. In the wake of the Kreuger crash, Skandinaviska Banken became the owner of Hufvudstaden.

1933. In conjunction with the restructuring of Hufvudstaden, the Company acquired a controlling interest in AB Svensk Filmindustri, which was previously owned by Ivar Kreuger. Film and cinema operations were later sold to Dagens Nyheter.

1937. Skandinaviska Banken formed the investment company Custos with the aim of taking over the bank's interests in companies it had acquired, primarily Hufvudstaden.

1938. Hufvudstaden was listed on the Stockholm Stock Exchange.

1940. At the beginning of the 1940s, Hufvudstaden owned 68 properties, of which 60 were in Stockholm and eight in provincial towns.

1967. Hufvudstaden acquired interests in Gothenburg through the purchase of three properties on Drottninggatan and Södra Hamngatan.

1970. Hufvudstaden commenced its international expansion when, together with the Royal Swedish Academy of Engineering Sciences and Statsföretag, it built the Sweden Center Building in Tokyo.

1984. Hufvudstaden acquired the TransMatch property group from Swedish Match. TransMatch had properties in Paris, Oslo, Amsterdam and Lisbon.

1996. The Company focused its operations on Sweden. Foreign operations were transferred to the shareholders and were listed on the Stockholm Stock Exchange in 1997.

1997. The operating focus was now more on commercial properties. Following the sale of two residential properties, the Company no longer had properties that were purely residential.

1998. NK Cityfastigheter AB was acquired. Fastighetsaktiebolaget Hufvudstaden changed name to Hufvudstaden AB.

1999. The operating focus was central Stockholm and central Gothenburg. The Company acquired Vasaterminalen AB, which owned the World Trade Center building in Stockholm.

2000. The Norrmalmstorg 1 property in Stockholm was acquired. Two properties at Liljeholmen in Stockholm were sold. The Company thus no longer owned properties outside the central areas of Stockholm and Gothenburg. A new share issue totalling SEK 845 million was implemented.

2001. Five projects were concluded, representing a total investment volume of SEK 189 million. New construction of 1,700 square metres of office space was completed within the Golden Triangle in Stockholm.

2002. Extensive refurbishment and development of the project property Norrmalmstorg 1 commenced. Widespread refurbishment of the lower floor of NK Stockholm took place.

Statement by the President

Stable market value

The market value for Hufvudstaden's property holdings at the year-end was calculated at SEK 15.1 billion (15.3 as of March 31, 2003). The direct yield requirements for the Company's well-situated and well-equipped properties remained unchanged during the year and was 6–7 per cent in Stockholm and 6.5–7.0 per cent in Gothenburg. Net asset value developed positively and stood at SEK 43 per share at the year-end. The Company's properties have thus withstood the downturn in the economy and the weak rental trend for office space. The most important explanation for this is the fact that the net operating profit in the properties with a large proportion of retailing activity has developed positively. On the whole, the 2003 retailing year was better than 2002.

Hufvudstaden's markets

Hufvudstaden's operations can be divided into three main areas: retailing, office and parking. Parking operations are an important support function for the other two operating areas.

Retailing

Hufvudstaden's retailing premises are located in prime retailing locations in Sweden. Rental losses are extremely unusual as demand is always high. When the economy turns around and private consumption increases, turnover for the retail trade will increase and the rental market for store premises will quickly gather momentum. The retailing trade is always very early in the economic cycle.

Hufvudstaden has been making focused investments in recent years aimed at developing the whole of the retailing area from NK on Hamngatan across Norrmalmstorg to Stureplan. The rent levels for store premises in both Stockholm and Gothenburg have been stable during the year.

Offices

Office premises in prime locations are more sensitive to shifts in the economy and vacancy levels vary over time. After a number of years of increasing vacant floor space the level now stands at 10–15 per cent for the Stockholm inner city area. Before we see a turnaround in the rental trend once again these vacant premises must be rented out. However, after a major recession companies as a rule tend to be reticent about increasing their fixed costs. Office premises are thus relatively late in the economic cycle,

even if Hufvudstaden's prime site office space tends to recover relatively quickly.

In Gothenburg, the rental market remained stable, with a slight rise in vacant space but no change in rental levels generally. My view is that it will take some time yet before the rental market for office space in Stockholm turns around although the Gothenburg market is showing a stable rate of growth.

Vacant space

Hufvudstaden's rental vacancy level at the year-end was 8.9 per cent in Stockholm and 2.7 per cent in Gothenburg. Excluding the project property Norrmalmstorg 1, the rental vacancy level in Stockholm at the year-end was 7.6 per cent. Vacancy levels in Stockholm are expected to remain unchanged in 2004, mainly due to the fact that the Norrmalmstorg 1 project has now been completed and will begin to generate rental income from the beginning of 2004.

Renegotiations

During the year Hufvudstaden completed a number of key renegotiations with major tenants in Stockholm and Gothenburg.

Hufvudstaden renegotiated around 18 per cent of its agreements, equivalent to SEK 130 million. The renegotiations meant that on average the rental level remained unchanged.

Positive development within Nordiska Kompaniet

NK is one of Sweden's strongest brand names and an important part of Hufvudstaden's operations. It is therefore particularly pleasing that both NK Stockholm and NK Gothenburg developed positively during the year. This came about through a focused investment on renewal of the product range and the store environment, more effective marketing and a more interesting range of brand names.

Extensive refurbishment of the lower floor of NK Stockholm was completed during the year, resulting in the addition of several new stores and brand names. At NK Gothenburg extensive reconstruction of the NK facade and main entrance on Östra Hamngatan were completed just in time for the Christmas rush. The result was an additional 100 square metres of prime retailing space and a major facelift for the entrance.

Norrmalmstorg 1

At the end of 2003, the majority of the Norrmalmstorg 1 project was completed. In September, the Spanish retail chain Zara opened its first store in Sweden and Danske Bank, which has rented around 7,500 square metres of office space, moved in gradually during the first quarter of 2004. The aim of the refurbishment and development of Norrmalmstorg 1 has been to recreate the character of the building as a centre for business, finance and law and to link up Hufvudstaden's most important retailing area, between Stureplan and NK on Hamngatan. What remains in 2004 is the task of finding tenants for the as yet unleased premises and reviewing the exterior environment around the property.

Satisfied tenants

In conjunction with the 2003 survey among Sweden's 13 leading property companies regarding the level of satisfaction among office tenants, Hufvudstaden was once again number one. This is pleasing as customer awareness among property companies has increased and thus also the level of competition, which spurs both me and my colleagues to be even better in our dealings with our tenants.

Profit for the year

Group profit for the year after tax was SEK 370 million (337). The gross profit from property management was SEK 638 million (638). Despite a continued fall in growth on Hufvudstaden's leading markets, I can state with satisfaction that the gross profit from property management, excluding special projects, still increased by four per cent to SEK 754 million (724).

In memory of Anna Lindh

Pointless violence came very close to home when the Swedish Foreign Minister Anna Lindh was assaulted at NK in Stockholm. This was a traumatic experience for the whole country and in particular for everyone who works in the NK building. Tens of thousands of people expressed their condolences by making their way to the NK main entrance on Hamngatan, where the mountain of flowers grew by the minute. Nordiska Kompaniet has honoured Anna Lindh's memory by making a contribution to the Anna Lindh



Memorial Fund, which included the proceeds from the sale of flowers.

The future

Even if we can detect some light on the economic horizon the turnaround on Hufvudstaden's most important markets will still be some time in coming.

For a number of years Hufvudstaden has carried on extensive project operations, which in conjunction with the completion of Norrmalmstorg 1 and the lower floor of NK

Stockholm have now been concluded. In the immediate future there will only be minor development projects and necessary maintenance projects. Project operations will instead be directed at the adaptation of premises to a varying extent as the demand for office space is gradually increasing.

Hufvudstaden will make an even greater effort to offer its tenants a high level of service and quality. One of the most important tasks for the Group in the future will be to bring down the volume of vacant space as cost-effectively as possible. New leases and renegotiations are a high priority. The focus will also be on continuing to improve cost efficiency in all operating areas. Strategic acquisition or disposal of individual properties cannot be excluded.

Despite an uncertain rental market I am optimistic about the future. With its well developed property holdings, its focus on service and quality and not least its skilled, knowledgeable employees, Hufvudstaden is in an ideal position to continue to be one of Sweden's leading property companies in the future.

Stockholm, February 2004

A blue ink signature of Ivo Stopner, written in a cursive style.

Ivo Stopner
President



Normalmstorg/Biblioteksgatan/Hamngatan, Stockholm



Norrmalmstorg acquired its name in 1853 and it has become a pleasant meeting point for many people. Previously it was called Packartorget and was the scene of considerably less pleasant events. At the end of the 18th century it was the site for public executions and floggings, watched by the citizens of the city.



Business concept, objectives and strategies

Vision

Hufvudstaden should always be seen as the most attractive property company in Sweden.

Business concept

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

Financial objectives

- The property index (CREX) with a returned dividend will be exceeded.
- The share dividend will account for more than half the net profit from current operations.
- The adjusted equity ratio will be at least 40 per cent over time.
- The share liquidity will be high.

Operating objectives

- Hufvudstaden will gradually increase its profit from current operations.
- Hufvudstaden will have the most satisfied customers in the industry.
- Hufvudstaden will have the most developed property portfolio in the industry.
- Hufvudstaden will have the most professional personnel in the business and they will display a passion for the customer as well as business acumen and professional know-how.

Strategies to achieve the above objectives

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

Quality. Hufvudstaden will have quality and environmental systems that ensure the highest possible level of quality in all the company's products and services.

Skills development. Hufvudstaden will systematically ensure that its personnel can develop their skills, with a focus on professional know-how and attitudes.

Business development. Hufvudstaden will create added value in its property holdings through active business development.

Fulfilment of objectives

Financial objectives

- CREX has not been exceeded.
- According to a proposal by the Board, the share dividend will be 80 per cent of the net profit from current operations.
- The adjusted equity ratio exceeded 40 per cent at the end of 2003.
- Share liquidity in relation to CREX was below the average.

Operating objectives

- Hufvudstaden's profit from current operations during the year remained unchanged compared with the previous year.
- Hufvudstaden came joint first in the Fastighetsbarometern Customer Satisfaction Survey.
- Hufvudstaden is working steadfastly to develop its property holdings. Several projects were carried out during the year.
- The skills development programme, which is aimed at individual adaptation of each employee's development, continued during the year.

Five-year summary

Income statements					
SEK m	2003	2002	2001 ⁽¹⁾	2000 ⁽¹⁾	1999 ⁽¹⁾
<i>Net revenue</i>					
Property management	1,278	1,236	1,135	1,050	866
Other operations	83	112	125	95	79
	1,361	1,348	1,260	1,145	945
<i>Operating expenses</i>					
Maintenance, operation and administration	-376	-338	-347	-331	-255
Ground rents	-34	-33	-31	-38	-18
Property tax	-129	-129	-103	-91	-61
Depreciation	-101	-98	-92	-128	-128
Property management	-640	-598	-573	-588	-462
Other operations	-74	-97	-102	-73	-65
	-714	-695	-675	-661	-527
Gross profit	647	653	585	484	418
of which Property management	638	638	562	462	404
of which Other operations	9	15	23	22	14
Central administration	-29	-36	-32	-28	-33
Items affecting comparability	-	24	19	271	362
Operating profit	618	641	572	727	747
Financial income and expense	-187	-188	-191	-229	-170
Profit before tax	431	453	381	498	577
Tax	-61	-116	102	-129	-53
Profit for the year	370	337	483	369	524
Balance sheets					
<i>Assets</i>					
Properties	10,612	10,566	10,563	10,535	7,116
Other fixed assets	97	111	181	213	324
Current assets	223	275	247	363	136
Total assets	10,932	10,952	10,991	11,111	7,576
<i>Equity and liabilities</i>					
Equity	4,792	4,791	4,666	4,362	3,310
Interest-bearing liabilities	3,751	3,766	4,062	4,248	3,638
Other liabilities and allocations	2,389	2,395	2,263	2,501	628
Total equity and liabilities	10,932	10,952	10,991	11,111	7,576
Property holdings					
Tax assessment value, SEK m	12,431	12,001	9,554	8,357	5,736
Rentable floor space, 1,000 sq. m	438	436	435	430	429
Acquisition of properties, SEK m	-	-	-	2,720	82
Investments in properties, SEK m	135	101	123	134	66
Property sales, SEK m	-	-	3	676	813
Net operating profit, SEK per sq. m ⁽²⁾	1,687	1,687	1,504	1,373	1,239
Key ratios					
Gross margin, %	47.6	48.4	46.4	42.3	44.3
Return on equity, %	7.7	7.1	10.7	9.6	16.8
Return on capital employed, %	7.4	7.6	6.9	9.6	10.5
Interest coverage, multiple	3.2	3.2	2.8	3.0	3.9
Reported equity ratio, %	43.8	43.7	42.4	39.3	43.7
Debt/equity, multiple	0.7	0.8	0.8	0.9	1.1
Mortgage ratio, properties, %	35.3	35.6	38.5	40.3	51.1
Cash flow from current operations, SEK m	536.7	540.0	376.6	331.6	425.6
Cash flow for the year, SEK m	25.9	-1.6	-87.5	150.9	-1.0
Rental vacancy level, %	8.1	9.3	3.9	1.9	3.7
Floor space vacancy level, %	8.7	9.2	3.9	2.6	4.1
Average number of employees in the Group	123	133	141	108	127
Share data					
Profit for the year, SEK	1.78	1.60	2.29	1.96	2.86
Dividend, SEK	1.20	1.10	1.00	0.85	0.78
Dividend proportion, %	67.4	68.9	43.7	43.4	27.4
Equity, SEK	23.23	22.68	22.08	20.65	18.07
Book value of properties, SEK	51.45	50.01	50.00	49.86	38.86
Cash flow from current operations, SEK	2.58	2.56	1.78	1.88	2.33
Cash flow for the year, SEK	0.12	-0.01	-0.41	0.86	-0.01
Share price, Series A, at the year-end, SEK	34.70	27.00	26.30	31.00	27.23
P/E ratio, multiple	19.5	16.9	11.5	15.8	9.5
Share price/equity, %	153.0	120.4	118.6	150.1	150.7
Direct yield, %	3.5	4.1	3.8	2.7	2.9
Number of outstanding shares at year-end	206,265,933	211,271,933	211,271,933	211,271,933	169,017,547
Average number of outstanding shares during the year	208,268,333	211,271,933	211,271,933	173,879,696	169,017,547
Number of issued shares at year-end	211,271,333	211,271,933	211,271,933	211,271,933	169,017,547

(1) Hufvudstaden changed accounting principles in 2001. The comparative figures for 2000 have been recomputed in accordance with RR5, Reporting of a change in accounting principles. The figures for 1999 have not been recomputed.

(2) The calculation was based on the number of square metres at the year-end.

Definitions, see page 76.

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 2003, the share capital amounted to SEK 1,056.4 million. The nominal value of each share is SEK 5.

authorized to buy back up to 10 per cent of issued shares. During the year, 5,006,000 Series A shares, equivalent to 2.4 per cent of the total number of issued shares, were bought back at an average price of SEK 27.30.

Ownership structure

The number of shareholders at the year-end was 22,691. The largest shareholder was L E Lundbergföretagen with 44.2 per cent of the capital and 87.6 per cent of the votes.

Change in share capital							
	Increase in share capital, SEK m	Share capital, SEK m	Nominal value, SEK	Series A, shares	Company holdings Series A	Series C, shares	Total number of registered shares
1995 Brought forward		632.6	5.00	121,183,661		5,333,310	126,516,971
1995 Conversion of subordinated loan		632.6	5.00	121,183,766		5,333,310	126,517,076
1996 Conversion of subordinated loan	36.2	668.8	5.00	128,422,078		5,333,310	133,755,388
1997 Bonus issue, split 3:1, share capital reduced through share redemption		668.8	5.00	128,442,078		5,333,310	133,755,388
1998 Non-cash issue	176.3	845.1	5.00	162,374,605		6,642,942	169,017,547
2000 New issue 1:4	211.3	1,056.4	5.00	202,968,256		8,303,677	211,271,933
2001 Conversion of C-shares		1,056.4	5.00	202,995,964		8,275,969	211,271,933
2002 Conversion of C-shares		1,056.4	5.00	202,996,109		8,275,824	211,271,933
2003 Conversion of C-shares		1,056.4	5.00	202,996,119		8,275,814	211,271,933
2003 Buy-back of Company shares		1,056.4	5.00	197,990,119	5,006,000	8,275,814	211,271,933

Share classes

Hufvudstaden has two share classes, Series A and Series C. Both classes are listed on the Stockholm Stock Exchange A list. Series A shares carry one vote per share and the trading lot is 500 shares. Series C shares carry 100 votes per share and the trading lot is 500 shares.

Series A shares were first listed on the Stockholm Stock Exchange in 1938, whilst Series C shares were first listed in 1998.

According to a decision taken at the Annual General Meeting in 2001, a so-called conversion reservation has been included in the Articles of Association. This means that holders of Series C shares, if they wish, are entitled to request conversion of their Series C shares into Series A shares. During the year 10 Series C shares were converted in this way.

Outstanding shares

At the end of the year the total number of outstanding shares was 206,265,933 of which 197,990,119 were Series A shares and 8,275,814 were Series C shares. In addition, Hufvudstaden held 5,006,000 Series A shares.

At the 2003 Annual General Meeting the Board was

SEB Trygg Liv's shareholding amounted to 11.5 per cent of the capital and 2.4 per cent of the votes and Livförsäkringsaktiebolaget Skandia's shareholding amounted to 8.1 per cent of the capital and 1.7 per cent of the votes.

As of December 31, 2003, institutions with holdings of over 100,000 shares held a total of 183,326,334 shares, equivalent to 86.8 per cent of the total number of shares and 96.4 per cent of the votes. Of these, 50 were Swedish institutions, which together held a total of 176,372,554 shares, equivalent to 83.5 per cent of the capital and 95.7 per cent of the votes. There were 12 foreign institutions with holdings

The ten largest property companies	
December 31, 2003	Market value, SEK m
Drott	12,181
Hufvudstaden	7,331
Castellum	7,289
Wihlborg	5,743
Tornet	5,273
Kungsleden	3,659
Pandox	2,689
Wallenstam	2,487
LjungbergGruppen	1,606
Heba	1,293

Source: SIX.

of over 100,000 shares. Their holdings amounted to 6,953,780 shares, equivalent to 3.3 per cent of the shares and 0.7 per cent of the votes. In addition, five Swedish private individuals and one foreign private individual held more than 100,000 shares.

During the year, the number of shareholders increased by 200. The proportion of foreign ownership rose during the year from 3.2 to 3.4 per cent of the capital. As of the year-end, 19,663 shareholders, 86.6 per cent of the total number of shareholders, held 1,000 shares or less. Sixty-nine shareholders, each of whom held more than 100,000 shares, held 88.9 per cent of the capital.

Market capitalization

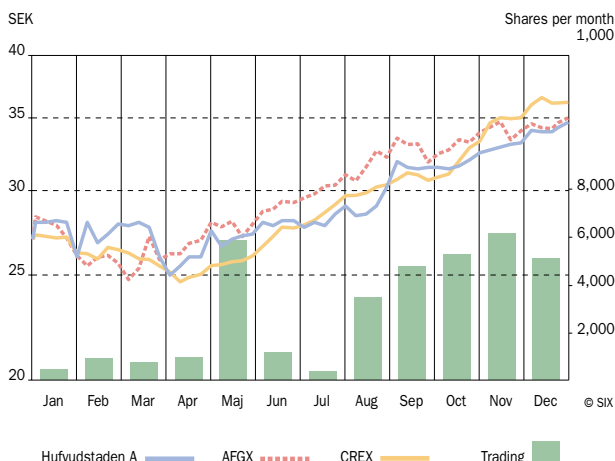
At the end of 2003, Hufvudstaden's total market value was SEK 7,331.1 million. The graph to the right shows the price trend and trading in Hufvudstaden's Series A shares during the year.

Dividend policy

Hufvudstaden aims to pay out more than half the net profit from current operations as a dividend unless investments or the Company's financial position generally justify a deviation. A dividend of SEK 1.20 per share is proposed for 2003, equivalent to 67 per cent of the profit for the year or 80 per cent of net profit from current operations.⁽¹⁾

⁽¹⁾ See Definitions, page 76, Dividend amount.

The above graph shows the share price trend from January 2003 in relation to the Carnegie Real Estate Index (CREX) and the Affärsvärlden General index (AFGX)



Ownership structure as of December 31, 2003 according to VPC

		Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %
1–	500	17,004	74.9	2,316,026	1.1
501–	1,000	2,659	11.7	1,944,486	0.9
1,001–	2,000	1,549	6.8	2,232,431	1.1
2,001–	5,000	879	3.9	2,847,490	1.3
5,001–	10,000	259	1.1	1,929,174	0.9
10,001–	20,000	158	0.7	2,339,995	1.1
20,001–	50,000	81	0.4	2,481,374	1.2
50,001–	100,000	33	0.2	2,376,035	1.1
100,001–		69	0.3	187,798,922	88.9
		22,691	100.0	206,265,933	97.6
Hufvudstaden				5,006,000	2.4
Total				211,271,933	100.0

The largest shareholders as of December 31, 2003 according to VPC

	Series A shares	Series C shares	Total number of issued shares	Outstanding shares, % Capital	Outstanding shares, % Votes	Issued shares, % Capital	Issued shares, % Votes
L E Lundbergföretagen	85,141,229	8,177,680	93,318,909	45.2	88.0	44.2	87.6
SEB Trygg Liv	24,353,157		24,353,157	11.8	2.4	11.5	2.4
Skandia Liv	17,079,746		17,079,746	8.3	1.7	8.1	1.7
SE-Banken Fonder	5,197,000		5,197,000	2.5	0.5	2.5	0.5
Försäkringsbolaget Pensionsgaranti	4,612,875		4,612,875	2.2	0.4	2.2	0.5
SPP Livförsäkring	4,517,500		4,517,500	2.2	0.4	2.1	0.4
Alecta	3,719,472		3,719,472	1.8	0.4	1.8	0.4
Robur	3,630,829		3,630,829	1.8	0.4	1.7	0.3
Boston Safe Deposit and Trust Co.	2,626,439		2,626,439	1.3	0.3	1.2	0.2
Stefan Persson and companies	2,450,000		2,450,000	1.2	0.2	1.2	0.2
KK-stiftelsen	2,000,000		2,000,000	1.0	0.2	0.9	0.2
Other shareholders	42,661,872	98,134	42,760,006	20.7	5.1	20.2	5.1
Outstanding shares	197,990,119	8,275,814	206,265,933	100.0	100.0	97.6	99.5
Hufvudstaden	5,006,000		5,006,000			2.4	0.5
Total number of issued shares	202,996,119	8,275,814	211,271,933	100.0	100.0	100.0	100.0



Kungsgatan/Sveavägen, Stockholm



The area around this junction offers examples of impressive architecture. The Concert Hall and Hötorget on one side and Centrumhuset on the other. Centrumhuset is built in a unique style – ‘brick functional’– and has become a landmark in the urban environment of Stockholm.

