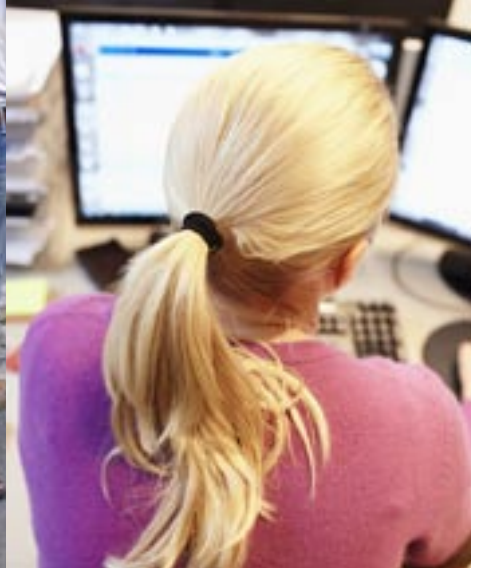


HUFVUDSTADEN
2009





NK, Hamngatan, Stockholm.

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The year in brief

- The operating profit before changes in value increased by 5 per cent to SEK 915 million (875). The improved profit can be attributed mainly to higher rents and lower maintenance costs.
- The result for the year was SEK -357 million (-449), equivalent to SEK -1.73 per share (-2.18). The change in the result can be attributed primarily to the net of the unrealized decrease in value in the property holdings for the year and the dissolution of deferred tax compared with the preceding year.
- The equity ratio was 55 per cent (56), the net loan-to-value ratio was 16 per cent (16) and the interest coverage ratio multiple was 7.0 (5.5).
- The Board proposes an increase in the dividend to SEK 2.10 per share (1.90).
- The fair value of the property holdings was set at SEK 18.1 billion (19.1) at the turn of the year, equivalent to a net asset value of SEK 62 per share (66).
- The rental vacancy level at the year-end was 6.2 per cent (5.3) and excluding projects in progress 4.0 per cent (2.9).

Annual General Meeting

The Annual General Meeting will take place at 4pm on Thursday, March 25, 2010 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 Dagens Nyheter and Svenska Dagbladet and on the Post- och Inrikes Tidningar website www.bolagsverket.se/poit.

Notification

Shareholders who wish to attend the meeting must:

- be registered in the shareholders' register kept by Euroclear Sweden AB by Friday, March 19, 2010, whereupon shareholders who have their shares registered with nominees must have the shares re-registered temporarily in their own name at Euroclear Sweden AB to be entitled to attend the meeting. Registration must be completed by March 19, 2010.
- notify Hufvudstaden by Friday March 19, 2010 at the latest, preferably before 4pm. Notification must be sent using the Company's website www.hufvudstaden.se, by e-mail at anm@hufvudstaden.se, by telephone on +46 8 762 90 00, by fax on +46 8 762 90 01, or in writing to Hufvudstaden AB, NK 100, SE-111 77 Stockholm.

Notification must include name, civic registration number or company registration number, daytime telephone number,

the number of shares and the names of any assistants who will be attending. Shareholders attending through a representative must issue a proxy for the representative. If the proxy is issued by a legal entity, a copy of a registration certificate for the legal entity (or, if such a document does not exist, an equivalent authorization document) must be enclosed. The documents must not be more than one year old. To facilitate admission to the meeting, the proxy and authorization documents should be received by Hufvudstaden at the above address by March 19, 2010 at the latest. A proxy form is provided on request and is available on the Company's website.

Dividend

The Board of Directors proposes that a dividend of SEK 2.10 per share, totalling SEK 433.2 million, be paid for 2009, with the record date set as March 30, 2010. Payment is expected to be made on April 6, 2010.

Change of address

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

Financial information

Interim report, Jan–Mar 2010	May 3, 2010
Interim report, Jan–June 2010	August 25, 2010
Interim report, Jan–Sept 2010	November 10, 2010
Year-end report, 2010	February 10, 2011
Annual Report, 2010	March 2011

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

Business concept, objectives and strategies

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

Vision

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

Business concept

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

Financial objectives

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

Operating objectives

Hufvudstaden shall:

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

Strategies to achieve the objectives

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

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

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

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

Fulfilment of objectives

Financial objectives

- According to a proposal by the Board, the total share dividend will be SEK 433.2 million, equivalent to 75 per cent of the net profit from current operations.
- The equity ratio exceeded 40 per cent at the end of 2009 and amounted to 55 per cent.

Operating objectives

- Gross profit on current operations increased by 4 per cent during the year. The net profit from current operations increased by 10 per cent during the year.
- For the second year in succession, Hufvudstaden came top in the Fastighetsbarometern Customer Satisfaction Survey and has the most satisfied office tenants.
- Hufvudstaden is working steadfastly to develop its property holdings. Several projects were completed during the year, including adaptation of approximately 17,000 square metres of office space for new and old tenants. The largest project is the total redevelopment of the property Rännilen 18 in Bibliotekstan, which will be completed during the first part of 2010.
- In the annual Employee Satisfaction Survey, in which Hufvudstaden measures how satisfied the employees are with their working environment, the response rate was very high. The result was considerably higher than average compared with similar surveys at other companies and indicates that Hufvudstaden is a very attractive employer with highly motivated employees.