Market description

Hufvudstaden's markets are central Stockholm and central 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 is concentrated in the city regions, where Stockholm previously occupied a unique position. During 2003 Stockholm had a poorer rate of economic growth than Gothenburg, where the situation is more stable than the rest of the country despite a general weakening in the economy.

Expanding regions

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 area has for a long time been the driving force in the country's economy and has been one of the most expansive regions in Europe. No other region in Sweden can be compared with Stockholm with regard to rents and rent trends for commercial property. Stockholm has been placed top of the list of European cities with growth potential. The recession, however, has hit the Stockholm area badly, due mainly to the region's industrial infrastructure with its high proportion of IT, telecom, finance and service companies. The gross regional product trend for Stockholm revealed zero growth in 2003. The number of people employed fell in the county of Stockholm in 2003 whilst in western Sweden the number rose. The unemployment rate in Stockholm still remains the lowest in Sweden.

A region's size is of major significance to its economic growth and Stockholm must be deemed to be the only European city in Sweden. Stockholm normally accounts for a large proportion of the growth in Sweden and it has twenty per cent of the country's population. In 2003, the three city regions accounted for ninety per cent of the increase in the Swedish population. Gothenburg has developed positively despite the recession and the importance of the Gothenburg region is of increasing importance to the development of western Sweden. Some fifty per cent of the industrial capacity of Scandinavia is to be found within a radius of 300 kilometres and there is a substantial international presence. The number of foreign-owned companies has increased from 450 to almost 900 in just a few years. The Gothenburg region has a well-developed infrastructure, the

population is increasing more quickly and unemployment is lower than in Sweden as a whole. The largest companies (in terms of number of employees) are the Volvo Car Corporation, the Volvo Truck Corporation, Ericsson, Astra Zeneca, SKF, SCA, EKA, the Lear Corporation and SAS.

The property market

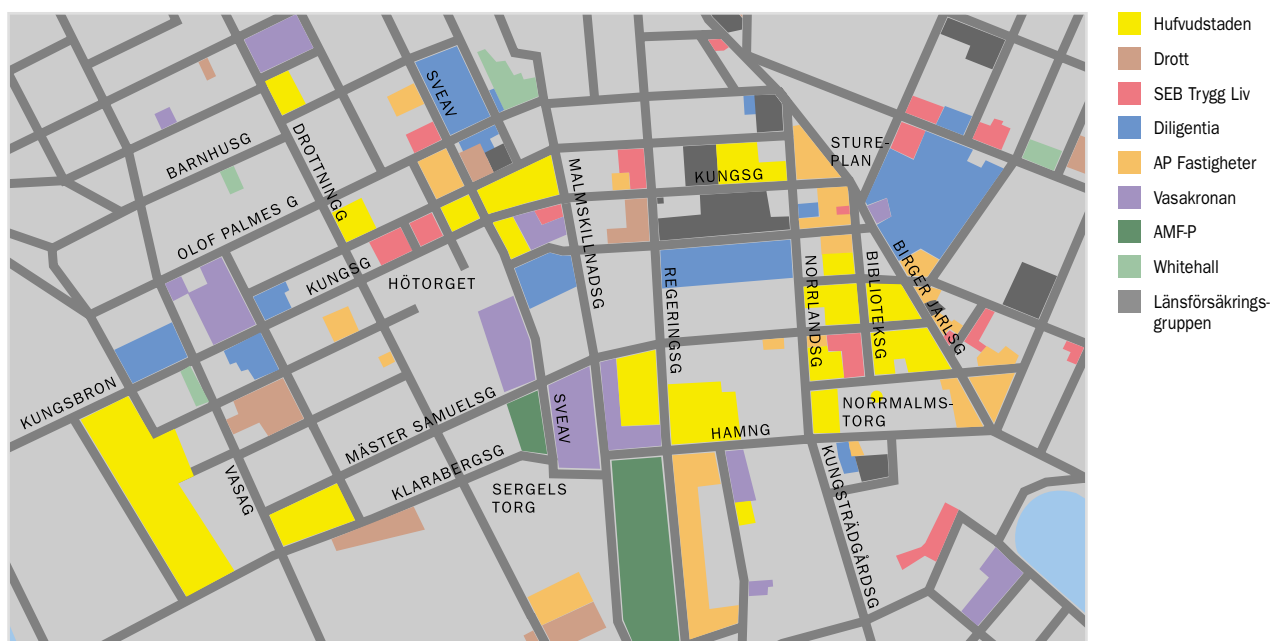
The operating net trend and direct yield requirements are vitally important to the property market. Property acquisitions made during the year in the most central parts of Stockholm and Gothenburg demonstrated that direct yield requirements have remained stable. The direct yield requirements for modern office and retailing properties in these locations was 6 to 7 per cent in Stockholm and 6.5 to 7.5 per cent in Gothenburg. The availability of commercial property was considerable during the year. Foreign purchasers are showing a greater interest in the Swedish property market. During the year foreign players invested over SEK 65 billion in Swedish properties. The liquidity, low transaction costs and a transparent market make the Swedish property market attractive, quite apart from the anticipated positive economic development in Sweden.

Investments in office and retailing premises

Stockholm has around 13 million square metres of non-residential premises. Investment in office projects during the year amounted to around 240,000 square metres. The addition of new premises currently exceeds the demand for modern, well-situated offices. The need for new premises has fallen considerably although it is still estimated at around 200,000 square metres per year.

Major projects in the city include Jericho and Kungstrappan on Regeringsgatan, Glashuset at Stadsgårdskajen and the old post office on Vasagatan. Several current projects can also be mentioned – 34,000 square metres at Frihamnen, where the tenants will include OM. At Fatburen in Södermalm, 46,000 square metres of office space are being produced for, among others, the Tax Authority. However, several major projects in central Stockholm and directly outside the central 'Tull' areas still remain vacant, mainly in Kista, Bergshamra, Liljeholmen and Frösunda.

In Gothenburg there are six million square metres of office and retailing space, of which 4.7 million square metres are offices. Several major construction projects were completed during 2003, resulting in a rise in the level of vacant space. These include Navet at Norra Älvstranden,



Major property owners in central Stockholm.

Source: Leimdörfer.

Centralhuset and the old Bank of Sweden building. In central Gothenburg there are few new projects in progress. In Gårda, construction is taking place of 10,000 square metres of office space and on the Odin block construction of 10,000 square metres commenced in autumn 2003. At Lindholmen/Norra Älvstranden extensive expansion is planned in the next few years. The area will be adapted mainly to companies within research and the automotive, media and telecom industries.

Rental market in Stockholm

The level of vacant office space in Stockholm rose during the year, mainly due to a fall in demand for office space in both peripheral and central areas. The demand for prime location retailing premises, however, was stable. The transfer amounts for store premises have fallen. The result was a weaker rental market with a levelling out of store rents and falling office rents.

Offices

The demand for office space is primarily for central locations in the Tull areas and the immediately surrounding suburbs, close to the Tull areas and public transport. The demand is changing increasingly from traditional cell offices to efficient combi-offices or open landscapes, where the cost per employee can be reduced and in-house contact improved. Market rents for modern offices fell during the year. Despite

this, rents of SEK 3,000–4,000 per square metre per year, excluding the property tax supplement, were noted within the Golden Triangle. In adjoining areas – at Stureplan, Hötorget, Drottninggatan, Hamngatan, Regeringsgatan, Vasagatan and the World Trade Center – offices were leased for between SEK 2,500 and 3,500 per square metre per year, excluding the property tax supplement.

The level of vacant space rose during the year to between 10 and 15 per cent (6 to 8 per cent the previous year) in the inner city and between 15 and 25 per cent (8 to 15 per cent the previous year) in the 'Malm' areas and in neighbouring suburbs, such as Kista, Liljeholmen, Alvik, Värtahamnen and Nacka Strand.

Stores

There was a strong demand during the year for store premises in prime locations although such premises were generally not available. The strong demand can be attributed to the increased purchasing power of households. The most sought-after retailing areas are in the Golden Triangle and at Norrmalmstorg, Hamngatan, Stureplan, Kungsgatan, Drottninggatan and parts of Grev Turegatan. Biblioteksgatan in the Golden Triangle, the NK department store and Hamngatan have assumed the position of being the most exclusive store locations. The rent for prime retailing space is between SEK 10,000 and 12,000 per square metre per year, excluding the property tax supplement.

Rental market in Gothenburg

The rental market for office space in central Gothenburg is marked by a slight increase in vacant space although rental levels have been stable. Gothenburg has further reinforced its position as the most interesting market in Sweden after Stockholm. In the office sector there is considerable interest in finding modern, efficient, centrally-located premises despite the fact that demand for pure office premises in the region as a whole has fallen during the year.

Offices

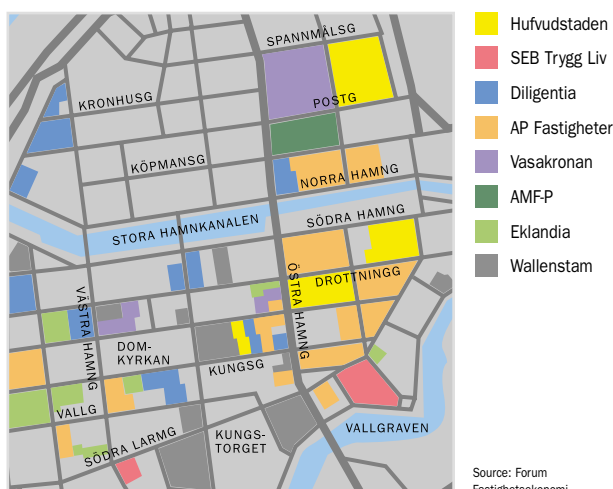
The rent trend in the central parts of Gothenburg has been stable although there has been a tendency towards a slight fall in rents. The trend, however, is slightly uncertain, due largely to the fact that vacant space is already in excess of 8 per cent and large new construction projects have been completed in the central areas of the city. Further major office projects could become a reality if the level of vacant space were to fall and the rent levels were to rise or remain at their present level. New construction of office premises is planned over the next few years at a cost of SEK 5 billion. In the most attractive locations, market rents are between SEK 1,600 and SEK 1,800 per square metre per year, excluding the property tax supplement. Prime positions for offices in central Gothenburg are considered to be the Inom Vallgraven areas, particularly the areas near the Hamngatans, as well as Nordstan, Kungssportsavenyn and Gullbergsvass. Vacant space levels in the central areas of Gothenburg remained generally unchanged during the year at between 7 and 9 per cent (5–6 per cent the previous year).

Stores

Rents for stores in prime locations remained unchanged during the year. In Nordstan rents of between SEK 5,000 and SEK 8,500 per square metre were noted, excluding the property tax supplement. Trade increased during the year. The availability of vacant retailing space was very limited – the estimate is less than 1 per cent – while demand was high. 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 trade. Prime positions for stores in central Gothenburg are considered to be Nordstan, Fredsgatan and Kungsgatan between Fredsgatan and Västra Hamngatan.

Market rents, December 2003, Stockholm and Gothenburg (excluding the property tax supplement)

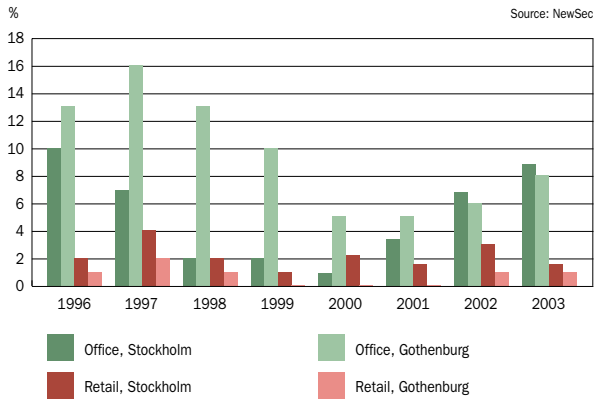
Sub-market	Offices, SEK/sq. m./year	Stores, SEK/sq. m./year
<i>Stockholm</i>		
Golden Triangle	3,000 – 4,000	7,500 – 12,000
Other city areas	2,500 – 3,500	3,500 – 10,000
Östermalm	2,000 – 2,800	3,000 – 8,500
Gamla Stan	1,600 – 2,300	2,500 – 5,000
Slussen/Södermalm	1,400 – 2,100	2,500 – 4,000
Kungsholmen	1,400 – 2,000	2,000 – 4,500
Liljeholmen	1,200 – 1,800	1,200 – 2,000
Globen	1,400 – 1,900	3,500 – 4,500
Kista	1,100 – 1,700	3,500 – 5,000
<i>Gothenburg</i>		
Central Gothenburg	1,600 – 1,800	5,000 – 8,500



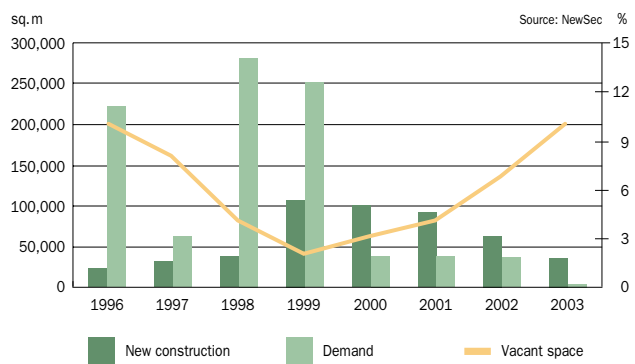
Source: Forum Fastighetsekonomi.

Major property owners in central Gothenburg.

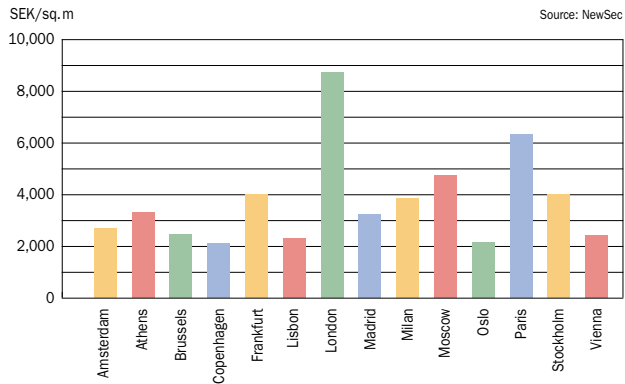
Vacant office and retailing space
Central Stockholm and Central Gothenburg



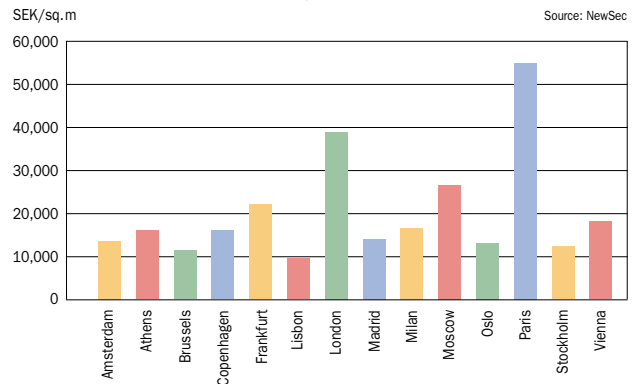
New construction, demand and vacant space,
office premises Central Stockholm



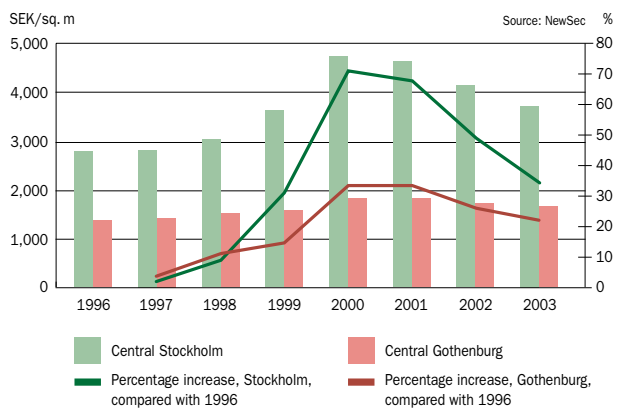
Office rents in European cities
Prime location premises, December 2003



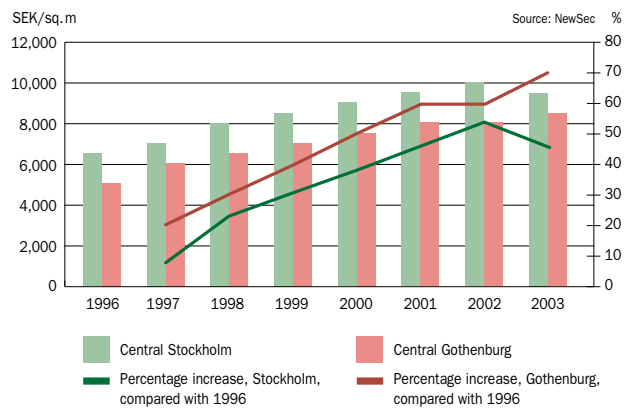
Store rents in European cities
Prime location premises, December 2003



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



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



Stockholm City East Business Area

Property holdings

The Stockholm City East Business Area covers properties in the area east of Sveavägen, the so-called Golden Triangle and the properties in Gamla Stan and Södermalm. At the year-end, the Business Area consisted of 19 properties (19). The properties had a book value of SEK 4,376.9 million (4,299.7). The rentable space was 116,585 square metres (115,854). The rental vacancy level was 10.8 per cent (13.4) and the floor space vacancy level was 13.3 per cent (14.8). Excluding the project property Norrmalmstorg 1, the rental vacancy level was 8.9 per cent and the floor space vacancy level was 11.1 per cent. The property holdings are almost entirely commercial and comprise mainly office and retailing properties.

Gross profit

The gross profit for the Stockholm City East Business Area was SEK 137.9 million (186.1), a fall of 25.9 per cent. Excluding special projects, the gross profit amounted to SEK 233.0 million (240.9), a fall of 3.3 per cent. The net revenue was SEK 359.6 million (365.5), a fall of 1.6 per cent. Costs amounted to SEK 221.7 million (179.4). Special projects accounted for SEK 95.1 million (54.8) of the costs.

New leases were signed totalling 4,294 square metres (11,361), equivalent to annual rent revenue of SEK 14.4 million (46.5). Renegotiated lease agreements totalled 17,137 square metres (33,161), equivalent to annual rent revenue of SEK 56.1 million (129.7).

Development of holdings

The development project at the Norrmalmstorg 1 property continued during the year. The project comprised office

refurbishment, with Danske Bank as a main tenant, and store refurbishment with Zara as a main tenant. The project was to a large extent completed by the turn of the year 2003/2004.

Rental market

The rental market for office space within the Business Area was marked during the year by a low level of demand and increased availability, resulting in a decrease in market rents.

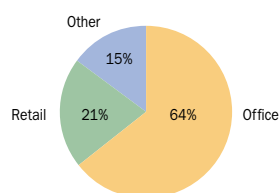
The market rents for office premises in the most attractive locations were between SEK 3,000 and SEK 4,000 per square metre per year, excluding the property tax supplement.

The rental market for retailing premises was stable and the market rents for prime locations were between SEK 10,000 and SEK 12,000 per square metre per year, excluding the property tax supplement.

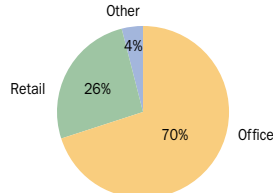
Tenants

The 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, law firms and consultants within recruitment, management and the media. In total, there are 302 tenants within the Business Area, consisting of 94 offices, 84 shops, 1 cinema, 9 restaurants and 114 storage and miscellaneous premises. The ten largest tenants lease 37,866 square metres (34,190), representing annual rent revenue of SEK 178.5 million (137.4).

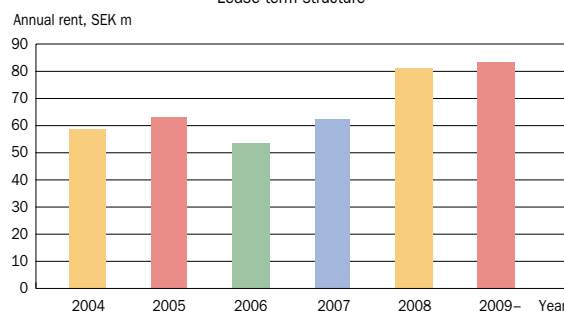
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure



Stockholm City West Business Area

Property holdings

The Stockholm City West Business Area covers properties in the area west of Sveavägen. At the year-end, the Business Area consisted of eight properties (8). The properties had a book value of SEK 3,321.5 million (3,345.4). The rentable space was 172,735 square metres (172,619). The rental vacancy level was 9.6 per cent (10.5) and the floor space vacancy level was 10.0 per cent (9.5). The property holdings are almost entirely commercial and comprise mainly office and retailing properties.

Gross profit

The gross profit for the Stockholm City West Business Area was SEK 290.2 million (286.4), an increase of 1.3 per cent. The net revenue was SEK 477.8 million (468.0), an increase of 2.1 per cent. Costs amounted to SEK 187.6 million (181.6).

New leases were signed totalling 6,817 square metres (4,574), equivalent to annual rent revenue of SEK 19.2 million (16.7). Renegotiated lease agreements totalled 12,502 square metres (12,265), equivalent to annual rent revenue of SEK 38.9 million (43.7).

Development of holdings

Refurbishment and adaptation of premises totalling 6,000 square metres was completed during the year on behalf of new and existing tenants. This included around 1,200 square metres for the Stockholm Heart Center.

Rental market

The rental market for office space within the Business Area was marked during the year by a fall in demand and increased availability, resulting in a decrease in market rents.

The market rents for office premises in the most attractive locations during the year were between SEK 2,500 and SEK 3,500 per square metre per year, excluding the property tax supplement.

The rental market for retailing premises was stable. The market rents for prime locations were between SEK 6,000 and SEK 8,000 per square metre per year, excluding the property tax supplement.

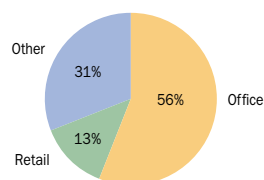
Tenants

The tenant structure within the Stockholm City West Business Area consists mainly of companies that value centrally located, high-quality premises. The dominant sectors are organisations, law firms, advertising agencies, computer and media companies and companies in the banking and finance sectors. In total, there are 306 tenants within the Business Area, consisting of 103 offices, 41 shops, 1 cinema, 5 restaurants and 156 storage and miscellaneous premises. The ten largest tenants lease 38,835 square metres (38,209), representing annual rent revenue of SEK 157.7 million (148.5).

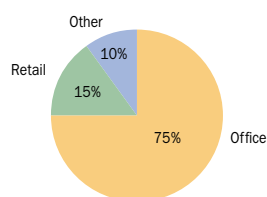
Other operations

The World Trade Center provides conference and restaurant facilities through a wholly owned subsidiary. Revenue from Other operations within the Stockholm City West Business Area amounted to SEK 28.8 million (42.7), costs amounted to SEK 28.8 million (43.2) and the operating profit was SEK 0.0 million (-0.5).

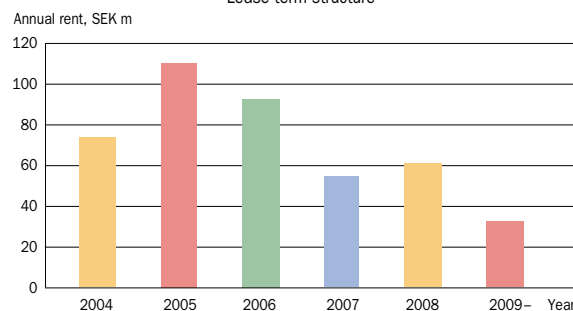
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure



NK Business Area

Property holdings

At the year-end, the NK Business Area consisted of the NK department stores in Stockholm and Gothenburg and the Parkaden AB parking company in Stockholm. The properties had a book value of SEK 2,094.2 million (2,103.2). The rentable space was 90,009 square metres (89,030). The rental vacancy level was 4.1 per cent (3.1) and the floor space vacancy level was 3.6 per cent (2.5).

The NK department store in Stockholm had 109 departments and seven restaurants and cafés. The rentable store space was 26,015 square metres (25,241). Sales amounted to SEK 1,623.5 million (1,627.1). Apart from the department store, the building also housed 11,775 square metres of office premises (11,778).

The NK Department store in Gothenburg had 43 departments as well as four restaurants and cafés. The rentable store space was 10,547 square metres (10,118). Sales amounted to SEK 398.7 million (396.4). Apart from the department store itself, the building also housed 5,322 square metres of office premises (5,543).

The Parkaden multi-storey car park in Stockholm had 800 parking spaces. The rentable floor space was 36,350 square metres (36,350).

Gross profit

The gross profit for the NK Business Area was SEK 127.8 million (87.3), an increase on the preceding year of 46.4 per cent. Excluding special projects, the profit increased by 19.3 per cent. Net revenue totalled SEK 307.6 million (279.7), an increase of 10.0 per cent. Of the net revenue, SEK 8.1 million (11.5) was in the form of a so-called turnover-based rent

supplement and SEK 25.3 million (24.4) was in the form of costs passed on for the operation of leased and communal areas. Costs totalled SEK 179.8 million (192.4), of which SEK 20.8 million (37.3) was for special projects, mainly the lower floor of NK Stockholm.

New leases for offices and stores were signed totalling 3,700 square metres (4,814), equivalent to annual rent revenue of SEK 14.9 million (26.7). Renegotiated leases totalled 5,422 square metres (13,062), equivalent to annual rent revenue of SEK 20.9 million (53.5).

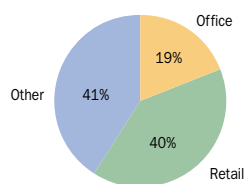
Development of holdings

During the year, NK Stockholm has been developed in several areas. The greatest change has been on the lower floor of NK Stockholm, where extensive refurbishment has taken place and new retailing space created. The NK Food Hall and several new and rebuilt departments were opened during the year.

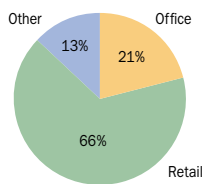
An agreement has been reached between the City of Stockholm and the property-owners concerned regarding the refurbishment of Sergelgången, the underground pedestrianized area between Sergels Torg and NK. Work commenced in autumn 2003 and is due to be completed in spring 2004.

Several departments at both NK Stockholm and NK Gothenburg carried out refurbishment work during the year and in doing so developed their business concept and competitiveness. New departments were opened during the year, with brand names such as Burberry, Svea, Dux and Bodum. The renewal process will continue during 2004.

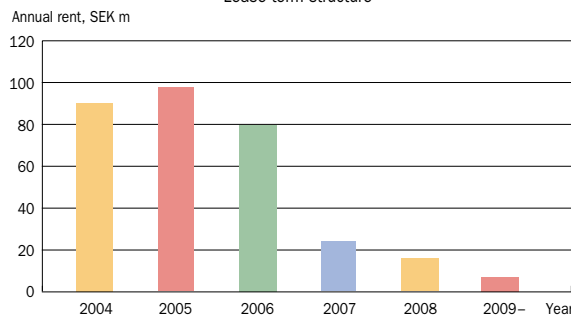
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure



Rental and retailing markets

The rental market for store premises continued to be good during the year. The NK department stores are in the very best positions in both Stockholm and Gothenburg.

Following renegotiation and new leases, agreements for prime retailing space were signed with rent levels of between SEK 10,000 and 13,000 per square metre per year, excluding the property tax supplement.

The retail trade in Sweden reported a good year. According to the Retail Survey Institute (DHI), sales at current prices increased within the non-daily products sector by 3.8 per cent. Ready-to-wear clothing sales increased by 2.9 per cent.

Tenants

The Business Area's tenants represent strong, well-known brands that place considerable emphasis on establishing operations in attractive marketplaces. Many of the strongest international and Swedish brands are represented at the

NK department stores. The office tenants include advertising agencies, international banks, management consultants, investment companies and law firms. In total, there are around 139 tenants within the Business Area, consisting of 11 offices, 102 shops, 10 restaurants and 16 storage and miscellaneous tenants. The ten largest customers rent 17.172 square metres (17.079), representing annual rent of SEK 98.4 million (92.8).

Other operations

The wholly owned subsidiary Parkaden AB runs parking operations in three properties owned by Hufvudstaden: Parkaden, which has 800 parking spaces, Continentalgaraget which has 430 spaces, and Roddaren, which has 115 spaces.

Income from Other operations within the NK Business Area totalled SEK 54.4 million (58.5). Costs were SEK 45.0 million (43.6). Operating profit amounted to SEK 9.4 million (14.9).

Gothenburg Business Area

Property holdings

At the year-end, the Gothenburg Business Area consisted of four properties (4). The properties had a book value of SEK 819.2 million (817.4). The rentable space was 58,665 square metres (58,758). The rental vacancy level was 2.6 per cent (5.3) and the floor space vacancy level 3.7 per cent (7.3).

The property holdings are entirely commercial and consist of four office and retailing buildings. The largest building houses the Femman shopping precinct, which is in turn part of the Nordstan shopping centre. Nordstan receives more than 30 million visitors each year. Hufvudstaden is the largest individual partner in the Östra Nordstaden Co-operative Association, which owns and manages the Nordstan Car Park as well as the square and pedestrianized streets.

Gross profit

The gross profit for the Gothenburg Business Area was SEK 81.7 million (78.2), an increase of 4.5 per cent. Net revenue totalled SEK 132.3 million (123.0), an increase of 7.6 per cent. Costs amounted to SEK 50.6 million (44.8).

New leases for offices and stores were signed totalling 2,095 square metres (2,921), equivalent to annual rent revenue of SEK 4.1 million (4.8). Renegotiated leases totalled 5,187 square metres (16,319), equivalent to annual rent revenue of SEK 13.0 million (25.7).

Development of holdings

Refurbishment of approximately 7,000 square metres of office space on behalf of the Customs Authority was completed during the year. Refurbishment of ground-floor public

areas in the Femman shopping precinct took place according to plan. Refurbishment of the lower floor is also planned for 2004.

The Victoria cinema on Kungsgatan is planned to be converted to retailing space during 2003.

Rental market

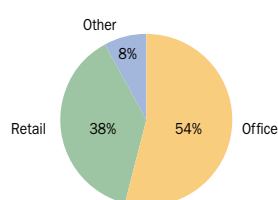
The rental market was stable during the year. Vacant office space increased slightly, although rent levels have not been affected to any great extent.

The market rent for office premises in prime locations was between SEK 1,600 and SEK 1,800 per square metre per year, excluding the property tax supplement, with top rents of SEK 2,000 per square metre per year in newly constructed properties. In the case of store rents, the market rent trend continued to be good. Depending on the size and location, prime location premises attracted rents of between SEK 5,000 and SEK 8,500 per square metre per year, excluding the property tax supplement.

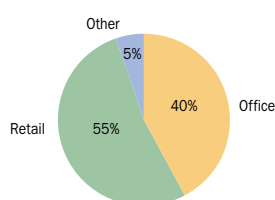
Tenants

The tenant structure within the Business Area consists mainly of companies that require centrally located, high-quality premises. The dominant sectors are law firms, accountants, the media, telecommunications companies, public authorities and organizations. In total, there are 121 tenants within the Business Area, consisting of 33 offices, 67 stores, 5 restaurants and 16 storage and miscellaneous premises. The ten largest tenants lease 28,633 square metres (27,246), representing annual rent revenue of SEK 51.5 million (50.3).

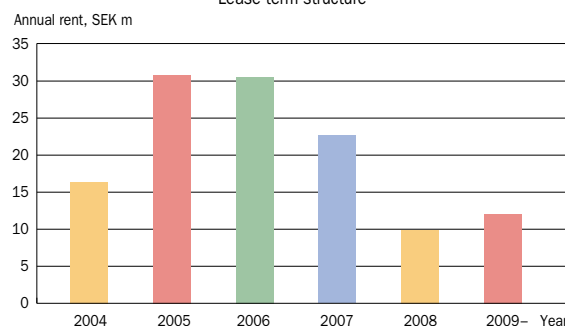
Rentable floor space by type of premises



Annual rent by type of premises



Lease term structure



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. Small changes and improvements are made regularly.

Development projects can be divided into redevelopment of and investment in existing properties and the development of existing and new building rights. This development results in the premises acquiring a higher technical standard and more efficient planning of the available floor space. The tenants have a better product and Hufvudstaden a better net operating profit in the long term.

Hufvudstaden had three major projects in progress during the year: the lower floor of NK Stockholm, NK Gothenburg and Norrmalmstorg 1. The lower floor of NK Stockholm and NK Gothenburg were completed during the year. The majority of the Norrmalmstorg 1 project was completed at the turn of the year 2003–2004. The remainder of the work will continue during the first half of 2004. Costs and investments for these three projects during the year totalled SEK 220.3 million, of which SEK 116.0 million has been taken up as an expense.

Apart from the major development projects, Hufvudstaden is working continuously to adapt premises to both new and existing tenants. The adaptation of premises is an integral part of operations and is aimed at maintaining the high quality of the premises by working closely with the tenants to adapt to new conditions. The adaptation process is under constant review to ensure cost efficiency and quality.

Norrmalmstorg 1

The profile property Norrmalmstorg 1 underwent extensive redevelopment and upgrading during the year. The redevelopment commenced in autumn 2002 and will continue during the first half of 2004. The majority of the investment was made in 2003. Most of the building has now been completed and rented out. Danske Bank, which is the largest office tenant in the building, will move in gradually during the first quarter of 2004.

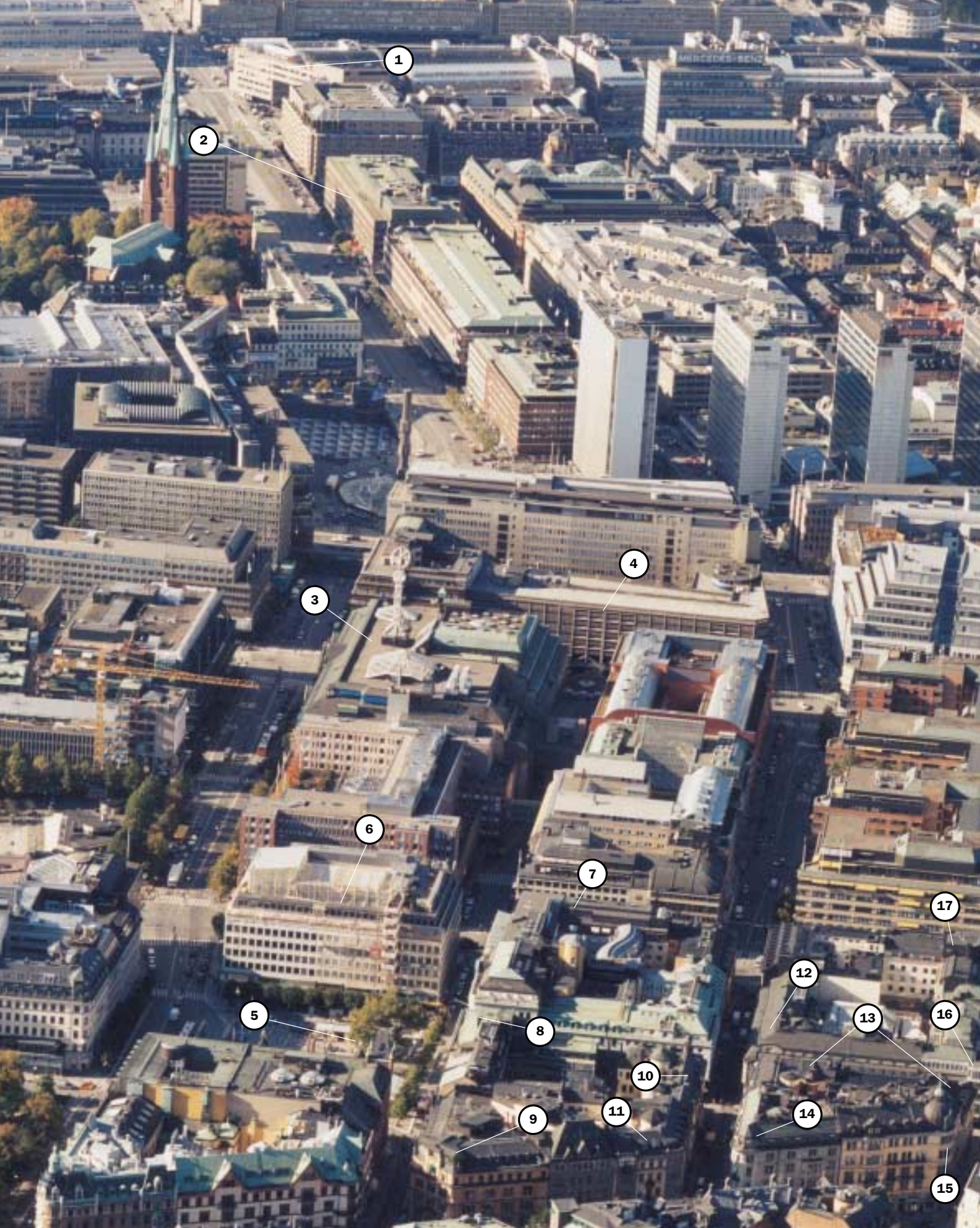
On the exterior, the marble facade has been washed and the shop facades have been renovated. The shops are on two floors and reinforce the shopping thoroughfare between Biblioteksgatan and NK Hamngatan. In September, the retail chain Zara opened its first Swedish outlet in the building.

NK Stockholm

The refurbishment of the lower floor of NK Stockholm was completed during 2003. The theme for the lower floor has been “Served to your taste”. Improved accessibility and a brighter interior have resulted in better store premises and an increased flow of customers. The NK Food Hall was opened during the summer with three culinary orientations: Italian, Swedish traditional and Japanese. The concluding part, which involved extending the facade out towards Sergelgången (formerly Hästskogången) was completed in time for the Christmas rush. The stationery department now has new, brighter premises near the entrance. Refurbishment of Sergelgången by the City of Stockholm was started in 2003 and is due to be completed in 2004. The walkway will have climate control and be given an indoor environment. Sergelgången runs from Sergels Torg to NK and Nordiska Kompaniet will be part of the association that will operate the walkway.

NK Gothenburg

The main entrance of NK Gothenburg has been improved, with large, glazed sections and a light, modern roof over the entrance. Moving the facade has resulted in a more open and inviting environment and extra floor space. Customers at Espresso House will be able to sit during the summer and look out through open windows directly onto Östra Hamngatan. Inside the department store various shops have been refurbished and moved to new locations. The final stage will be completed in spring 2004 in conjunction with the refurbishment of the perfume and cosmetics department and the refurbishment of the escalator leading to the lower floor. When the final stage has been completed the department store will have better accessibility and a clearer structure.

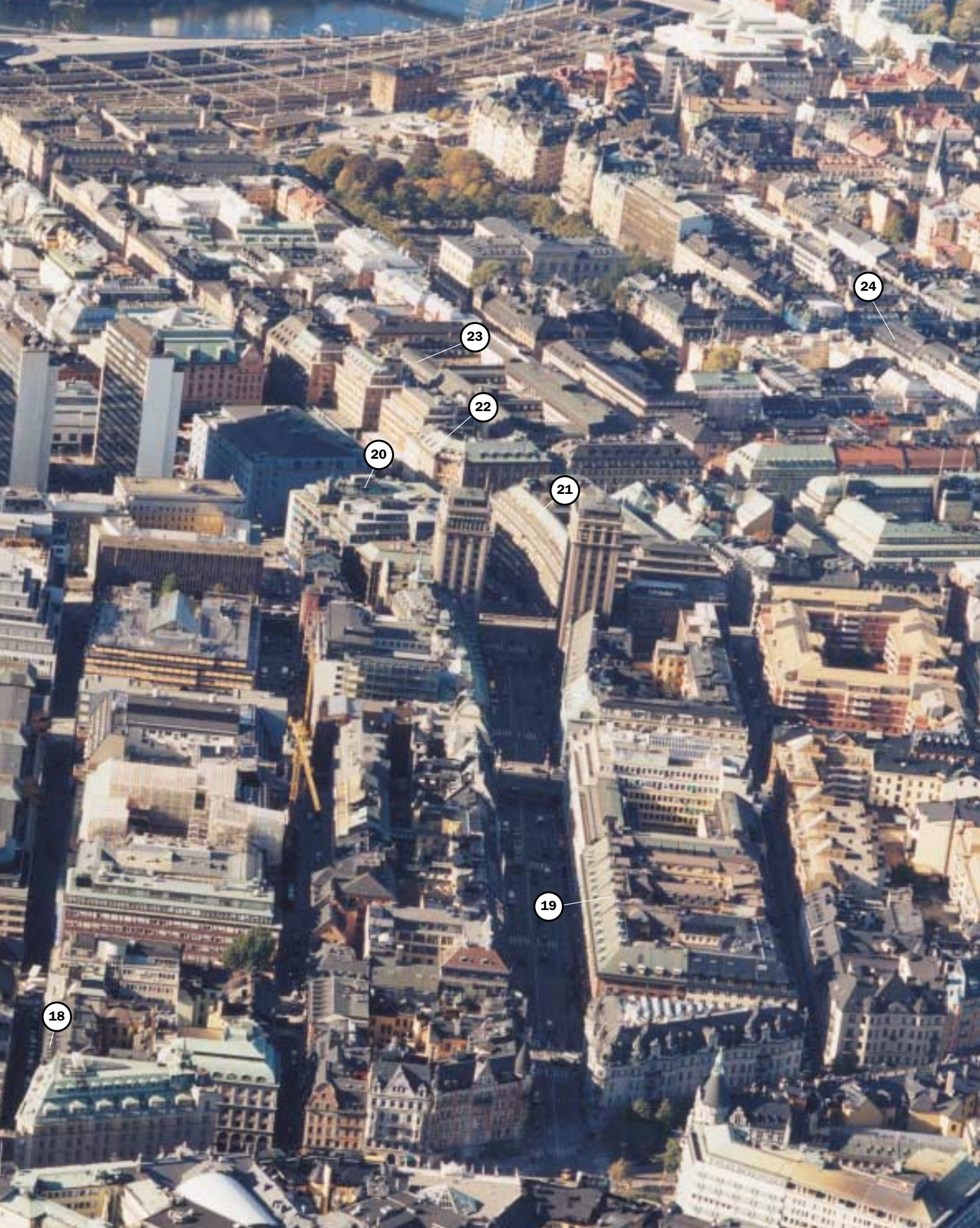


1. World Trade Center, Terminalen 1
2. Orgelpipan 7
3. NK Stockholm, Hästen 19

4. Parkaden, Hästskon 10
5. Palmhuset, Norrmalm 2:62
6. Norrmalmstorg 1, Packarhuset 4

7. Skären 9
8. Rännilen 19
9. Rännilen 18

10. Rännilen 11
11. Rännilen 8
12. Kvasten 6



13. Pumpstocken 11
14. Pumpstocken 10
15. Pumpstocken 12

16. Kvasten 9
17. Kvasten 2
18. Vildmannen 7

19. Kåkenhusen 39
20. Järnplåten 28
21. Oxhuvudet 18

22. Hästhuvudet 13
23. Svärdfisker 2
24. Grönlandet Södra 11

Property values and net asset value

Hufvudstaden has carried out an internal valuation of all the company's properties. The aim of the valuation is to calculate the value of the property holdings as of December 31, 2003. The valuation was carried out using the properties' earning capacity and the market's yield requirements as a starting point.

The market value of the property holdings as of December 31, 2003 was calculated at SEK 15.1 billion (15.3 as of March 31, 2003) and the book value at SEK 10.6 billion (10.6 as of March 31, 2003).