Statement by the President

Renewed belief in the future

Initially, 2009 was marked by considerable uncertainty regarding the path the financial crisis might take, both in Sweden and internationally. Fortunately, co-ordinated stimulation measures taken by the central banks, including a worldwide cut in interest rates, brought financial stability and a renewed belief in the future.

In Sweden, which has a fundamentally sound, stable economy, the financial outlook gradually improved during the year. Many households had a higher disposable income and consumption could be maintained at a high level, benefiting Hufvudstaden's marketplaces in the retail sector.

During the autumn, companies once again began planning for economic growth and there was a corresponding fall in redundancies. A turnaround in the stock market was noted in March and by the end of 2009 the market was 47 per cent up. What was a perceptibly restrained property market at the beginning of the year came to life during the autumn with an upturn in the number of transactions. It became increasingly apparent that the worst was behind us.

Hufvudstaden's strong financial position has allowed us to focus all our efforts on core operations and further reinforce our competitiveness in central Stockholm and central Gothenburg. Both profits and net revenue from current operations are up on the previous year and development of property holdings has continued unabated.

Hufvudstaden's markets remain strong despite the recession

Regional economic development was relatively strong in both Stockholm and Gothenburg with the result that the rental market fared better than many had expected.

Whilst market rents for modern office space in the centre of Stockholm were subject to certain downward pressure during the year, rents for floor space in prime locations ended the year at SEK 3,500–4,500 per square metre. Hufvudstaden signed a number of agreements on high levels for new leases and renegotiated leases. Even if the level of vacant space rose slightly, the figure at the year-end was only 7–8 per cent in central Stockholm. At the end of the year Hufvudstaden's vacant space in Stockholm, excluding projects, was 4 per cent.

In Gothenburg, rents for modern offices remained generally unchanged at SEK 1,600–2,300 per square metre in prime locations. The rise in vacant space was almost insignificant and even in Gothenburg the figure was below 10 per cent. Hufvudstaden's vacant space in Gothenburg at the year-end was below 3 per cent.

During 2009, Hufvudstaden renegotiated leases to a value of around SEK 210 million, equivalent to just over 20 per cent of the total lease volume. The negotiations were positive and the increase in rent was 9 per cent.

Positive trend for the retail trade

High domestic consumption and the increase in tourism have contributed to strong growth in the retail trade. The NK quality sale at the beginning of the year beat all previous records and the strong Christmas trade resulted in turnover at the NK department stores exceeding the figures for 2008, putting them on a par with the record figures for 2007. Retail trade throughout the rest of the Hufvudstaden holdings increased.

NK Key was named the foremost loyalty programme in Sweden, which is important in the light of increasing competition for customers. It was particularly heartening to note that the number of Key customers, who account for over 50 per cent of the turnover, continued to increase and at the end of the year the figure stood at over 120,000.

Stabilization on the property market

The property market during the first half of the year was marked by considerable uncertainty and the fact that very few property transactions took place. Interest on the part of foreign operators was weak. The banks continued to be restrictive in their lending to the property sector and property values continued to fall as a result of increasing yield requirements and falling rents.

The continued abnormally low interest levels, in combination with increasing optimism regarding developments on the rental market, led to a rise in interest in the Swedish market during the autumn. The yield requirements levelled out at what is, historically, a normal level of 5.0–5.75 per cent in prime locations in Stockholm. In Gothenburg the figure was 5.5–6.25 per cent.

Hufvudstaden's impairment requirements for property values fell during the autumn. The impairment figure for the second half of the year amounted to approximately SEK 0.2 billion compared with the first half figure of approximately SEK 1.0 billion. The fair value of Hufvudstaden's property holdings at the year-end was SEK 18.1 billion.

Continued investment in company properties

In Bibliotekstan, on the corner of Birger Jarlsgatan and Smålandsgatan, we are in the process of totally refurbishing Stockholm's very first office building. The property will be finished in spring 2010 and will be of the highest possible

standard in terms of modernity and efficiency. In conjunction with this we will create more attractive retailing space on the block, which will reinforce the retailing sector as a whole.

In Gothenburg we have commenced a development project at Femmanhuset in Nordstan. An existing building right allows an extra floor to be constructed, adding 4,600 square metres of modern, prime location office space and offering a unique view of central Gothenburg. There is considerable interest in the premises and assuming that the requisite planning change is made, the project will commence in spring 2010. In time this will reinforce our competitiveness in Gothenburg and our earning capacity.