Valuation method

Valuation of the property holdings was done by assessing each individual property's market value. The value assessment took place on the basis of a yield valuation.

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

The yield requirements used in the valuation vary between regions and between sub-areas within the regions. Consideration has also been given to different property types, the technical standard and the building design. In the case of leasehold properties, the yield requirements has been increased by 0.5 percentage points.

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

Stockholm, commercial	6.0–7.0 per cent
Stockholm, commercial/residential	5.0–5.3 per cent
Gothenburg, commercial	6.5–7.0 per cent
Property holdings, average	6.4 per cent

External valuation

To guarantee the valuation, external valuations have been made by two valuation companies, DTZ Värderingshuset AB and FS Fastighetsstrategi AB. The external valuations cover eight properties and are equivalent to 26 per cent of the internally assessed market value. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standards and construction standards. The properties that have been valued externally are Achilles 1, Orgelpipan 7, Oxhuvudet 18, Roddaren 58, Schönborg 6, Skären 9 and Svärdfisken 2 in Stockholm and Inom Vallgraven 10:9 in Gothenburg (NK Gothenburg).

The external valuation companies have stated a market value of SEK 4.0 billion within a value range of +/- 2–8 per cent. Hufvudstaden's internal valuation of the same properties was SEK 3.9 billion. The internal valuations are 3.0 per cent below the external valuations. When making a comparison between an internal and an external valuation it can be noted that Hufvudstaden's valuation is in the value range stated by the external valuation companies.

Net asset value

The assessed market value of the property holdings as of December 31, 2003 was SEK 15.1 billion. Based on the above property value, the net asset value (NAV) is SEK 8.8 billion or SEK 43 per share after tax. When calculating the NAV, consideration has been given to the buy-back of shares and a tax effect of ten per cent. The effect of deferred tax has been estimated in the light of the change in tax legislation at mid-year 2003.

Property values and NAV, December 31, 2003

SEK billion	Book value	Market value	Surplus value
Stockholm	9.5	13.3	3.8
Gothenburg	1.1	1.8	0.7
Total	10.6	15.1	4.5
Deferred tax, 10 per cent			-0.5
Reported equity			4.8
NAV			8.8
NAV per share, SEK			43

Sensitivity analysis, property valuation

	Change +/-	Value impact +/-
Rental income	SEK 100/sq. m	SEK 680 million
Property expenses	SEK 50/sq. m	SEK 340 million
Rental vacancy level	1.0 per cent	SEK 220 million
Yield requirement	0.5 per cent	SEK 1,300 million

Group brand names

Brand names have become a valuable asset. The value of a brand name consists of its positioning on the market and how well known it is within different target groups.

The brand name should quickly identify and distinguish a company's services and products from those of other companies and should represent a unique product with a recognized image. The brand name is a form of warranty and facilitates the customer's choice.

A well-established brand name offers benefits in the form of brand name loyalty, increased market shares and income and improved profit margins.

Developments in the future will increase the significance of brand names and the Group's three strongest brand names – Hufvudstaden, NK and World Trade Center Stockholm – are thus a valuable asset.

Hufvudstaden

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

Nordiska Kompaniet, NK

NK is one of Sweden's strongest and most well-known brand names. It has reinforced and developed its value since 1902. The principle 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 income and raising the value of the properties.

The NK brand name has a very strong position among Swedish and international consumers. This success is founded on close co-operation between the property owner,

company owners and customers, where co-operation is cemented through the implementation of the property and marketing plans.

World Trade Center Stockholm

The World Trade Center brand name is known throughout the world and stands for centrally located, high-class office and conference facilities, with high-quality service in international trade. It is the symbol of credibility and quality. The strength of the brand name allows the World Trade Center in Stockholm to profile itself as an international, high-class workplace and meeting point. The World Trade Center concept gives the property in Stockholm a unique position on the rental market. Few other buildings in Stockholm can offer its tenants the same broad range of services.

Norrmalmstorg 1

Norrmalmstorg 1 is a unique profile building which, following complete refurbishment, has recaptured its glory and significance as a commercial landmark in the city of Stockholm. The property reinforces the retailing thoroughfare between Biblioteksgatan and Hamngatan/NK.

Parkaden

Parkaden, which runs parking operations at Hufvudstaden, is an important service function for tenants in Hufvudstaden's market areas and offers secure, easily accessible parking in prime locations.

Femmanhuset

The Femman shopping precinct in Gothenburg is located in Nordstan, the largest shopping centre in western Sweden. Femmanhuset has around sixty shops, which together offer a broad range of products in the clothing and non-daily commodities sectors.

HUFVUDSTADEN



norrmalmstorg 1





Terminalen 1, Stockholm



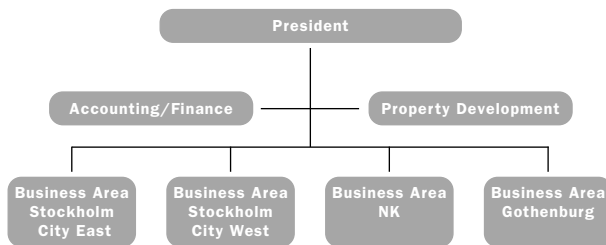
The World Trade Center in Stockholm offers its tenants a broad range of services and proximity to many different forms of communication. The building attracted considerable international attention when it was constructed during the period 1986–89.

Personnel and organization

Organization

Following a division into smaller business areas in autumn 2002, an organization that is closer to the tenants has been achieved.

Hufvudstaden's property management takes place using its own personnel, which makes considerable demands on the know-how and commitment of the employees to satisfy the needs and expectations of the tenants. The results from the annual Customer Satisfaction Survey in the property industry (Fastighetsbarometern), which put Hufvudstaden in joint first place, are the product of a conscious, long-term endeavour with a firm focus on the tenants.



Employees

Competent, motivated and committed employees are a prerequisite if the Company's vision and objectives are to be achieved. Hufvudstaden's aim is to facilitate the employees' development potential within the Group. When making appointments the expertise and development potential of existing employees should be utilized as far as possible. During the year 12 people were recruited, three in-house.

To create job satisfaction and involvement in the Company's development, it is important to maintain a dialogue with the employees. During employee appraisals the manager and employee discuss work contribution, fulfilment of objectives as well as training and development plans. Hufvudstaden has an individualized salary structure, which requires an ongoing dialogue and feedback between manager and employee.

Personnel surveys are run regularly with a focus on the physical and psychosocial work environment. The results from the survey are analysed and action plans are drawn up. Hufvudstaden works systematically and in the long-term with work environment issues, including ongoing in-house work environment training.

Key figures

	2003	2002
<i>Group</i>		
Average number of workers, calculated on a full-time basis	123	133
– of which women	66	70
– of which men	57	63
Average age	41	
– average age, women	39	
– average age, men	42	
Average period of employment	7.5 years	
Total absenteeism	7 per cent	
<i>Parent Company</i>		
Average number of workers, calculated on a full-time basis	96	93
– of which women	49	45
– of which men	47	48
Average age	42	
– average age, women	41	
– average age, men	44	
Average period of employment	8 years	
Total absenteeism	5 per cent	

Equality

Hufvudstaden has a relatively even gender division, 46 per cent men and 54 per cent women. There are, however, variations in certain professional categories. Property engineers and administrative personnel are examples where men and women respectively dominate. Hufvudstaden is working actively to counter unfounded salary differences arising between men and women.

Of the Group's 23 managers, nine are women, equivalent to 39 per cent. Of the Parent Company's 20 managers, seven are women, equivalent to 35 per cent. During 2003, three women and one man were employed in managerial positions.

Competence development

Hufvudstaden's aims and its strategy of broadening and deepening the employees' level of expertise continued during 2003. Through individual development plans, drawn up in conjunction with the annual employee appraisals, the individual employee's long-term development is assured in accordance with the Company's aims and vision.

A payment of surplus funds (Alecta) has made possible increased education for white-collar workers at the Parent Company over a long period. Among other things, several in-house management training programmes were run during the year. An extended development programme for property engineers also commenced during the year. The total cost of education and training for the year was SEK 8,800 per employee.

Bonus system

Employees at the Parent Company and the wholly owned subsidiary Parkaden AB were included in a bonus system during the year. The bonus programme is decided by the Board one year at a time and is subject to a ceiling. If the

company reports a negative result, no bonus is paid. The bonus payment criteria are operating results, tenant satisfaction and personal assessment. In 2003, a total of SEK 1.3 million (0.8) was paid out, equivalent to an average of SEK 6,200 per employee. For the executive management the average bonus was SEK 100,000 per person.

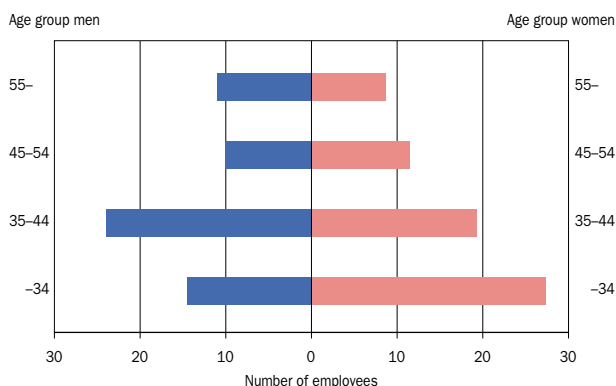
(For a more detailed presentation of the bonus programme, see Note 8.)

Health care and fitness programmes

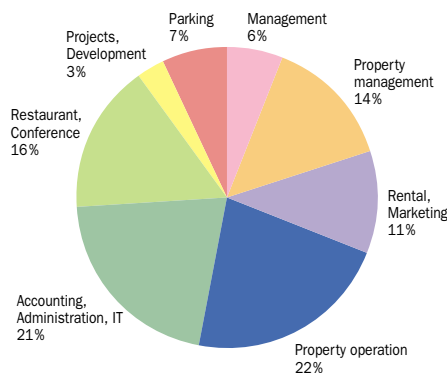
Hufvudstaden works with health on a preventive basis by contributing to each employee's leisure time fitness activities and offering the employees supplementary medical insurance. There is also regular access to an ergonomics review at the workplace. To prevent health problems and repetitive strain injuries, all employees undergo regular medical examinations through the company health programme. Hufvudstaden has its own rehabilitation programme for those who are sick over a longer period.

Absenteeism during the year at the Parent Company was 5 per cent and in the Group 7 per cent.

Age and gender distribution, group



Employees per working area



Quality and the environment

Hufvudstaden shall have a quality and environmental system that ensures the highest level of quality possible in all products and services.

The starting point for Hufvudstaden's programme is the vision to be at the forefront in property development with the aim of achieving an environmentally sustainable society. Operations will be directed towards achieving long-term environmental objectives that will guide the environmental programme in the right direction. The strategy is to select measures that guide the Company towards its environmental objectives and at the same time increase profitability and facilitate forthcoming improvements.

This report contains an account of the quality and environmental objectives and their fulfilment for 2003 as well as the quality and environmental objectives for 2004. Further information about the quality and environmental programmes is available on Hufvudstaden's website.

Quality and environment programmes

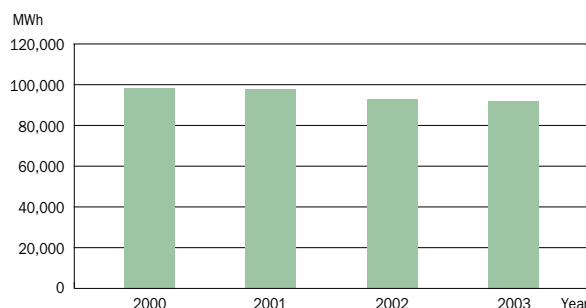
A comprehensive review of Hufvudstaden's quality and environmental work commenced during the year with the aim to ensure the highest possible quality in all products and services. The Company has descriptions of the most important processes in the Company's operations, i.e. management, rental, adaptation of premises and support processes. Prioritised areas during the year have been the examination of renting routines and adaptation of premises. During 2004 routines for the management process will be reviewed. The aim is to gather all routines into one joint operational management system with a clear allocation of responsibility in order to assure the level of quality and to facilitate ongoing improvements.

In this year's Fastighetsbarometern Customer Satisfaction Survey, Hufvudstaden came out joint first and in doing so was awarded the highest rating in the industry with regard to environmental concern.

Quality and environmental objectives and their fulfilment during 2003

- *Reduce overall energy consumption by three per cent and improve the reporting system.* The total energy consumption during the year was reduced by five per cent compared with an average figure for the period 2000–2002. The properties' energy consumption has been gathered into a joint energy follow-up tool for rapid and effective follow-up and correction of deviations. Investments aimed at improving efficiency have been made in a number of properties in the form of new cooling and ventilation systems.

The total energy consumption during 2003 compared with previous years is as follows (values corrected for degree day)



- *Phase out 70 per cent of the PCB in the properties.* The phasing out of PCB, equivalent to 70 per cent, commenced in two properties during the year and will be completed at the beginning of 2004.
- *Phase out 91 per cent of the remaining halogenated hydrocarbons (HCFC 22).* The total volume phased out during the year was 91 per cent following the installation of a new cooling facility at the World Trade Center.

- *Develop environmentally adapted reconstruction, develop purchasing routines for each operating area and make environmental demands on consultants, contractors and suppliers.* Through Hufvudstaden's active involvement in the development of MilaB, a database for the environmental assessment of construction materials, conditions have been created for choosing environmentally adapted materials and products. Environmental demands according to MilaB are now made on consultants and contractors. For further information, see www.milab.se. In the quality project the premises adaptation phase has been decided, including routines and documents for quality and environmental assurance of reconstruction.
- *Improve waste handling and the reporting tools.* Work continued during the year on improving waste-handling efficiency through service contracts that involve sorting of waste at source and collection directly from each tenant. New environmental stations have also been completed at WTC and NK Stockholm
- *Develop the internal and external communication routines.* In-house communication takes place continuously through monthly meetings and the intranet. External communication takes place specifically via information material directly to Hufvudstaden's tenants and to the general public via the Hufvudstaden website.
- *Supplement the competence development plans with environmental training.* The competence development plans are updated continuously.
- *Qualify for inclusion in the Banco Swedish Environmental Fund Top Companies list for 2004.* In January 2004, Hufvudstaden was included in the Top Companies list.
- *Miscellaneous.* Hufvudstaden reports its environmental work to the Folksam Climate Index and reports in the analysis a stable climate trend, that it is carrying on approved climate work and that the quality of the response is well above average. Robur AB has also analysed Hufvudstaden's environmental work. Hufvudstaden has been listed as environmentally approved. Investments can therefore continue to be made in it within the framework of the Robur Environmental Fund. Hufvudstaden is involved in the Environmental Programme for the Building Sector 2003 regarding the development and production of indoor environment declarations.

Quality and environmental objectives 2004

During 2004, Hufvudstaden will work to achieve the following objectives:

- Continue the development of the Company's quality and environmental work within management and support functions.
- Continue the development of environmentally adapted reconstruction as well as collaboration within MilaB.
- Improve waste handling efficiency.
- Reduce energy consumption by three per cent.
- Phase out 100 per cent of the PCB in the properties.
- Qualify for inclusion in the Banco Swedish Environmental Fund Top Companies list for 2005.



Femmanhuset, Göteborg

Nordstan is northern Europe's largest indoor shopping centre and the largest shopping centre in western Sweden. It also houses Femmanhuset, which has some 60 shops within the clothing and non-daily commodities sectors.



NK, Göteborg

NK bought the property in 1967 and refurbished it completely. The store was inaugurated on March 14, 1971. During 2003, NK in Gothenburg received a major facelift, including reconstruction of the entrance and the facade on Östra Hamngatan.

Opportunities and risks

Hufvudstaden's potential to influence profits 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, developments in Stockholm and Gothenburg and political decisions. Forward planning and clear strategies are vital if a property company is to handle opportunities and risks successfully.

Rent trend

The rent trend involves both risks and opportunities. The risk is limited, however, by Hufvudstaden's focus 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 longer than three years is tied to the consumer price index. Rent changes take place when the leases are renewed.

Property tax

Property tax increases constitute a risk although this risk is limited as Hufvudstaden's tenants are debited for a significant proportion of the property tax.

Rent loss on vacant premises

In the event of a downturn in the economy, the vacant space risk is greater for Hufvudstaden's office premises than for the Group's retail premises. There should always be some vacant space to offer the tenants potential for expansion, to permit refurbishment and to test the market's willingness to accept higher rent levels. Hufvudstaden's level of vacant space has increased in recent years as a result of a weaker rental market for office space in Stockholm. The organisation has therefore been adapted to prioritise renegotiation and new leases.

Lease terms

A long average term is an advantage when market rents are falling and a disadvantage when they are rising. Excessively frequent relocation and vacation give rise to considerable adaptation costs for premises. These costs cannot always be compensated for by increased rents.

Turnover-based rent

Turnover-based rent is mainly applied at the NK department stores. Hufvudstaden is striving to increase the proportion of 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.

Concentration on central Stockholm and central Gothenburg

The concentration of a property portfolio on 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 over time Stockholm and Gothenburg are the country's strongest market areas and Sweden's most attractive growth markets. Hufvudstaden's property portfolio is also concentrated on the most commercial and attractive locations in the strongest sub-markets of central Stockholm and central Gothenburg.

Financial risks

Apart from its own funds, the Company's operations are financed to a large extent 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, how these risks are handled as well as the way credit risks attributable to accounts receivable and payable are handled, is to be found in Note 2.

Insurance

All Hufvudstaden's properties are insured for their full value.

As a result of the terrorist attack on the World Trade Center in New York on September 11, 2001, terrorist action is excluded from the normal insurance cover. Special terrorist insurance has been taken out, covering losses up to SEK 25 million.

Sensitivity analysis

The effects on pre-tax profit on a full-year basis in conjunction with changes in a number of factors are reported to the right.

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs and property tax refer to the effects that would have occurred during the 2003 financial year if the changes had occurred at the beginning of 2003.

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 change in conditions that could arise should certain events occur.

Change in profit before tax		
	Change	Impact on profit before tax, SEK m
Rent level ⁽¹⁾	+/- SEK 100 per sq. m	43
Vacancy level ⁽²⁾	+/- 1 percentage point	13
Operation and maintenance ⁽³⁾	+/- 10 per cent	28
Property tax ⁽³⁾	+/- 1 percentage point	20
Interest level ⁽⁴⁾	+/- 1 percentage point	38

(1) *Excluding residential leases.*

(2) *Vacant floor space estimated at SEK 3,000 per square metre.*

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

(4) *Without consideration given to interest tie-up with derivatives.*



Property Kungliga Trädgården 5, Stockholm



Kungsträdgården has a long history. It has always been of major significance to the town and its inhabitants. From being Gustav Vasa's kitchen garden in the 16th century, to becoming the exercise area for Karl XIII during the 19th century to its present-day function as a public park with restaurants, gardens and fountains.

Administration Report

The Board 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.

The company is a subsidiary of L E Lundberg Holding AB (publ), company registration number 556563-2477, SE-601 85 Norrköping.

It is proposed that the Annual Report be adopted at the Annual General Meeting on March 18, 2004.

Consolidated income statement

Property management ⁽¹⁾

Net revenue. Net rental revenue from property management during the year amounted to SEK 1,277.3 million (1,236.2), which is equivalent to an increase of 3.3 per cent. Of net rental income from property management, the Stockholm City East Business Area accounted for SEK 359.6 million (365.5), the Stockholm City West Business Area for SEK 477.8 million (468.0), the NK Business Area for SEK 307.6 million (279.7) and the Gothenburg Business Area for SEK 132.3 million (123.0).

Operating costs. Property management costs during the year amounted to SEK 639.7 million (598.2), of which SEK 116.0 million (86.3) refers to special projects. Broken down according to business area, the Stockholm City East Business Area accounted for SEK 221.7 million (179.4), the Stockholm City West Business Area for SEK 187.6 (181.6), the NK Business Area for SEK 179.8 million (192.4) and the Gothenburg Business Area for SEK 50.6 million (44.8).

The gross profit for the year was SEK 637.6 million (638.0), a fall of 0.1 per cent. Excluding special projects, the gross profit was SEK 753.6 (724.3), an increase of 4.0 per cent.

Other operations

Other operations include parking operations at Parkaden and conference operations at the World Trade Center in Stockholm. During the previous year hotel operations ⁽²⁾ at Normalmstorg 1 in Stockholm were included.

Net revenue during the year amounted to SEK 83.2 million (111.7). Costs amounted to SEK 73.8 million (96.7) and gross profit amounted to SEK 9.4 million (15.0).

Total

Gross profit. Gross profit amounted to SEK 647.0 million (653.0), of which Property management accounted for SEK 637.6 million (638.0) and Other operations for SEK 9.4 million (15.0).

Central administration. Central administration totalled SEK 28.6 million (35.9) and mainly comprised salary and office overheads for senior executives and Group staff. The fall can be explained by the change in the division between central administration and administration, property management.

Items affecting comparability. No items affecting comparability are included (23.8).

Financial revenue and expense. Interest income and similar profit/loss items totalled SEK 11.4 million (19.0).

Interest expense and similar profit/loss items totalled SEK 199.1 million (206.7).

Tax and tax issues. The Group's tax expense was SEK 60.6 million (116.0).

Hufvudstaden has been the subject of a tax audit, whereupon the tax authority examined Hufvudstaden's calculation of the loss in conjunction with the liquidation of the subsidiary Förvaltnings AB Norrilen. The question was the true size of the loss. The tax audit was concluded during the year and the tax authority has approved the deduction of SEK 293 million, which affected the tax calculation in the 2001 annual accounts.

The tax authority's decision also means that further tax deductions claimed regarding the liquidation of Förvaltnings AB Norrilen have been approved. The positive tax effect for 2003 was SEK 60 million.

Profit for the year. Profit for the year amounted to SEK 370.1 million (337.2).

Fourth Quarter

The gross profit from property management was SEK 154.3 million (139.0). Excluding costs for special projects, the gross profit increased by SEK 8.8 million or 4.9 per cent.

Net rents totalled SEK 329.2 million (315.8), equivalent to an increase of 4.2 per cent, due mainly to renegotiated store rents.

(1) The property holdings remained unchanged between 2002 and 2003.

(2) Hotel operations ceased in June 2002.

Property management costs amounted to SEK 174.9 million (176.8), a fall of 1.1 per cent.

The gross profit from Other operations was SEK 5.7 million (5.4). Net revenue totalled SEK 25.1 million (26.2) and operating costs totalled SEK 19.4 million (20.8).

The tax cost for the period amounted to SEK 26.2 million (28.9).

Consolidated balance sheet

Cash and bank balances amounted to SEK 162.4 million (136.5). Rent payments are mostly made at the end of each quarter, which could result in a temporary surplus. The surplus liquidity is used mainly to amortize loans.

The Group's liabilities to credit institutions decreased to SEK 3,750.6 million (3,766.0).

Consolidated cash flow statements

Cash flow from current operations amounted to SEK 536.7 million (540.0). Cash flow for the year amounted to SEK 25.9 million (-1.6). Cash flow during the year was affected mainly by higher expenditure for special projects, buy-back of shares and lower net amortization of loans compared with the preceding year.

Investments

Investments made during the year amounted to SEK 137.7 million (103.1), of which SEK 2.3 million was for equipment, SEK 124.6 million for current refurbishment and extensions and SEK 10.8 million for buildings, including building equipment.

Financial risks

The Group is exposed to financing and interest risks. The handling of these risks is dealt with in Note 2.

Parent Company

The Parent Company's net revenue increased to SEK 784.6 million (755.2). The cost of operations was SEK 262.8 million (242.0). The gross profit amounted to SEK 521.8 million (513.2).

Central administration amounted to SEK 28.8 million (35.9). No items affecting comparability are included. Items affecting comparability for the preceding year totalling SEK 23.8 million, took the form of a refund from Alecta as well as a previously unreserved pension provision. The operating profit fell to SEK 305.6 million (501.1). The decrease can be attributed mainly to intra-group property sales taking place at fiscal residual values, which gave rise to a loss of SEK 187.6 million. The profit for the year after tax was SEK 97.7 million (285.7).

Of the Parent Company's total net sales and property costs, SEK 13.0 million of net sales and SEK 11.6 million of property costs pertain to intra-group transactions.

Buy-back of company shares

During the year 5,006,000 Series A shares were bought back at an average price of SEK 27.30 per share. The total holding as of December 31, 2003 was 5,006,000 Series A shares, equivalent to 2.4 per cent of issued shares. No buy-backs were made after the end of the reporting period (up to and including February 12, 2004). At the 2003 Annual General Meeting the Board was authorized to buy-back a maximum of ten per cent of issued shares with the aim of giving the board the opportunity to adjust the capital structure and in doing so create increased value for the Company's shareholders.

Environmental impact

Environmental work during the year focused on improving energy consumption and waste handling in the properties and reducing the environmental impact of reconstruction. Energy consumption fell by five per cent compared with the average figure for the period 2000–2002. No operations were conducted during 2003 that required a permit or notification pursuant to the Environmentally Hazardous Operations and Health Protection Ordinance (1998:899).

Work of the Board

The Board held seven meetings during the 2003 financial year, of which one was a statutory meeting. The work of the Board complies with the rules of procedure adopted by the Board, which provide a framework for decisions regarding investments, financing, financial reports and other matters of a strategic nature. The rules of procedure also govern the obligations of the Board and the President and the division of duties between the Board and the President. Company officials take part in the Board meetings to present specific items.

Audit

At the 2000 Annual General Meeting Bo Ribers, KPMG, was elected as auditor and Stefan Älgne, KPMG, was elected as deputy auditor for the period up to the 2004 Annual General Meeting. The auditors' fees for 2003 totalled SEK 1.2 million, of which SEK 0.9 million referred to the audit assignments and SEK 0.3 million to other assignments.

A presentation and discussion of the audit orientation and observations takes place at the board meeting in February, when the annual report is approved. From 2004 the auditor will take part on two occasions, February and August.

Payments to senior executives

The Chairman of the Board has been assigned the task by the Board of negotiating and reaching agreement with the President regarding the President's remuneration, followed by a report thereon to the Board. From 2004 the Chairman of the Board will negotiate with the President and a decision will be reached by the Board. The President has been assigned the task by the Board of negotiating and reaching agreement with other senior executives regarding their remuneration, followed by a report thereon to the Chairman of the Board.

Bonus

Permanently employed employees at the Parent Company and the wholly owned subsidiary Parkaden were covered during the year by a bonus programme. The bonus programme is decided by the Board for one year at a time and is subject to a ceiling. Should the Company report a negative result no bonus is paid. The bonus payment criteria are 'operating results' and 'customer satisfaction'. For managers with personnel responsibility there is also 'personal assessment with individual objectives'. In 2003, a bonus totalling SEK 1.3 million (0.8) was paid, with an average of SEK 6,200 per employee, and for the executive management an average of SEK 100,000 per person.

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 distributed to all shareholders and other interested parties who have indicated an interest.

All 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.

Reporting according to IFRS 2005

Companies listed on a stock exchange within the EU in 2005 are required to change to reporting according to IFRS (International Financial Reporting Standards). For Hufvudstaden the changeover to IFRS accounting rules will have the greatest impact regarding:

1. Reporting of financial instruments. Derivative contracts will be valued at the actual value, which will result in an increase in the balance sheet total. To the extent hedge accounting is not applied the current valuation of these derivatives at the actual value will result in periodization effects, which will in turn lead to result variations.

2. Material fixed assets. The Group's managed properties will be valued according to the cost model. This means that the asset is valued at the historic acquisition value with an addition for write-ups and with a deduction for depreciation and write-downs. This valuation method concurs with the current reporting. In the case of managed properties, component depreciation should be applied. This means that buildings and building equipment should be divided into components and a depreciation plan should be decided for each component that reflects the remaining utilization period. This depreciation method could lead to a change in the book value of the properties.

3. Reporting of pensions. The Group's white-collar workers are covered by the so-called ITP plan, which is benefit-defined. Pension insurance has been taken out with Alecta for this undertaking. Reporting should therefore take place of the Group's proportional part of the benefit-defined obligation and of the managed assets and costs that are linked to the plan.

4. Deferred tax liabilities. Deferred tax in conjunction with the acquisition of material assets has been reported at the value assigned in conjunction with acquisitions. In the acquisition analyses the tax amounts have been discounted. In conjunction with the transfer to IFRS, deferred tax may be determined according to a decided or notified nominal tax rate without discounting.

Hufvudstaden has set up a project group to prepare the Group in the lead-up to the changeover in 2005. This project group will review the accounting effects and deal with various matters in order to determine how the IFRS rules should be applied at Hufvudstaden.

Future prospects

Hufvudstaden will also in 2004 devote its efforts mainly to its core operations, i.e. managing and developing the property holdings to ensure the greatest possible yield. It is estimated that rental losses will continue to be high, mainly due to the uncertain situation on the rental market. During the first half of 2004, the special project Norrmalmstorg 1 will be concluded. No new major special projects are planned to commence during 2004. Strategic acquisitions and sales of individual properties cannot be excluded.

Proposal for dividend and allocation of profits

The proposal by the Board of Directors that a dividend be paid of SEK 1.20 per share is equivalent to around 67 per cent of the profit for the year per share. The Board's proposed profit allocation is presented in full on page 67.

Income statements

SEK m	Note	Group		Parent Company	
		2003	2002	2003	2002
<i>Net revenue</i>					
Property management		1,277.3	1,236.2	784.6	755.2
Other operations		83.2	111.7	–	–
		1,360.5	1,347.9	784.6	755.2
<i>Property management</i>					
Special projects		-116.0	-86.3	-0.1	5.8
Maintenance		-46.4	-56.0	-35.3	-37.8
Operations and administration	6	-213.6	-195.7	-104.6	-90.3
Ground rents		-33.8	-32.7	-6.6	-6.6
Property tax		-128.7	-129.5	-78.6	-76.4
		-538.5	-500.2	-225.2	-205.3
Depreciation	6	-101.2	-98.0	-37.6	-36.7
Property management expenses		-639.7	-598.2	-262.8	-242.0
Other operations, costs	6	-73.8	-96.7	–	–
Cost of operations		-713.5	-694.9	-262.8	-242.0
Gross profit		647.0	653.0	521.8	513.2
– of which Property management	3, 4	637.6	638.0	521.8	513.2
– of which Other operations	5	9.4	15.0	–	–
Central administration		-28.6	-35.9	-28.6	-35.9
Loss on property sale		–	–	-187.6	–
Refund, Alecta		–	25.7	–	25.7
Previous non-reserved pension provision		–	-1.9	–	-1.9
Operating profit	7–11	618.4	640.9	305.6	501.1
<i>Financial income and expense</i>					
Result from participations in Group companies	12	–	–	–	150.5
Interest income and similar profit/loss items	13, 15	11.4	19.0	0.8	5.5
Interest expense and similar profit/loss items	14, 15	-199.1	-206.7	-195.4	-200.6
		-187.7	-187.7	-194.6	-44.6
Profit after financial items		430.7	453.2	111.0	456.5
Appropriations	16	–	–	-59.5	-68.3
Profit before tax		430.7	453.2	51.5	388.2
Tax	17	-60.6	-116.0	46.2	-102.5
PROFIT FOR THE YEAR		370.1	337.2	97.7	285.7
Number of outstanding shares following buy-back at the period-end, million		206.3	211.3		
Average number of shares following buy-back during the period, million		208.3	211.3		
Profit per share, SEK (dilution not applicable)		1.78	1.60		
Dividend per share, SEK (proposed/decided)		1.20	1.10		

Balance sheets

SEK m	Note	Group		Parent Company	
		31.12.2003	31.12.2002	31.12.2003	31.12.2002
ASSETS					
Fixed assets					
Tangible fixed assets					
Buildings and building equipment	18, 21	5,615.2	5,619.4	2,313.4	2,538.7
Land	19, 21	4,821.8	4,821.8	3,331.8	3,344.7
New construction and conversions in progress	20, 21	174.8	124.5	10.6	13.1
Equipment	22	8.4	10.6	4.1	4.8
		10,620.2	10,576.3	5,659.9	5,901.3
Financial fixed assets					
Participations in Group companies	23, 24	–	–	4,331.9	4,331.7
Receivables from Group companies		–	–	–	59.1
Other long-term receivables	25, 26	88.9	100.5	5.1	5.0
		88.9	100.5	4,337.0	4,395.8
Total fixed assets		10,709.1	10,676.8	9,996.9	10,297.1
Current assets					
Current receivables					
Accounts receivable	27	16.6	28.8	3.9	5.9
Receivables from Group companies		–	–	29.4	–
Other receivables		11.8	70.9	0.4	35.0
Prepaid expenses and accrued income	28	32.2	39.4	17.9	18.5
		60.6	139.1	51.6	59.4
Cash and bank balances	29	162.4	136.5	159.2	126.4
Total current assets		223.0	275.6	210.8	185.8
TOTAL ASSETS		10,932.1	10,952.4	10,207.7	10,482.9

SEK m	Note	Group		Parent Company	
		31.12.2003	31.12.2002	31.12.2003	31.12.2002
EQUITY AND LIABILITIES					
Equity					
<i>Restricted equity</i>					
Share capital	30	1,056.4	1,056.4	1,056.4	1,056.4
Restricted reserves		1,271.9	1,126.2	978.3	1,010.4
		2,328.3	2,182.6	2,034.7	2,066.8
<i>Non-restricted equity</i>					
Non-restricted reserves		2,093.9	2,271.6	2,084.4	2,048.0
Profit for the year		370.1	337.2	97.7	285.7
		2,464.0	2,608.8	2,182.1	2,333.7
Total equity		4,792.3	4,791.4	4,216.8	4,400.5
Untaxed reserves					
Accumulated additional depreciation, equipment		–	–	39.5	29.0
Tax allocation reserve		–	–	178.9	130.0
		–	–	218.4	159.0
Provisions					
Pension provisions	31	4.5	4.4	3.8	3.6
Deferred tax liability	32	1,712.6	1,694.8	1,218.9	1,271.7
Property tax liability	33	163.0	159.5	–	–
		1,880.1	1,858.7	1,222.7	1,275.3
Long-term liabilities					
Liabilities to credit institutions	34	2,680.0	2,985.6	2,680.0	2,980.0
Liabilities to Group companies		–	–	0.7	311.1
Other non-interest liabilities		1.1	0.6	1.1	0.6
		2,681.1	2,986.2	2,681.8	3,291.7
Current liabilities					
Liabilities to credit institutions	34	1,070.6	780.4	1,065.0	780.0
Accounts payable		46.0	88.2	2.0	5.1
Liabilities to Group companies		–	–	492.5	227.7
Tax liabilities		46.1	89.8	38.1	80.0
Other non-interest liabilities	35	68.5	63.9	28.5	27.9
Accrued expenses and prepaid income	36	347.4	293.8	241.9	235.7
		1,578.6	1,316.1	1,868.0	1,356.4
Total liabilities		6,139.8	6,161.0	5,990.9	6,082.4
TOTAL EQUITY AND LIABILITIES		10,932.1	10,952.4	10,207.7	10,482.9
Pledged assets					
Real estate mortgages	37	1,818.9	1,822.9	1,806.4	1,806.4
(of which mortgages in subsidiaries' properties)		(–)	(–)	(421.0)	(421.0)
Other long-term receivables		2.8	2.6	2.8	2.6
		1,821.7	1,825.5	1,809.2	1,809.0
Contingent liabilities					
Guarantees		–	0.7	–	0.7
		–	0.7	–	0.7

Cash flow statements

		Group		Parent Company	
SEK m	Note	2003	2002	2003	2002
Current operations					
Profit after financial items		430.7	453.2	111.0	456.5
Depreciation and write-down of assets		107.7	108.2	40.1	41.0
Capital gain on sale of fixed assets		–	–	187.4	–
Capital gain on liquidation of subsidiaries		–	–	–	-150.5
Change in provision, property tax		3.6	4.1	0.2	0.1
Tax paid		-89.5	-65.0	-85.9	-41.9
Cash flow from current operations before changes in working capital		452.5	500.5	252.8	305.2
Cash flow from changes in working capital:					
Decrease (+) / Increase (–) in operating receivables		75.6	-37.0	338.4	217.9
Increase (+) / Decrease (–) in operating liabilities		8.6	76.5	-157.6	-341.0
Cash flow from current operations		536.7	540.0	433.6	182.1
Investments					
Investment in properties		-135.4	-101.1	-14.4	-22.2
Investment in equipment		-2.3	-2.0	-1.9	-2.7
Investment in financial assets		–	–	-0.4	–
Sale of tangible assets		0.1	–	0.1	–
Amortization, long-term receivable		11.6	68.6	–	218.2
Cash flow from investments		-126.0	-34.5	-16.6	193.3
Financing					
Buy-back of Company shares		-136.8	–	-136.8	–
Loans raised		300.0	540.0	300.0	540.0
Amortization of loan liability		-315.6	-835.8	-315.0	-705.0
Dividend paid		-232.4	-211.3	-232.4	-211.3
Cash flow from financing	15	-384.8	-507.1	-384.2	-376.3
Cash flow for the year		25.9	-1.6	32.8	-0.9
Liquid funds at the beginning of the year		136.5	138.1	126.4	127.3
Liquid funds at the year-end	29	162.4	136.5	159.2	126.4

Changes in equity

SEK m	Share capital	Restricted reserves	Non- restricted reserves	Total
<i>Group</i>				
Closing balance 31.12.2001	1,056.4	1,197.6	2,411.5	4,665.5
Parent Company dividend	–	–	-211.3	-211.3
Transfer between restricted and unrestricted reserves	–	-71.4	71.4	–
Profit for the year	–	–	337.2	337.2
Closing balance 31.12.2002	1,056.4	1,126.2	2,608.8	4,791.4
Parent Company dividend	–	–	-232.4	-232.4
Buy-back of Company shares	–	–	-136.8	-136.8
Transfer between restricted and unrestricted reserves	–	145.7	-145.7	–
Profit for the year	–	–	370.1	370.1
Closing balance 31.12.2003	1,056.4	1,271.9	2,464.0	4,792.3

SEK m	Share capital	Share premium reserve	Revaluation reserve	Statutory reserve	Non- restricted reserves	Total
<i>Parent Company</i>						
Closing balance 31.12.2001	1,056.4	628.1	212.3	170.0	2,195.7	4,262.5
Parent Company dividend	–	–	–	–	-211.3	-211.3
Group contribution received	–	–	–	–	88.3	88.3
Tax effect, Group contribution	–	–	–	–	-24.7	-24.7
Profit for the year	–	–	–	–	285.7	285.7
Closing balance 31.12.2002	1,056.4	628.1	212.3	170.0	2,333.7	4,400.5
Parent Company dividend	–	–	–	–	-232.4	-232.4
Buy-back of Company shares	–	–	–	–	-136.8	-136.8
Group contribution received	–	–	–	–	121.9	121.9
Tax effect, Group contribution	–	–	–	–	-34.1	-34.1
Transfer between restricted and unrestricted reserves	–	–	-32.1	–	32.1	–
Profit for the year	–	–	–	–	97.7	97.7
Closing balance 31.12.2003	1,056.4	628.1	180.2	170.0	2,182.1	4,216.8

A buy-back of Company shares was made on May 26, 2003. The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of issued shares. At the Annual General Meeting held on March 19, 2003 the Board was authorized to buy back a maximum of ten per cent of issued shares with the aim of giving the Board the opportunity to adjust the capital structure and in doing so create increased value for the Company's shareholders.

The dividend proposed according to the allocation of unappropriated earnings is SEK 247.5 million.⁽¹⁾

(1) See Definitions, page 76, Dividend amount.

NK, Stockholm





In 1915 the doors of the property in which NK Stockholm is housed were opened for the first time and they remain so today. Visitors at the time could travel on Sweden's first escalator and at the same time admire other modern amenities that had never been seen before. The department store has since then been in a constant state of renewal but at the same time it has succeeded in retaining the traditions that have made NK one of Sweden's most well-known brand names.



Accounting principles

The Annual Report and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, the recommendations of the Swedish Financial Accounting Standards Council and statements issued by the Urgent Issues Committee. Hufvudstaden's income statements are classified according to function and have been adapted to operations. Unless stated otherwise assets, provisions and liabilities have been valued using the acquisition value as the starting point. Unless stated otherwise, the same accounting principles are applied in the Group and the Parent Company.

Valuation of tangible fixed assets

Tangible fixed assets are valued at the acquisition value with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, land registration costs and improvements made that increase the value. Hufvudstaden only capitalizes expenditure that generates a permanent increase in the value of the properties. Conversion costs of a maintenance nature are charged to profit.

The reported value of tangible fixed assets is examined with regard to a possible write-down requirement when events or a change in conditions indicate that there is a possibility that the reported value cannot be recovered. If such indications exist, and if the reported value exceeds the expected recoverable amount, the assets are written down to the amount recoverable. The amount recoverable for tangible fixed assets is equivalent to the higher of the net sales value or the utilization value. The net sales value is set by making a comparison with the sale of similar objects. The utilization value is 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.

In the case of assets that do not generate independent cash flows to a great extent, the recoverable part is set for the cash-generating unit to which the asset belongs. Any write-downs are reported in the income statement. A reversal of write-downs made takes place when the recovery value once again exceeds the previous book value. Write-ups are reported at the actual values.

Information about the actual value of the properties as of the year-end can be found in Note 21.

Financial instruments

Financial assets and liabilities are recorded on application of the transaction date principle. Receivables and liabilities in a foreign currency have been translated at the year-end exchange rate.

Interest income and expense on financial instruments are reported in the income statement for the period to which the amounts are attributable. Interest payments on interest rate swaps (IRS) that have been entered into to hedge future interest payments at a fixed rate of interest, are reported net during the period to which the amounts are attributable. Loan costs are charged to profit during the period to which they are attributable, regardless of whether the borrowed funds are used. This means that interest during the construction period is expensed.

Rental receivables, accounts receivable and other receivables. Receivables are reported at the nominal value with a deduction for the assessed loss. A receivable is examined individually and is recorded at the amount it is expected to be paid. Receivables with a remaining term of less than 12 months are classified as Other receivables and are valued at the accrued acquisition value.

Cash and bank balances. Liquid funds include cash in hand and bank holdings that are accessible immediately. Overdraft facilities come under loan liabilities, under current liabilities. Cash and bank balances are reported at the nominal value with a deduction for the assessed loss risk.

Other long-term receivables. Receivables with a remaining term of more than 12 months are reported under this item at the accrued acquisition value. Write-down requirements are examined individually against the recovery value. The requisite write-downs are made and are reported in the income statement.

Interest-bearing loans and borrowing. All loans are reported initially at the acquisition price, which is equivalent to the actual value of what has been received with a supplement for costs attributable to the borrowing. The loan liability is subsequently reported at the accrued acquisition value, which means that the value is adjusted by any discounts or

premiums in conjunction with the loan being taken up or redeemed and costs in conjunction with the borrowing being allocated over the term of the loan. The allocation is calculated on the basis of the annualized percentage rate for the loan. Any profit or loss that arises when the loan is redeemed is reported in the income statement.

Accounts payable and other liabilities. Liabilities are reported at the nominal value.

Derivatives in respect of financial instruments. The Group uses derivatives of financial instruments to reduce interest risks. Through interest rate swap contracts loans with a floating rate of interest are exchanged for loans with a fixed rate of interest. The principles for hedge accounting are applied to derivative contracts, which means that the derivative is reported both initially as well as current at its original acquisition value, i.e. at no value at all.

If a derivative instrument no longer fulfills the demands for hedge accounting, or if the hedging instrument runs out, is sold or is terminated, the possible profit or loss arising is reported as an adjustment of the interest costs at the same time the hedged future interest payments are reported in the income statement. If hedged future interest payments are not expected to arise, any accumulated losses are reported directly in the result and any profit is reported as income when the derivative runs out, is sold or is terminated. Derivatives that do not fulfill the demands for hedge accounting are reported according to the lowest value principle.

Hedge accounting. The Group has designated all interest rate swap contracts as cash flow hedges to protect against changes in future cash flows in respect of interest payments on liabilities to credit institutions. Through these hedging transactions the desired fixed interest structure is achieved, which can be seen from the table in Note 2.

Valuation of current assets

Following an individual assessment, receivables are recorded at the amounts at which they are expected to be paid.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the year-end rate.

Provisions

Provisions are reported in the balance sheet when there is an obligation (legal or informal) 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 value for 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. The gradual increase in the amount of the provision the current value calculation entails is reported as an interest cost in the income statement.

Reporting of income and costs

Rental income is allocated to a specific period in accordance with the lease agreement. Rent paid in advance is thus reported as prepaid rental income. Gross rent includes costs passed on, e.g. property tax and media costs.

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.

Property purchases and property sales. These are reported on the contract date, which is different from the completion date.

Depreciation of equipment

Property management. Depreciation of equipment used in administration is included in property management administration. Other depreciation is reported under Depreciation.

Other operations. Depreciation of equipment is included in the cost of Other operations.

Depreciation principles. Depreciation according to plan is based on the original acquisition value and the estimated economic life. The depreciation period for equipment is 3–5 years.

Depreciation of properties

Depreciation according to plan is based on the original acquisition amount, adjusted for write-ups and write-downs where appropriate.

The following depreciation percentages are applied:

- Buildings: offices, one per cent
- Buildings: department stores, multi-storey car parks, hotels and restaurants, two per cent
- Building equipment: 5–10 per cent
- Land improvements: 3.75–5 per cent

Depreciation of properties with mixed operations has been calculated by assessing the percentage of each category of floor space for depreciation purposes. In the case of properties with a predominance (≥ 75 per cent) of a particular category of floor space, the percentage for this category has been applied to the entire property. Write-ups are depreciated over the remaining depreciation period of the underlying asset.

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 reported values and tax values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be realised 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 deferred tax liability.

Deferred 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.

Temporary differences in conjunction with the acquisition of material assets are reported based on the value they were assigned in conjunction with the acquisition, see Note 32.

Consolidated accounts

The consolidated accounts cover the Parent Company and those companies in which Hufvudstaden, directly or indirectly, has a controlling interest.

The consolidated accounts have been prepared in accordance with the acquisition method, which means that assets and liabilities that have been taken over are valued

at the market value according to the acquisition analysis. Surplus values according to the acquisition analysis are depreciated in accordance with the rules for the type of asset concerned.

When translating the accounts of foreign subsidiaries, assets and liabilities have been translated at the year-end exchange rate. The income statement has been translated at the average exchange rate. There are no foreign subsidiaries in the Group that conduct operations of material significance.

Untaxed reserves have been divided into a deferred tax liability and equity.

Cash flow statements

The cash flow statements show the Company's payment flows for the period. The cash flow statements have been prepared according to the indirect method.

Parent Company

Group contributions are reported as a decrease or an increase in non-restricted equity.

Segment reporting

Segment reporting has taken place based on the Group's business areas. These are divided up according to the operative control of the Company, which mainly follows the rental market's geographical division into sub-markets.

Change in accounting principle

On January 1, 2003 the following recommendations from the Swedish Financial Accounting Standards Council came into effect: RR22 Presentation of Financial Statements, RR24 Investment Property, RR25 Segment Reporting – Operating Segments and Geographical Areas, RR26 Events After the Balance Sheet Date, RR27 Financial Instruments: Disclosure and Classification, and RR28 Accounting for Government Grants and Disclosure of Government Assistance. The application of these has not had any impact on the reported profit or on the balance sheet as of December 31, 2003.

With effect from January 1, 2004, Swedish Financial Accounting Standards Council recommendation RR29, Employee Benefits, will be applied.

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

Notes

Note 1. Company information

The Annual Report and annual consolidated accounts for Hufvudstaden AB (publ) for 2003 have been approved for publication according to a decision reached by the Board of Directors on February 12, 2004. The Parent Company is a limited liability company with its registered office in Sweden. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm

The Group's principle area of business is the management of commercial properties.

It is proposed that the Annual Report and consolidated accounts be adopted at the Annual General Meeting on March 18, 2004.

Note 2. Handling of financial risks

Hufvudstaden's finance function is a Group function, charged with responsibility for financing and liquidity planning. The work is governed by the finance policy decided by the Board, which aims to secure the Group's financing requirements at the lowest possible cost and risk. The Group is mainly exposed to financing and interest risks. Hufvudstaden's aim is to use surplus liquidity to amortize existing loans. Hufvudstaden also aims to have a credit portfolio with a diversified loan due date structure that permits possible amortization. Surplus liquidity not used for amortization may only be invested in instruments with high liquidity and a low risk.

Financing risk

A financing risk exists in the fact that difficulties could arise 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 operating loan requirements. The Board has the task of setting the level of capital tie-up and the fixed interest rates on an ongoing basis.

Interest risk

Hufvudstaden's financing sources are primarily equity, cash flow from current operations, raising of loans and loan assurances.

The raising of loans that are interest-bearing means the Group is exposed to an 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 finance policy states the framework for how interest risks are to be handled. An overall aim is that the due date 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 increase in the interest rate.

Credit risk

The Group is exposed to a limited extent to credit risks. These risks mainly refer to accounts receivable/rent receivables as well as financial derivative agreements with positive values.

Losses on accounts receivable/rent receivables occur when tenants are put into receivership or for other reasons are unable to meet their payment commitments. The risks are limited by Hufvudstaden selecting tenants with documented business skills and competitive operations. As a rule, Hufvudstaden demands a bank guarantee or guarantee undertaking in conjunction with new leases. Rental receivables are invoiced in advance.

Exposure regarding financial derivative agreements is limited by the Group, as a policy, only entering such agreements with major financial institutions with a high rating. In addition, there are general agreements with these institutions regarding the setting off of different derivative agreements, which further reduces the credit risk exposure.

Financing structure

Hufvudstaden's borrowing at the turn of the year was SEK 3,750.6 million compared with SEK 3,766.0 million at the end of 2002. The average fixed interest period was 29 months (28), the average capital tie-up period 26 months (28) and the average interest cost 5.3 per cent (5.2). Net liabilities were SEK 3,588.2 million compared with SEK 3,629.5 million at the end of 2002.

Capital tie-up structure, December 31, 2003

Maturity	Volume, SEK m	Proportion, %
2004	1,070.6	29
2005	500.0	13
2006	790.0	21
2007	790.0	21
2008	600.0	16
Total	3,750.6	100

Fixed interest structure, December 31, 2003

Maturity	Volume, SEK m	Proportion, %	Average APR, %
2004	1,100.6	29	5.0
2005	300.0	8	5.7
2006	1,000.0	27	5.7
2007	600.0	16	5.2
2008	750.0	20	4.9
Total	3,750.6	100	5.3

Note 3. Segment information – Operating segments

The following table shows the income, costs, assets, liabilities and investments for the different business areas in 2003 and the comparison year 2002. The business areas are divided according to the operative control of the Company, which mainly follows the geographical division into sub-markets.

SEK m	Stockholm City East Business Area	Stockholm City West Business Area	NK Business Area	Gothenburg Business Area	Total
<i>Group, 2003</i>					
<i>Income and costs</i>					
Net revenue	359.6	477.8	307.6	132.3	1,277.3
(of which turnover-based rental supplement)	(–)	(–)	(8.1)	(–)	(8.1)
Special projects	-95.1	-0.1	-20.8	–	-116.0
Maintenance	-14.9	-14.8	-7.1	-9.6	-46.4
Operation and administration	-51.8	-61.6	-75.6	-24.6	-213.6
Ground rent	-0.2	-26.4	-7.2	–	-33.8
Property tax	-42.6	-46.9	-29.9	-9.3	-128.7
Depreciation	-17.1	-37.8	-39.2	-7.1	-101.2
Gross profit	137.9	290.2	127.8	81.7	637.6
<i>Assets</i>					
Buildings and building equipment	1,263.5	2,541.9	1,408.7	401.1	5,615.2
Land	2,998.7	774.2	637.6	411.3	4,821.8
New construction and conversions in progress	114.7	5.4	47.9	6.8	174.8
Equipment ⁽¹⁾	2.5	3.2	1.8	0.9	8.4
Total tangible assets	4,379.4	3,324.7	2,096.0	820.1	10,620.2
Financial assets	5.1	83.8	–	–	88.9
Current receivables ⁽¹⁾	18.3	23.2	13.3	5.8	60.6
<i>Liabilities</i>					
Current liabilities ⁽¹⁾	157.1	161.3	93.3	50.2	461.9
<i>Investments</i>					
Tangible investments for the period	91.5	7.0	30.1	9.1	137.7
<i>Group, 2002</i>					
<i>Income and costs</i>					
Net revenue	365.5	468.0	279.7	123.0	1,236.2
(of which turnover-based rental supplement)	(–)	(–)	(11.5)	(–)	(11.5)
Special projects	-54.8	5.8	-37.3	–	-86.3
Maintenance	-18.4	-21.2	-9.9	-6.5	-56.0
Operation and administration	-43.6	-57.3	-73.0	-21.8	-195.7
Ground rent	-0.2	-26.4	-6.1	–	-32.7
Property tax	-45.7	-45.1	-28.9	-9.8	-129.5
Depreciation	-16.7	-37.4	-37.2	-6.7	-98.0
Gross profit	186.1	286.4	87.3	78.2	638.0
<i>Assets</i>					
Buildings and building equipment	1,270.4	2,566.0	1,381.3	401.7	5,619.4
Land	2,998.7	774.2	637.6	411.3	4,821.8
New construction and conversions in progress	30.6	5.2	84.3	4.4	124.5
Equipment ⁽¹⁾	3.2	4.1	2.3	1.0	10.6
Total tangible assets	4,302.9	3,349.5	2,105.5	818.4	10,576.3
Financial assets	6.1	94.4	–	–	100.5
Current receivables ⁽¹⁾	42.1	53.3	30.4	13.3	139.1
<i>Liabilities</i>					
Current liabilities ⁽¹⁾	152.9	159.0	85.0	49.0	445.9
<i>Investments</i>					
Tangible investments for the period	30.7	9.8	54.4	8.2	103.1

(1) Equipment, part of current liabilities and receivables that have arisen in current operations are allocated according to an allocation key.

Note 4. Undertakings for operational lease agreements – Group as lessor

The Group has commercial lease agreements for the managed property holdings, which comprise offices, non-residential premises and a small number of residential holdings. The term is between 1 and 13 years.

Annual rent according to size category (according to contracts valid as of 31.12.2003) ⁽¹⁾ ⁽²⁾ ⁽³⁾

SEK K	Number of agreements	Annual rent	Proportion, %
0 – 99	896	30,331	2.4
100 – 499	255	71,213	5.6
500 – 999	197	141,646	11.2
1,000 – 2,499	175	281,747	22.2
2,500 – 4,999	86	304,308	24.0
5,000 – 9,999	22	153,195	12.1
10,000 –	14	285,674	22.5
Total	1,645	1,268,113	100.0

Lease renewal structure ⁽⁴⁾ ⁽⁵⁾ ⁽⁶⁾

Number of agreements

	2004	2005	2006	2007	2008	2009 –	Total
Offices	61	72	87	37	24	11	292
Stores	100	99	98	38	14	10	359
Other	371	194	154	58	16	26	819
Total	532	365	339	133	54	47	1,470
Proportion, %	36.2	24.8	23.1	9.0	3.7	3.2	100.0

Annual rent, SEK m

	2004	2005	2006	2007	2008	2009 –	Total
Offices	106.7	151.6	116.2	96.7	134.1	81.5	686.8
Stores	96.1	112.1	101.8	54.2	30.5	34.3	429.0
Other	36.8	37.2	37.3	11.1	2.1	16.9	141.4
Total	239.6	300.9	255.3	162.0	166.7	132.7	1,257.2
Proportion, %	19.1	23.9	20.3	12.9	13.3	10.5	100.0

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

(2) Including residential contracts.

(3) Contracts with an annual rent as of December 31, 2003.

(4) Including contracts signed for future occupation/commencement, where the equivalent of the current rent is excluded.

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

(6) Excluding residential contracts.

Note 5. Other operations

SEK m	Hotel ⁽¹⁾ operations	Parking operations	Conference and restaurant	Total operations
<i>Group, 2003</i>				
Net revenue	–	54.4	28.8	83.2
Rental costs	–	-36.2	-5.7	-41.9
Operation and administration	–	-8.1	-22.4	-30.5
Depreciation	–	-0.7	-0.7	-1.4
Gross profit	–	9.4	0.0	9.4
<i>Group, 2002</i>				
Net revenue	10.5	58.5	42.7	111.7
Rental costs	-2.7	-35.0	-6.5	-44.2
Operation and administration	-6.7	-7.9	-35.6	-50.2
Depreciation	-0.5	-0.7	-1.1	-2.3
Gross profit	0.6	14.9	-0.5	15.0

(1) Hotel operations ceased in June 2002.

Note 6. Depreciation of tangible assets

SEK m	Group		Parent Company	
	2003	2002	2003	2002
<i>Depreciation per asset type</i>				
Properties	100.5	97.6	37.6	36.7
Equipment	4.4	5.2	1.6	1.6
Total	104.9	102.8	39.2	38.3
<i>Depreciation per function/ operating area</i>				
Property management	101.2	98.0	37.6	36.7
Operation and administration	2.6	2.7	1.6	1.6
Other operations	1.1	2.1	–	–
Total	104.9	102.8	39.2	38.3

Note 7. Average number of employees on a full-time basis and sickness statistics

	2003			2002		
	Men	Women	Total	Men	Women	Total
<i>Group</i>						
Stockholm	51	63	114	57	67	124
of which						
(Hotel Stockholm AB)	(–)	(–)	(–)	(3)	(6)	(9)
(Parkaden AB)	(4)	(4)	(8)	(4)	(3)	(7)
(WTC Stockholm AB)	(6)	(13)	(19)	(8)	(16)	(24)
Gothenburg	6	3	9	6	3	9
Total	57	66	123	63	70	133
<i>Parent Company</i>						
Stockholm	41	46	87	42	42	84
Gothenburg	6	3	9	6	3	9
Total	47	49	96	48	45	93

Sickness statistics, July–December 2003⁽¹⁾

	Total absenteeism due to sickness/normal working hours, %	Long-term absenteeism due to sickness/total absenteeism due to sickness, %
<i>Parent Company</i>		
<i>Age group – 29 years</i>		
Women	– ⁽²⁾	1
Men ⁽²⁾	–	–
Total	– ⁽²⁾	1
<i>Age group 30–49 years</i>		
Women	2	17
Men	1	1
Total	2	11
<i>Age group 50 years –</i>		
Women	13	91
Men	12	71
Total	13	80
<i>Total</i>		
Women	5	69
Men	5	58
All employees	5	63
<i>WTC Stockholm AB</i>		
<i>Age group – 29 years</i>		
Women ⁽²⁾	–	–
Men ⁽²⁾	–	–
Total ⁽²⁾	–	–
<i>Age group 30–49 years</i>		
Women ⁽²⁾	–	–
Men ⁽²⁾	–	–
Total	4	59
<i>Age group 50 years –</i>		
Women ⁽²⁾	–	–
Men ⁽²⁾	–	–
Total ⁽²⁾	–	–
<i>Total</i>		
Women	9	74
Men ⁽²⁾	–	–
All employees	15	85
<i>Parkaden AB⁽²⁾</i>		
	–	–

(1) Information stipulations regarding sickness were introduced on July 1, 2003. Information for the first half of 2003 is not reported.

(2) Not reported due to the exception rule in the law, which states that information should not be furnished if the number of employees in the group is 10 or fewer or if the information can be attributed to a single individual. The term 'group' refers both to age groups and gender distribution within an age group.

Note 8. Salaries and remuneration

SEK K	Group				Parent Company			
	2003	(of which bonus)	2002	(of which bonus)	2003	(of which bonus)	2002	(of which bonus)
<i>Salaries and other remuneration</i>								
Fee to Chairman	250		245		250		245	
Fees to other Board members	780		771		750		705	
Payment and benefits, President	2,566	(113)	2,325	(90)	2,566	(113)	2,325	(90)
Payment and benefits, other senior executives	5,918	(585)	4,465	(330)	5,918	(585)	4,465	(330)
Payment and benefits, other employees	39,940	(603)	42,035	(345)	32,558	(603)	30,335	(-)
Total	49,454	(1,301)	49,841	(765)	42,042	(1,301)	38,075	(420)
<i>National insurance expenses</i>								
Chairman	82		80		82		80	
Other Board members	266		253		246		231	
President	904		888		904		888	
Other senior executives	2,322		1,660		2,322		1,660	
Other employees	16,842		15,441		12,301		11,341	
Total	20,416		18,322		15,855		14,200	
<i>Pension expenses</i>								
Chairman								
Other Board members								
President	253		200		253		200	
Other senior executives	1,566		800		1,566		800	
Other employees	5,403		4,800		4,840		4,300	
Total	7,222		5,800		6,659		5,300	

The Board comprises 8 men (8) and 0 women (0). The executive management comprises 6 men (6) and 1 woman (1).

The Group's pensions, including the President's pension, are covered by the ITP-plan and are benefit-defined. The retirement age for the President is 65 years.

If notice of termination is issued to the President by the Company the President is entitled to a period of notice of two years. On notice of termination by the President, the period of notice is six months. In both cases any payment received from a new employer shall be deducted.

The Chairman of the Board has been assigned the task by the Board of negotiating and reaching agreement with the President regarding the President's remuneration, followed by a report thereon to the Board. From 2004 the Chairman of the Board will negotiate with the President and a decision will be reached by the Board. The President has been assigned the task by the Board of negotiating and reaching agreement with other senior executives regarding their remuneration, followed by a report thereon to the Chairman.

Permanently employed staff in the Parent Company and the wholly owned subsidiary Parkaden AB were part of a bonus programme during the year. The bonus is paid according to the criteria 'operating result' and 'customer satisfaction'. In the case of managers with personnel responsibility, there is also the criterion 'personal assessment'. For full-time employees the bonus payable was a maximum of half a month's salary, although subject to a minimum of SEK 15,000. For managers, the bonus was a maximum of one month's salary.

For the senior executives there was a bonus programme in place during the year based on result, customer satisfaction and personal objectives. A bonus can be a maximum of SEK 500,000 for the year for the President and a total of SEK 1,500,000 for other senior executives. The bonus does not carry pension entitlement.

Both bonus programmes are subject to a decision by the Board, valid for one year on each occasion and with a ceiling. Should the Company report a loss, no bonus is payable.

The senior management's holdings of purchase options are issued by L E Lundbergföretagen AB.

Note 9. Fees and other remuneration to auditors

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Audit assignments, KPMG	0.9	0.9	0.9	0.7
Other assignments, KPMG	0.3	0.3	0.3	0.3
Total	1.2	1.2	1.2	1.0

Note 10. Intra-group transactions

SEK m	Parent Company	
	2003	2002
Income	13.0	12.7
Costs	-11.6	-10.9
Total	1.4	1.8

Note 11. Rental and lease agreements

SEK m	Group		Parent Company	
	2003	2002	2003	2002
– 1 year	9.6	8.6	6.6	–
1 year – 5 years	7.6	11.5	0.2	6.4
5 years –	23.0	20.7	0.3	0.5
Total	40.2	40.8	7.1	6.9

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

Note 12. Profit on participations in Group companies

SEK m	Parent Company	
	2003	2002
Liquidation/division of subsidiaries	–	150.5
Total	–	150.5

Note 13. Interest income and similar profit/loss items

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Interest income, group companies	–	–	–	3.6
Interest income, others	11.4	19.0	0.8	1.9
Total	11.4	19.0	0.8	5.5

Note 14. Interest expense and similar profit/loss items

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Interest expense, others	-199.1	-206.7	-195.4	-200.6
Total	-199.1	-206.7	-195.4	-200.6

Note 15. Interest paid and received

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Interest received	2.6	3.3	1.6	1.2
Interest paid	-184.6	-138.9	-184.4	-136.7

Note 16. Appropriations

SEK m	Parent Company	
	2003	2002
Change in accumulated additional depreciation	-10.5	-15.0
Change in tax allocation reserve	-49.0	-53.3
Total	-59.5	-68.3

Note 17. Income taxes

SEK m	Group		Parent Company	
	2003	2002	2003	2002
<i>Actual tax cost</i>				
Tax expense for the year	-88.0	-89.0	-51.9	-62.3
Tax attributable to previous years	45.2	1.6	45.2	1.6
<i>Deferred tax cost/tax income</i>				
Regarding temporary differences	-17.8	-15.5	52.9	-41.8
Utilization of previously capitalized tax values in deficit deduction	–	-13.1	–	–
	-60.6	-116.0	46.2	-102.5
Reported profit before tax	430.7	453.2	51.5	388.2
Tax at the current tax rate of 28 per cent	-120.6	-126.9	-14.4	-108.7
Tax attributable to previous year	60.2	1.6	45.2	1.6
Utilization of previously uncapitalized deficit deduction ⁽¹⁾	–	6.7	–	–
Effect of other tax rates in conjunction with the acquisition of real assets	-2.1	-2.1	–	–
Non-taxable income	4.8	4.7	15.2	5.1
Non-deductible costs	-3.6	-0.2	-0.3	-0.2
Other	0.7	0.2	0.5	-0.3
	-60.6	-116.0	46.2	-102.5
<i>Tax items reported directly against equity</i>				
Actual tax in group contributions received	–	–	34.1	24.7
	–	–	34.1	24.7

(1) There was no deficit deduction as of December 31, 2003.

Note 18. Buildings and building equipment

SEK m	Group		Parent Company	
	2003	2002	2003	2002
<i>Buildings</i>				
Opening acquisition value	4,315.3	4,295.0	1,489.6	1,470.4
Investments for the year	14.8	2.7	3.1	2.1
Reclassifications	8.8	17.6	4.5	17.1
Sales	–	–	-57.9	–
Closing acquisition value	4,338.9	4,315.3	1,439.3	1,489.6
Opening depreciation	-612.6	-557.8	-471.8	-456.1
Depreciation for the year	-53.0	-54.8	-15.8	-15.7
Sales	–	–	35.9	–
Closing depreciation	-665.6	-612.6	-451.7	-471.8
Opening write-ups according to the adopted balance sheet for the preceding year	1,696.9	1,722.7	1,443.3	1,459.3
Depreciation for the year	-27.1	-25.8	-16.0	-16.0
Sales	–	–	-182.3	–
Closing write-ups	1,669.8	1,696.9	1,245.0	1,443.3
Closing residual value according to plan	5,343.1	5,399.6	2,232.6	2,461.1
Tax values	10,407.9	10,044.9	5,523.7	5,592.1
<i>Building equipment</i>				
Opening acquisition value	354.3	312.0	93.9	60.0
Investments for the year	7.2	2.4	2.3	2.0
Reclassifications	65.5	39.9	6.8	31.9
Sales	–	–	-0.1	–
Closing acquisition value	427.0	354.3	102.9	93.9
Opening depreciation	-134.5	-117.1	-16.3	-11.3
Depreciation for the year	20.4	-17.4	-5.8	-5.0
Closing depreciation	-154.9	-134.5	-22.1	-16.3
Closing residual value according to plan	272.1	219.8	80.8	77.6
Total residual value, buildings and building equipment	5,615.2	5,619.4	2,313.4	2,538.7

Note 19. Land

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Opening acquisition value	1,733.9	1,733.9	299.0	299.0
Disposals during the year	–	–	-8.8	–
Closing acquisition value	1,733.9	1,733.9	290.2	299.0
Write-ups	3,087.9	3,087.9	3,045.7	3,045.7
Disposals during the year	–	–	-4.1	–
Closing residual value according to plan	4,821.8	4,821.8	3,331.8	3,344.7
Tax values	2,023.1	1,955.7	1,844.4	1,885.0

Note 20. New construction and conversions in progress

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Opening acquisition value	124.5	86.0	13.1	44.1
Investments for the year	124.6	96.0	10.0	18.1
Reclassifications	-74.3	-57.5	-12.5	-49.1
Closing residual value according to plan	174.8	124.5	10.6	13.1

Note 21. Information regarding the actual value of managed properties

SEK m	Group		Parent Company	
	Book value 2003	Actual value 2003	Book value 2003	Actual value 2003
Stockholm	9,515	13,301	4,837	7,376
Gothenburg	1,097	1,825	819	1,355
	10,612	15,126	5,656	8,731

For details of income and costs attributable to managed properties, reference can be made to Note 3.

All the Group's properties are classified as managed properties and include the items buildings, building equipment, land and new construction and conversions in progress in the balance sheet. The actual value is based on an in-house valuation.

Valuation of the property holdings was done by assessing each individual property's market value. The value assessment took place on the basis of a yield valuation.

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

The yield requirements used in the valuation vary between regions and between sub-areas within the regions. Consideration has also been given to different property types, the technical standard and the building design. In the case of leasehold properties the yield requirement has been increased by 0.5 percentage points.

In making the valuation, the following information has been used:

	Rental income, SEK m	Net operating profit, SEK m	Direct yield requirement, %
<i>Group</i>			
Stockholm, commercial	1,178	820	6.0–7.0
Stockholm, commercial/residential	41	25	5.0–5.3
Gothenburg, commercial	184	123	6.5–7.0
Property holdings	1,403	968	6.4 ⁽¹⁾
<i>Parent Company</i>			
Stockholm, commercial	651	476	6.0–7.0
Gothenburg, commercial	135	92	6.5–7.0
Property holdings	786	568	6.5 ⁽¹⁾

(1) Average.

To guarantee the valuation, external valuations have been made by two authorised valuation companies. The external valuations cover eight properties and are equivalent to 26 per cent of the internally assessed market value. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standards and construction standards.

The external valuation companies have given a market value of SEK 4.0 billion, with a range of +/- 2–8 per cent. Hufvudstaden's internal valuation of the same properties is SEK 3.9 billion. The internal valuations are three per cent below the external valuations. A comparison between the internal and external valuation reveals that Hufvudstaden's valuations are within the value range stated by the external valuation companies.

Note 22. Equipment

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Opening acquisition value	35.6	37.7	12.3	13.6
Investments for the year	2.3	2.0	1.9	2.7
Disposals	-0.1	-4.1	–	-4.0
Closing acquisition value	37.8	35.6	14.2	12.3
Opening depreciation	-25.0	-25.3	-7.5	-8.9
Depreciation for the year	-4.4	-3.8	-2.6	-2.6
Disposals	–	4.1	–	4.0
Closing accumulated depreciation	-29.4	-25.0	-10.1	-7.5
Closing residual value according to plan	8.4	10.6	4.1	4.8

The Group has operational leasing agreements on a small scale for technical equipment. All agreements are subject to normal market terms and conditions.

Note 23. Participations in Group companies

	Company reg. no.	Reg. office	Capital (votes), %	Number	Nominal value, 1,000	Book value 2003, SEK m	Book value 2002, SEK m
<i>Shares in subsidiaries</i>							
Beheer-en Beleggingsmaatschappij Gradoma B.V.		Amsterdam	100	52	NLG 52	2.4	2.4
AB Citypalatset	556034-7246	Stockholm	100	1,200	120	1,111.1	1,111.1
Fastighetsaktiebolaget Medusa	556018-7238	Stockholm	100	300	300	32.3	32.3
Fastighets AB Essborg	556651-8675	Stockholm	100	1,000	100	0.1	–
Fastighets AB Fleminghörnet	556651-8535	Stockholm	100	1,000	100	0.1	–
Aktiebolaget Hamngatgaraget	556068-6601	Stockholm	100	3,000	300	231.2	231.2
AB Nordiska Kompaniet	556008-6281	Stockholm	100	19,460,666	97,303	1,449.3	1,449.3
Parkaden AB	556085-3599	Stockholm	100	5,000	500	0.6	0.6
Vasaterminalen AB	556118-8722	Stockholm	100	2,022,000	202,200	1,504.5	1,504.5
						4,331.6	4,331.4
<i>Shares in dormant companies</i>							
Aktiebolaget Cityparkering	556020-7440	Stockholm	100	200	100	–	–
Fastighets AB Hufvudstaden	556014-4411	Stockholm	100	500	250	0.2	0.2
Förvaltnings AB Birger Jarl	556209-4614	Stockholm	100	200	100	–	–
Förvaltnings AB Liljeholmstorget	556030-5251	Stockholm	100	1,000	100	–	–
Förvaltnings AB Norrmalmstorg nr 1	556019-5405	Stockholm	100	150	150	–	–
Huvudstaden Fastighetsförvaltning AB	556556-7038	Stockholm	100	200	100	0.1	0.1
						0.3	0.3
<i>Owned by AB Citypalatset</i>							
Fastighetsaktiebolaget Stockholms City	556019-4358	Stockholm	100	7,776	7,776	239.5	239.5
						239.5	239.5
<i>Owned by Fastighetsaktiebolaget Stockholms City</i>							
Hotel Stockholm AB	556031-4303	Stockholm	100	10,000	1,000	3.4	3.4
						3.4	3.4
<i>Owned by Vasaterminalen AB</i>							
World Trade Center Stockholm AB	556273-0803	Stockholm	100	1,000	100	–	–
WTC Parkering AB	556424-3920	Stockholm	100	1,000	100	0.1	0.1
						0.1	0.1
<i>Owned by AB Nordiska Kompaniet</i>							
NK Cityfastigheter AB	556023-1267	Stockholm	100	1,680	168	0.4	0.4
NK Concession Aktiebolag	556313-8733	Stockholm	100	1,000	100	0.1	0.1
						0.5	0.5

Note 24. Participations in Group companies

	Parent Company	
SEK m	2003	2002
Opening book value	4,331.7	4,362.6
Acquisitions for the year	0.2	–
Disposals for the year/liquidation	–	-30.9
Closing book value	4,331.9	4,331.7

Note 25. Other long-term receivables

	Group		Parent Company	
SEK m	2003	2002	2003	2002
Opening book value	100.5	169.1	5.0	41.9
Acquisitions for the year	0.2	1.1	0.1	–
Amortization for the year	-11.8	-69.7	–	-36.9
Closing book value	88.9	100.5	5.1	5.0

Of this amount, SEK 80.4 is a promissory note receivable. Other long-term receivables are not interest-bearing. For information regarding capital tie-up and interest terms, see Note 26.

Note 26. Promissory note receivable

SEK m	Final due date	Interest rate	Nominal value	Book value	Actual value
Promissory note receivable	1.3.2010	12.2	80.4	80.4	84.4

The promissory note receivable is a 20-year annuity loan with interest and amortization payable annually. The annual annuity is SEK 20 million. Payment is received through a set-off against the annual site leasehold charge for the Terminalen 1 property for the same amount.

Note 27. Accounts receivable

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Accounts receivable	13.5	26.2	2.8	2.6
Rent receivables	3.1	2.6	1.1	3.3
Total	16.6	28.8	3.9	5.9

Note 28. Prepaid expenses and accrued income

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Accrued rent revenue	16.7	19.9	7.9	7.4
Prepaid expenses	5.8	7.2	0.4	0.2
Accrued interest income	9.6	10.9	9.6	10.9
Other	0.1	1.4	–	–
Total	32.2	39.4	17.9	18.5

Note 29. Cash and bank balances

The cash flow statements show liquid funds at the end of 2003 and 2002 as SEK 162.4 million and SEK 136.5 million respectively.

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Bank balances	162.4	136.5	159.2	126.4
Total	162.4	136.5	159.2	126.4

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

On December 31, 2003 the Group's available unutilised loan assurances amounted to SEK 435 million (420), for which all terms and conditions for use were fulfilled.

Note 30. Equity

SEK m	2003	2002
<i>Breakdown of share series</i>		
A 202,996,119 shares at a nominal SEK 5	1,015.0	–
A 202,995,109 shares at a nominal SEK 5	–	1,015.0
C 8,275,814 shares at a nominal SEK 5	41.4	–
C 8,275,824 shares at a nominal SEK 5	–	41.4
Total	1,056.4	1,056.4

Hufvudstaden AB (publ) has two share classes, Series A and Series C. Both share classes are registered on the Stockholm Stock Exchange A-list. 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 convert Series C shares into Series A shares. During the year, 10 Series C shares were converted in this way.

5,006,000 shares were bought back during the year.

Note 31. Provision for pensions and other obligations

A provision has been made in the balance sheet for pension obligations for former employees.

White-collar workers employed in the Group are covered by the so-called ITP plan. Since the middle of the 1970s the plan has automatically been a collective agreement.

The ITP plan mainly includes the following benefits:

- Retirement pension
- ITPK (supplementary retirement pension)
- Sickness pension
- Collective family pension

Virtually all privately employed white-collar workers in Sweden are covered by the ITP plan. The plan is financed by the employers, who decide whether pension insurance should be taken out through Alecta pension insurance, mutually, (Alecta) or, with regard to retirement pension and ITPK, whether provisions should be made within the Company within the framework of the FPG/PRI system. Hufvudstaden has chosen the option of taking out pension insurance through Alecta.

Regardless of how the plan is financed, through pension insurance in Alecta or through internal provisions, the plan for the retirement pension and collective family pension are benefit-defined plans. The pension payable is related to the employee's final salary and the number of years of service in the plan.

This means that the Company should report its proportional part of the benefit-defined obligation and the management assets and costs that are linked to the plan in the same way as for any other benefit-defined plan and furnish the information required concerning such plans.

At present Alecta is unable to furnish sufficient information to report Hufvudstaden's proportion of the benefit-defined obligation and of the management assets and costs that are linked to the plan. Consequently, Alecta is unable to furnish information about Hufvudstaden's proportion of the surplus or deficit in the plan. Consequently, the plan is reported as if it were a charge-defined plan even though the ITP plan is a benefit-defined plan.

The charges for the year for the pension insurance taken out in Alecta amount to SEK 2.6 million, of which SEK 2.1 million refers to the retirement pension and family pension, and come under the income statement item Personnel expenses. In the Group's opinion the current premium ought to cover the current obligations, although a certain premium liability exists with regard to premiums for the past attributable to salary changes.

A surplus that arises in the plan is confirmed by Alecta's national Board. The surplus that arises is used primarily to hedge pensions and paid-up policies. The Group's future premiums could be affected by future reductions in premiums as decided by Alecta.

Note 32. Deferred tax liability

SEK m	Deferred tax receivable	Deferred tax liability	Net
<i>Group</i>			
<i>2003</i>			
Buildings and land	-	-1,629.8	-1,629.8
Additional depreciation of machinery and equipment	-	-11.2	-11.2
Tax allocation reserve	-	-71.6	-71.6
Deficit deduction	-	-	-
Total	-	-1,712.6	-1,712.6
<i>2002</i>			
Buildings and land	-	-1,649.9	-1,649.9
Additional depreciation of machinery and equipment	-	-8.2	-8.2
Pension provisions	-	-0.3	-0.3
Tax allocation reserve	-	-36.4	-36.4
Deficit deduction	-	-	-
Total	-	-1,694.8	-1,694.8
<i>Parent Company</i>			
<i>2003</i>			
Buildings and land	-	-1,218.8	-1,218.8
Total	-	-1,218.8	-1,218.8
<i>2002</i>			
Buildings and land	-	-1,271.8	-1,271.8
Total	-	-1,271.8	-1,271.8

The deferred tax liabilities in the Group totalled SEK -215.0 million (-215.5) and are attributable to acquisitions of material assets. SEK -1,329.2 million (1,337.5) is attributable to write-ups of buildings and land. Of the Parent Company's deferred tax liabilities, SEK -1,200.2 million (-1,256.9) is attributable to write-ups of buildings and land.

There were no deficit deductions as of December 31, 2003.

Deferred tax in conjunction with the acquisition of material assets is reported at the figure assigned to the assets in conjunction with the acquisition. The average tax rate is 9 per cent.

Note 33. Property tax liability

SEK m	2003	2002
<i>Group</i>		
Opening book value	159.5	155.5
Provision for the year	3.5	4.0
Closing book value	163.0	159.5

The subsidiary Vasaterminalen AB is involved in a dispute with the tax authority in Stockholm regarding whether or not the Company's Terminalen 1 property should be classified as a commercial property for tax assessment purposes. The Company's opinion is that the property should be classified as a special unit, a communication building, and should therefore not be assigned a tax assessment value. The matter was resolved in the Administrative Court of Appeal in line with the tax authority's claims. The Company has been granted leave to appeal to the Supreme Administrative Court of Appeal and proceedings are in progress. A provision has been made for an amount equivalent to the tax authority's claim plus respite interest on the additional tax payable. If successful, the amount the tenants were debited will be credited to them.

Note 34. Liabilities to credit institutions

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Loans	3,750.6	3,766.0	3,745.0	3,760.0
Total	3,750.6	3,766.0	3,745.0	3,760.0
Credit facility granted	45.0	45.0	45.0	45.0
Loan assurances	600.0	600.0	600.0	600.0

As of December 31, 2003, Hufvudstaden had loan assurances that fell due within 12 months of SEK 600 million. At the year-end, SEK 165 million had been utilized.

Information about capital tie-up, loans terms and conditions and APR

Maturity	Group		Parent Company	
	Average APR, % ⁽¹⁾	Nominal amount	Average APR, % ⁽¹⁾	Nominal amount
2004	3.5	1,070.6	3.4	1,065.0
2005	3.4	500.0	3.4	500.0
2006	3.5	790.0	3.5	790.0
2007	3.5	790.0	3.5	790.0
2008	3.6	600.0	3.6	600.0
Total		3,750.6		3,745.0

(1) The interest terms are 3 months STIBOR with an addition for the interest margin. Interest is paid quarterly. All loans are denominated in SEK.

Interest rate swaps 2003

Group and Parent Company

Maturity	Average APR		Nominal amount	Actual value
	Fixed interest, % ⁽²⁾	Floating interest, % ⁽³⁾		
2004	4.7	3.0	900.0	-10.0
2005	5.2	3.0	300.0	-8.0
2006	5.2	3.0	1,000.0	-37.0
2007	4.7	3.0	600.0	-11.0
2008	4.4	3.0	750.0	-4.0
Total			3,550.0	-70.0

(2) Interest is paid annually.

(3) The interest terms are 3 months Stibor. Interest is paid quarterly. IRS contracts are denominated in SEK.

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

Note 35. Other non-interest liabilities

SEK m	Group		Parent Company	
	2003	2002	2003	2002
VAT settlement	33.6	39.1	23.7	21.1
Other	34.9	24.8	4.8	6.8
Total	68.5	63.9	28.5	27.9

Note 36. Accrued expenses and prepaid income

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Accrued interest	84.4	74.6	84.4	74.6
Prepaid rent	208.6	199.8	130.2	126.4
Other	54.4	19.4	27.3	34.7
Total	347.4	293.8	241.9	235.7

Note 37. Property mortgages for liabilities at credit institutions

SEK m	Group		Parent Company	
	2003	2002	2003	2002
Property mortgages for liabilities at credit institutions	1,818.9	1,822.9	1,806.4	1,806.4
(of which mortgages in subsidiaries' properties)	(-)	(-)	(421.0)	(421.0)

Note 38. Information regarding actual values, financial instruments

Mkr	Group		Parent Company	
	Book value 31.12.2003	Actual value 31.12.2003	Book value 31.12.2003	Actual value 31.12.2003
<i>Assets</i>				
Other long-term receivables	88.9	92.9	5.1	5.1
Accounts receivable	16.6	16.6	3.9	3.9
Other receivables	11.8	11.8	0.4	0.4
Cash and bank balances	162.4	162.4	159.2	159.2
Interest rate swaps with a positive value	-	1.6	-	1.6
<i>Liabilities</i>				
Liabilities to credit institutions (long-term)	2,680.0	2,680.0	2,680.0	2,680.0
Liabilities to credit institutions (current)	1,070.6	1,070.6	1,065.0	1,065.0
Accounts payable	46.0	46.0	2.0	2.0
Other non-interest liabilities	69.6	69.6	29.6	29.6
Interest rate swaps with a negative value	-	72.0	-	72.0

The actual value of other long-term receivables, liabilities to credit institutions and interest rate swaps are calculated with the aid of a discounted cash flow analysis. Liabilities to credit institutions have a three-month fixed interest period where it is assessed that the actual value essentially concurs with the book value. In the case of other financial instruments, such as accounts receivable and accounts payable, the actual value concurs with their book values.

Note 39. Affiliations

Hufvudstaden AB is under the controlling influence of L E Lundbergföretagen and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen. Fredrik Lundberg has received a director's fee of SEK 250,000.

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 23.

Proposed distribution of unappropriated earnings

According to the Consolidated Balance Sheet, the Group's non-restricted equity was SEK 2,464,000,932, of which profit for the year was SEK 370,083,503. No allocation to restricted reserves is required.

The Board of Directors proposes that the funds available for appropriation at the Annual General Meeting, as reported in the Balance Sheet, i.e.

Balance brought forward	SEK 2,084,427,265
Profit for the year	SEK 370,083,503
	SEK 2,454,510,768
be appropriated as follows:	
Dividend to the shareholders,	
SEK 1.20 per share	SEK 247,519,120 ⁽¹⁾
To be carried forward	SEK 2,206,991,648
	SEK 2,206,991,648

(1) See Definitions, page 76, Dividend amount.

Stockholm, February 12, 2004

Fredrik Lundberg
Chairman

Claes Boustedt

Bengt Braun

Peter Egardt

Mats Jansson

Hans Mertzig

Bo Waldemarson

Ivo Stopner
President

Auditors' Report

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

I have examined the annual accounts, consolidated accounts, accounting records and the administration of the Board of Directors and the President of Hufvudstaden AB for 2003. The Board of Directors and the President are responsible for the accounting records and the administration. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of my audit.

The examination has been carried out in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit to assure myself to a reasonable extent that the annual accounts and the consolidated accounts do not contain material errors. An audit includes examining a selection of the supporting documents for amounts and other information in the accounting records. An audit also includes an examination of the accounting principles and their application by the Board of Directors and the President and an assessment of the overall information in the annual accounts and the consolidated accounts. As a basis for my statement on discharge from liability, I have examined material decisions, measures and conditions in the Company to enable me to assess whether any Board Member or the President

is liable for compensation to the Company. I have also examined whether a Board member or the President has acted in any way that is contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I consider that my audit gives me reasonable grounds for my statements below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and therefore provide a fair picture of the Company's and the Group's financial results and financial position in accordance with generally accepted accounting principles in Sweden.

I recommend that the Annual General Meeting adopts the income statement and balance sheet for the Parent Company and for the Group, that the profit of the Parent Company be distributed according to the proposal in the Administration Report and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, February 12, 2004

Bo Ribers
Authorized Public Accountant
KPMG

Board of Directors and Auditors



Fredrik Lundberg

Born 1951, MSc, MBA. Honorary PhD in Economics, Chairman, Board member since 1998. President and CEO of L E Lundbergföretagen AB. Chairman of Holmen AB and Cardo AB. Board member of L E Lundbergföretagen AB, Handelsbanken, NCC AB and Stadium 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.



Mats Jansson

Born 1951, university studies. Board member since 1999. President and CEO of Axfood AB. Holding in Hufvudstaden: 1,500 shares (including family).



Hans Mertzig

Born 1941, economist. Board member since 2000. Asset manager at the KK-stiftelsen. Chairman of Tryggstiftelsen. Board member of the Seventh Swedish Pension Fund. Holding in Hufvudstaden: –

The Board consists of eight members, without any deputies, all of whom are elected at the Annual General Meeting. The Board includes persons who have links with Hufvudstaden's major shareholders, L E Lundbergföretagen, Livförsäkringsaktiebolaget Skandia and SEB Trygg Liv. The President is also a member of the Board. Other executives in the Company take part in Board meetings to present specific points. During the 2003 financial year, the Board held seven meetings, of which one was a statutory meeting. The work of the Board is conducted 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.



Bengt Braun

*Born 1946, MBA, LLB. Board member since 2000.
President and CEO of Bonnier AB.
Chairman of Alma Media Oyj and the Newspaper Publishers' Association.
Deputy Chairman of Orijlame International AB.
Board member of Bonnier Holding AB.
Holding in Hufvudstaden: 3,000 shares.*



Peter Egardt

*Born 1949, BA. Board member since 2003.
President of the Stockholm Chamber of Commerce and the Association of
Swedish Chambers of Commerce. Chairman of Chamber Sign AB
Deputy Chairman of Eurochambres and Stockholm International Fairs.
Member of the Board of Governors of the Bank of Sweden
Holding in Hufvudstaden: –*



Bo Waldemarson

*Born 1938, senior secondary school engineering and
economics programmes. Board member since 1998.
Director of L E Lundbergföretagen AB.
Holding in Hufvudstaden: –*



Ivo Stopner

*Born 1962, MSc.
President and Board member since 1999.
Holding in Hufvudstaden: 2,800 shares (including family)
and 100,000 call options.*

Secretary

Sten-Åke Stenshamn, born 1944, lawyer at Landahl Öhman Advokatbyrå KB. Secretary to the board since 2001.

Auditors

Bo Ribers, Authorized Public Accountant, KPMG. Auditor since 1999. Stefan Älgne, Authorized Public Accountant, KPMG. Deputy auditor since 2000.



The executive management team consists of the President and the heads of the Stockholm City East Business Area, Stockholm City West Business Area, NK Business Area and Gothenburg Business Area as well as the Accounting and Finance and Property Development departments.

From the left: Eric Nihlmark, Håkan Steinbüchel, Ingela Lispers Jelleryd, Ivo Stopner, Svante Hedström, Bo Wikare and Magnus Jacobson.



Senior Executives

Eric Nihlmark

Born 1952. MSc.

*Head of the Gothenburg Business Area,
employed in 1983.*

*Holding in Hufvudstaden:
200 shares and 10,000 call options.*

Håkan Steinbüchel

Born 1958. MSc.

*Head of the NK Business Area,
employed in 2000. President of Parkaden AB.*

*Holding in Hufvudstaden:
125 shares and 10,000 call options.*

Ingela Lispers Jelleryd

Born 1958. MBA.

*Head of the Stockholm City West Business Area,
employed in 2002.*

Holding in Hufvudstaden: –

Ivo Stopner

Born 1962. MSc.

President, employed in 1990.

*Holding in Hufvudstaden: 2,800 shares
(including family) and 100,000 call options.*

Svante Hedström

Born 1961. MSc.

Head of Property Development, employed in 2002.

Holding in Hufvudstaden: 200 shares.

Bo Wikare

Born 1963. MSc.

*Head of the Stockholm City East Business Area,
employed in 1994. Holding in Hufvudstaden:*

62 shares and 10,000 call options.

Magnus Jacobson

Born 1958. MBA.

Head of Finance, employed in 2002.

Holding in Hufvudstaden: –

Property designation	Address	Site area, sq. m	Year of purchase	Year of construction/ refurbishment	Tax assessment value 2003, SEK m	Book value, SEK m
Stockholm City East Business Area						
<i>Norrmalmstorg Management Area</i>						
Achilles 1 ⁽¹⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorsgatan 7	1,046	1979	17th century/ 1974	123.2	77.4
Kungliga Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	101.4	86.9
Kvasten 2 ⁽¹⁾	Norrandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	173.2	154.4
Kvasten 6	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	322.9	228.9
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	170.0	118.8
Kåkenhusen 39	Kungsgatan 4 A–B–10, Brunnsgatan 5–9, Norrandsgatan 29	3,788	1921	1926/28/30/ 84/85/89/91	605.3	432.6
Medusa 1 ⁽¹⁾⁽²⁾	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	63.4	51.2
Norrmalm 2:62 ⁽⁵⁾	Norrmalmstorg, Café Palmhuset	0	1992	1993	11.2	5.9
Packarhuset 4 ⁽¹⁾⁽⁴⁾	Norrmalmstorg 1, Hamgatan 8, Norrandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	650.5	1,200.8
Pumpstocken 10	Birger Jarlsgatan 13, Mäster Samuelsgatan 2	569	1917	1897/1995	154.4	73.0
Pumpstocken 11 ⁽⁵⁾	Biblioteksgatan 10–12, Mäster Samuelsgatan 4, Jakobsbergsgatan 3	1,518	1991/2000	1865/97/ 1929/84/96	273.7	322.3
Pumpstocken 12 ⁽¹⁾	Birger Jarlsgatan 15, Jakobsbergsgatan 1	791	1978	1901/95	191.9	82.9
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	123.2	68.0
Rännilen 11	Biblioteksgatan 6–8, Mäster Samuelsgatan 5	775	1958	1902/85	123.2	78.5
Rännilen 18 ⁽¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986	424.3	398.5
Rännilen 19	Norrmalmstorg 14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	1,544	1931/39	1902/64/90	426.8	339.0
Schönborg 6	Götgatan 20, 22 A–B, S:t Paulsgatan 2–4	1,472	1918/42	1960	123.8	93.9
Skären 9	Smålandsgatan 20, Norrandsgatan 10	2,195	1917	1984/2001	550.7	462.7
Vildmannen 7 ⁽¹⁾	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	169.6	101.1
Total Stockholm City East Business Area		24,556			4,782.7	4,376.9
Stockholm City West Business Area						
<i>Kungsgatan Management Area</i>						
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	201.2	164.8
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/ 2001	284.6	230.2
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	310.5	174.0
Oxhuvudet 18 ⁽¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39	4,509	1926	1931/ 85/89/91	1,040.5	740.1
Roddaren 58	Fleminggatan 40, S:t Eriksgatan 44, Kronobergsgatan 33	4,923	1966	1974	249.3	134.9
Svärdfisken 2 ⁽¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes Gata 13	1,853	1921	1851/1987	187.2	106.6
<i>Total</i>		<i>15,334</i>			<i>2,273.3</i>	<i>1,550.6</i>
<i>World Trade Center Management Area</i>						
Orgelpipan 7 ⁽⁶⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	421.2	389.9
Terminalen 1, Kortbyrån 18 ⁽⁷⁾	Klarabergsviadukten 70–72, Kungsbron 1	24,722	2000	1989	1,115.4	1,381.0
<i>Total</i>		<i>31,016</i>			<i>1,536.6</i>	<i>1,770.9</i>
Total Stockholm City West Business Area		46,350			3,809.9	3,321.5
NK Business Area						
<i>Stockholm</i>						
Hästen 19 ⁽¹⁾ och 20, Spektern 14 ⁽⁸⁾	Hamngatan 18–20, 29–33, Regerings- gatan 26–32, 36–40	8,875	1998	1915/91	2,115.4	1,556.9
Hästskon 10 ⁽⁹⁾	Regeringsgatan 49–53, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	374.4	260.0
<i>Gothenburg</i>						
Inom Vallgraven 10:9 ⁽¹⁰⁾	Östra Hamngatan 42, Kyrkogatan 54, Fredsgatan 5–7, Drottninggatan 39, 45	4,520	1998	1964/94	370.7	277.3
Total NK Business Area		18,316			2,860.5	2,094.2
Gothenburg Business Area						
Inom Vallgraven 12:8	Drottninggatan 52	395	1967	1875	11.1	5.7
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,167	1967	1975	163.2	144.6
Inom Vallgraven 20:4 ⁽¹¹⁾	Kungsgatan 46	982	1974	1914	0.0	17.5
Nordstaden 8:24	Postgatan 26–32, Nordstadstorget 6, Spannmålsgatan 19, Nils Ericssonsgatan 17	8,404	1979	1972	685.1	599.3
Nordstaden GA:5 ⁽¹²⁾	Nordstadstorget and others				118.5	52.1
Total Gothenburg Business Area		13,948			977.9	819.2
TOTAL		103,170			12,431.0	10,611.8

Offices	Stores	Restaurants	Cinemas	Rentable space, sq. m		Garage	Residential	Other	Total
				Hotels	Storage				
3,991	351				706				5,048
2,617									2,617
2,791	328	454			287	792			4,652
3,578	944	292	1,738		166	478			7,196
2,507	725				303				3,535
11,826	3,017	564			512				15,919
1,275	242	259			99		298		2,173
	61	124							185
11,408	2,725	704			320				15,157
1,815	702				110				2,627
3,374	1,653	423			127		192	1	5,770
2,369	1,299				176				3,844
1,931	529				85				2,545
1,594	1,334								2,928
5,393	681	924			372				7,370
5,876	1,633				142	1,051		49	8,751
3,509	1,028				160	2,063	4,328		11,088
7,710	1,601				344	1,172			10,827
1,935	643	874					900	1	4,353
75,499	19,496	4,618	1,738	0	3,909	5,556	5,718	51	116,585
7,516	377	263			829				8,985
4,898	1,594				243				6,735
6,605	1,597				1,034				9,236
21,456	5,347				1,498	1,953		5	30,259
4,459	3,310				2,342	3,615	6,519		20,245
3,905	175		1,893		382	1,158			7,513
48,839	12,400	263	1,893	0	6,328	6,726	6,519	5	82,973
10,685	3,552	2,076			3,150	13,469			32,932
37,621		3,880		3,467	928	10,934			56,830
48,306	3,552	5,956	0	3,467	4,078	24,403	0	0	89,762
97,145	15,952	6,219	1,893	3,467	10,406	31,129	6,519	5	172,735
11,775	20,872	2,126			3,003			14	37,790
	2,696	512			8,659	24,482		1	36,350
5,322	8,304	1,542			699			2	15,869
17,097	31,872	4,180	0	0	12,361	24,482	0	17	90,009
393	203				305				901
10,266	3,218	404			998	1,300			16,186
599	1,555				57				2,211
20,454	15,951	802			2,094			66	39,367
31,712	20,927	1,206	0	0	3,454	1,300	0	66	58,665
221,453	88,247	16,223	3,631	3,467	30,130	62,467	12,237	139	437,994

Properties

- (1) The tax assessment value for land has not been set. The property is classified as a listed building.
- (2) Owned by the subsidiary Fastighetsaktiebolaget Medusa.
- (3) The property is held on a lease.
- (4) Owned by the subsidiary Fastighetsaktiebolaget Stockholms City.
- (5) Following a property review, the former Pumpstocken 13 is now included.
- (6) Leasehold. The ground rent is SEK 6.4 million, fixed until October 31, 2004 and reviewed every ten years. In addition, the tax assessment value for land is SEK 227.4 million.
- (7) Owned by the subsidiary Vasaterminalen AB. Terminalen 1 and Kortbyrån 18 are leaseholds. The ground rent for Terminalen 1 is SEK 20.0 million, fixed until March 1, 2010 and reviewed every ten years. The ground rent for Kortbyrån 18 is SEK 1,000, fixed until October 1, 2008 and reviewed every 10 years. In addition, the total tax assessment value for land is SEK 691.1 million.
- (8) Owned by the subsidiary AB Nordiska Kompaniet. Hästen 20 and Spektern 14 are leaseholds. The ground rent after April 30, 2002 is subject to negotiation. In addition, the tax assessment value for land is SEK 25.0 million.
- (9) Owned by the subsidiary AB Hamngatsgaraget. Leasehold. The ground rent is SEK 3.0 million a year, fixed until August 31, 2004 and reviewed every ten years. In addition, the tax assessment value for land is SEK 106.1 million.
- (10) Owned by the subsidiary AB Nordiska Kompaniet.
- (11) The tax assessment value has not been set. The property is classified as a listed building.
- (12) This property is jointly owned and includes parking operations, some leasing of premises as well as servicing and operation 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.

Statistics

Property holdings (comparable holdings)

December 31, 2003	Sthlm City East Business Area				Sthlm City West Business Area				NK Business Area				Gothenburg Business Area				Total	
	2003		2002		2003		2002		2003		2002		2003		2002		2003	2002
	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m	SEK m	SEK/sq.m
Gross rent	414.2	3,553	415.3	3,585	526.9	3,050	511.0	2,960	324.4	3,604	292.3	3,283	136.5	2,327	125.6	2,138	1,402.0	3,201
(of which property tax supplement)	(36.9)	(317)	(38.2)	(330)	(41.6)	(241)	(41.9)	(243)	(23.9)	(266)	(21.4)	(240)	(8.5)	(145)	(8.4)	(143)	(110.9)	(253)
Rent losses on vacant space	-54.6	-468	-48.5	-419	-49.1	-284	-40.9	-237	-14.1	-157	-9.3	-104	-4.1	-70	-2.9	-49	-121.9	-278
Bad debt losses	-	-	-1.3	-11	-	-	-2.1	-12	-2.7	-30	-3.3	-37	-0.1	-2	0.3	5	-2.8	-6
Net sales	359.6	3,084	365.5	3,155	477.8	2,766	468.0	2,711	307.6	3,417	279.7	3,142	132.3	2,255	123.0	2,093	1,277.3	2,916
Special projects	-95.1	-816	-54.8	-473	-0.1	-1	5.8	34	-20.8	-231	-37.3	-419	-	-	-	-	-116.0	-265
Maintenance	-14.9	-128	-18.4	-159	-14.8	-86	-21.2	-123	-7.1	-79	-9.9	-111	-9.6	-164	-6.5	-111	-46.4	-106
Operating costs	-33.8	-290	-30.6	-264	-44.4	-257	-37.9	-220	-57.6	-640	-56.4	-633	-19.8	-338	-18.4	-313	-155.6	-355
Administration	-18.0	-154	-13.0	-112	-17.2	-100	-19.4	-112	-18.0	-200	-16.6	-186	-4.8	-82	-3.4	-58	-58.0	-132
Property tax	-42.6	-365	-45.7	-394	-46.9	-272	-45.1	-261	-29.9	-332	-28.9	-325	-9.3	-159	-9.8	-167	-128.7	-294
Leasehold ground rents	-0.2	-2	-0.2	-2	-26.4	-153	-26.4	-153	-7.2	-80	-6.1	-69	-	-	-	-	-33.8	-77
Total property expenses	-204.6	-1,755	-162.7	-1,404	-149.8	-867	-144.2	-835	-140.6	-1,562	-155.2	-1,743	-43.5	-741	-38.1	-648	-538.5	-1,229
Net operating profit	155.0	1,330	202.8	1,750	328.0	1,899	323.8	1,876	167.0	1,855	124.5	1,398	88.8	1,514	84.9	1,445	738.8	1,687
Depreciation	-17.1	-147	-16.7	-144	-37.8	-219	-37.4	-217	-39.2	-436	-37.2	-418	-7.1	-121	-6.7	-114	-101.2	-231
Gross profit	137.9	1,183	186.1	1,606	290.2	1,680	286.4	1,659	127.8	1,420	87.3	981	81.7	1,393	78.2	1,331	637.6	1,456

Property data (comparable holdings)

December 31, 2003	Sthlm City East Business Area		Sthlm City West Business Area		NK Business Area		Gothenburg Business Area		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Number of properties	19	19	8	8	3	3	4	4	34	34
Floor space, sq. m	116,585	115,854	172,735	172,619	90,009	89,030	58,665	58,758	437,994	436,261
Vacant floor space, %	13.3	14.8	10.0	9.5	3.6	2.5	3.7	7.3	8.7	9.2
Vacant rental space, %	10.8	13.4	9.6	10.5	4.1	3.1	2.6	5.3	8.1	9.3
Number of rentable garage spaces	197	202	931	949	800	800	52	53	1,980	2,004
Book value, SEK m	4,376.9	4,299.7	3,321.5	3,345.4	2,094.2	2,103.2	819.2	817.4	10,611.8	10,565.7
- of which investments for the year	90.7	30.0	6.0	9.0	29.8	54.0	8.9	8.1	135.4	101.1

Rentable space and annual rent

December 31, 2003	Sthlm City East Business Area		Sthlm City West Business Area		NK Business Area		Gothenburg Business Area		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	Area, sq. m	Annual rent, SEK m
Offices	75,499	314.8	97,145	377.6	17,097	64.8	31,712	50.7	221,453	807.9
Stores and restaurants	24,114	116.3	22,171	74.3	36,052	206.4	22,133	69.8	104,470	466.8
Cinemas	1,738	2.4	1,893	2.3	-	-	-	-	3,631	4.7
Hotels	-	-	3,467	11.5	-	-	-	-	3,467	11.5
Storage and miscellaneous	3,960	5.7	10,411	11.4	12,378	18.9	3,520	4.9	30,269	40.9
Garages	5,556	5.3	31,129	20.0	24,482	23.2	1,300	1.2	62,467	49.7
Residential	5,718	5.8	6,519	5.9	-	-	-	-	12,237	11.7
Total	116,585	450.3	172,735	503.0	90,009	313.3	58,665	126.6	437,994	1,393.2

Vacant floor space and vacant rental space

December 31, 2003	Sthlm City East Business Area		Sthlm City West Business Area		NK Business Area		Gothenburg Business Area		Total	
	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m	Vacant floor space, sq. m	Vacant rental space, SEK m
Offices	11,694	41.3	13,322	43.8	1,958	8.9	1,618	2.7	28,592	96.7
Stores and restaurants	1,035	4.2	245	1.2	1,085	3.5	142	0.2	2,507	9.1
Cinemas	-	-	-	-	-	-	-	-	-	-
Hotels	-	-	-	-	-	-	-	-	-	-
Storage and miscellaneous	870	0.9	2,556	2.1	201	0.6	279	0.2	3,906	3.8
Garages	1,129	1.2	857	1.0	-	-	125	0.1	2,111	2.3
Residential	736	1.2	261	0.2	-	-	-	-	997	1.4
Total	15,464	48.8	17,241	48.3	3,244	13.0	2,164	3.2	38,113	113.3

Lease term structure ^{(1) (2) (3)}

December 31, 2003

Number of contracts	2004	2005	2006	2007	2008	2009 –	Total
Stockholm City East Business Area							
Offices	26	25	30	17	8	6	112
Stores	21	25	27	13	4	3	93
Other	175	37	49	16	2	12	291
Total	222	87	106	46	14	21	496
Proportion, %	44.8	17.5	21.4	9.3	2.8	4.2	100.0
Stockholm City West Business Area							
Offices	20	27	32	17	13	3	112
Stores	13	13	12	3	1	1	43
Other	133	90	56	16	8	10	313
Total	166	130	100	36	22	14	468
Proportion, %	35.5	27.8	21.3	7.7	4.7	3.0	100.0
NK Business Area							
Offices	11	8	11	–	–	–	30
Stores	51	46	38	13	7	1	156
Other	32	35	25	12	4	3	111
Total	94	89	74	25	11	4	297
Proportion, %	31.7	30.0	24.9	8.4	3.7	1.3	100.0
Gothenburg Business Area							
Offices	4	12	14	3	3	2	38
Stores	15	15	21	9	2	5	67
Other	31	32	24	14	2	1	104
Total	50	59	59	26	7	8	209
Proportion, %	23.9	28.2	28.2	12.5	3.4	3.8	100.0
Hufvudstaden, total							
Offices	61	72	87	37	24	11	292
Stores	100	99	98	38	14	10	359
Other	371	194	154	58	16	26	819
Total	532	365	339	133	54	47	1,470
Proportion, %	36.2	24.8	23.1	9.0	3.7	3.2	100.0
Annual rent, SEK m							
Stockholm City East Business Area							
Offices	38.5	35.3	28.5	41.0	72.5	60.8	276.6
Stores	13.3	17.1	22.0	17.7	6.1	17.8	94.0
Other	7.2	10.3	2.5	3.3	1.6	3.9	28.8
Total	59.0	62.7	53.0	62.0	80.2	82.5	399.4
Proportion, %	14.8	15.7	13.3	15.5	20.1	20.6	100.0
Stockholm City West Business Area							
Offices	39.9	88.5	73.3	45.9	53.1	16.9	317.6
Stores	15.3	10.5	13.7	7.5	7.3	4.1	58.4
Other	18.8	11.4	4.9	0.4	0.2	11.5	47.2
Total	74.0	110.4	91.9	53.8	60.6	32.5	423.2
Proportion, %	17.5	26.1	21.7	12.7	14.3	7.7	100.0
NK Business Area							
Offices	27.5	12.8	5.6	–	–	–	45.9
Stores	54.8	70.2	47.1	18.4	15.7	4.7	210.9
Other	7.8	14.0	27.0	5.2	0.3	1.2	55.5
Total	90.1	97.0	79.7	23.6	16.0	5.9	312.3
Proportion, %	28.8	31.1	25.5	7.6	5.1	1.9	100.0
Gothenburg Business Area							
Offices	0.8	15.0	8.8	9.8	8.5	3.8	46.7
Stores	12.7	14.3	19.0	10.6	1.4	7.7	65.7
Other	3.0	1.5	2.9	2.2	–	0.3	9.9
Total	16.5	30.8	30.7	22.6	9.9	11.8	122.3
Proportion, %	13.5	25.2	25.1	18.5	8.1	9.6	100.0
Hufvudstaden, total							
Offices	106.7	151.6	116.2	96.7	134.1	81.5	686.8
Stores	96.1	112.1	101.8	54.2	30.5	34.3	429.0
Other	36.8	37.2	37.3	11.1	2.1	16.9	141.4
Total	239.6	300.9	255.3	162.0	166.7	132.7	1,257.2
Proportion, %	19.1	23.9	20.3	12.9	13.3	10.5	100.0

(1) Including contracts signed for future occupation/implementation, whereupon the equivalent current rent has been excluded.

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

(3) Excluding residential contracts.

Definitions

Adjusted equity/assets ratio. Equity and surplus value in properties, following a deduction for deferred tax, in relation to total assets.

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

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

Average number of full-time employees. The volume of work performed during the year, expressed as the number of full-time employees. (Paid working hours in relation to the normal annual working hours at the Company).

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

Capital employed. Capital employed refers to total assets less non-interest-bearing liabilities and deferred tax liabilities.

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

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

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 Group costs. Central administration attributable to Other operations is included in the Other operations item.

Collateral level, properties. Interest-bearing liabilities in relation to the properties' book value.

Comparable property holdings. The gross profit from properties acquired during the year is recalculated at a full-year value. Divested properties are excluded.

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

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

Dividend amount. The total dividend amount is calculated on the total number of outstanding shares as of February 12, 2004. The amount could be changed depending on any buy-back of Company shares during the period up to the record date.

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

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

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

Golden Triangle. The central business district in Stockholm, between Stureplan, Norrmalmstorg and Nybroplan and bordered by Birger Jarlsgatan, Norrlandsgatan and Hamngatan.

Gross margin. Gross profit in relation to net sales.

Gross rent. Gross rent is defined as the contracted rent and includes the estimated market rent for vacant premises.

Halogenated hydrocarbons (HCFC 22). The name given to a type of substance that breaks down the ozone layer and contributes to the greenhouse effect.

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

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

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

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

Net profit on current operations. Profit before tax, excluding items affecting comparability, charged with standard tax of 28 per cent.

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

Outstanding shares. 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 on current operations. Profit for the year before tax and items affecting comparability.

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

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

Property tax supplement. Reimbursement of property tax by tenants.

Renegotiated leases. New leases with an existing tenant which, began to run during the year subject to the same or amended terms and conditions.

Rentable floor space. Total area 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.

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

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

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

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

Special projects. Special projects refer to costs for developing the property holdings. In the income statement this refers to the part of the outgoing that has been expensed.

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

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