Responsible enterprise leads to satisfied customers

A key part of Hufvudstaden's operations is the Company's long-term approach. We must act discerningly and responsibly and with a focus on the long term in every context – from financial risk-taking through to how we develop and manage our properties. This also applies to our impact on climate and the environment. There is a greater level of awareness in society generally and we have noticed an increase in interest on the part of our tenants in the company's environmental programme.

Norrmalmstorg 1 has been certified according to the Green Building concept. We have also continued to reduce our energy use, which has fallen several years in succession, and information to the tenants has been increased.

Our initiatives within quality and customer care have produced results. For the second year in succession we have come top in the Employee Satisfaction Survey conducted among the leading property companies in Sweden. It is particularly inspiring to note that we have improved our result in the environment section.

Profit for the year and the focus for 2010

The profit for the year has increased. Gross operating profit was SEK 944 million, an increase of approximately 4 per cent. The increase can be attributed largely to higher rents in conjunction with renegotiations, primarily from stores. The result after tax was SEK -357 million, which includes unrealized changes in value in the property holdings of SEK -1,239 million. As Hufvudstaden has a strong financial base the negative value trend has not affected operations.

We can see that the financial outlook has improved slightly although the property industry was hit late on by changes in the economy and it will therefore probably be some time before the property companies once again see growth in rents and demand.

The focus in 2010 will be primarily on keeping vacant space down and conducting renegotiations optimally to ensure that future earning capacity is affected positively.

Retail investments on Biblioteksgatan will be intensified, making it even more attractive as an area for new establishment of high-class Swedish and foreign brands.

During the year we will run several projects in both Stockholm and Gothenburg with a firm focus on cost efficiency in conjunction with procurement and implementation. Additional property acquisitions cannot be ruled out.

Hufvudstaden and the future

The city of Stockholm is growing, as is the attractiveness of the region. Capital of Scandinavia has also become an established concept beyond the borders of Sweden. Hufvudstaden has been in existence for almost 100 years and we know the market and we are prepared to invest for many years to come. We have the financial resources and a genuine interest in contributing to the development of both Stockholm and Gothenburg, benefiting residents and visitors alike.

Finally, I would like to thank all the employees at Hufvudstaden for their enormous commitment and I look forward with great expectation to the challenges that will emerge during the coming year. We are all proud of working at Hufvudstaden and we are driven by a desire to improve as each year passes.

Stockholm, February 2010

A handwritten signature in blue ink, which appears to be "Ivo Stopner".

Ivo Stopner
President



Kungsgatan, inaugurated in 1911 is one of the classic addresses in Stockholm. The section from Sveavägen to Stureplan could with some imagination be likened to London's Regent Street with its compact, unregimented stone buildings and slightly curved profile. The address is a highly attractive retailing and office location. Photo: Kungsgatan/Sveavägen, Stockholm.





Each corner of the Sveavägen/Kungsgatan junction has steps leading to the underground. The area is marked by an intimate juxtaposition of concert venues, cinemas, hotels, restaurants, cafes, department stores, shops, market squares and market halls. Photographs: Kungsgatan/Sveavägen, Stockholm.

Five-year summary – Group

Income statements					
SEK m	2009	2008	2007	2006	2005
Net revenue					
Property management	1,305	1,282	1,213	1,097	1,096
Parking operations	67	65	63	56	57
	1,372	1,348	1,276	1,153	1,152
Operating expenses					
Maintenance, operation and administration	-248	-260	-235	-254	-281
Ground rents	-16	-16	-16	-16	-10
Property tax	-117	-119	-115	-93	-93
Property management	-381	-395	-366	-363	-385
Parking operations	-47	-46	-45	-45	-44
	-428	-441	-411	-408	-428
Gross profit	944	907	865	745	724
– of which Property management	924	887	847	734	711
– of which Parking operations	20	20	18	11	13
Central administration	-29	-32	-31	-32	-31
Changes in value					
Investment properties	-1,239	-1,629	2,598	2,648	996
Interest derivatives	-26	-127	16	–	–
Operating profit	-350	-881	3,449	3,361	1,689
Financial income and expense	-128	-144	-127	-140	-140
Profit before tax	-478	-1,025	3,322	3,221	1,550
Tax	121	576	-928	-904	-435
Profit from discontinued operations, net after tax ¹⁾	–	–	7	1,106	220
Profit for the year	-357	-449	2,401	3,423	1,334
Balance sheets					
Assets					
Investment properties	18,125	19,083	20,531	17,409	16,276
Other fixed assets	14	12	69	31	69
Current assets	461	489	349	3,080	144
Total assets	18,600	19,584	20,949	20,520	16,489
Equity and liabilities					
Equity	10,226	10,950	11,809	11,785	8,615
Interest-bearing liabilities	3,400	3,400	3,400	3,365	3,525
Other liabilities and allocations	4,974	5,234	5,740	5,370	4,349
Total equity and liabilities	18,600	19,584	20,949	20,520	16,489
Property holdings					
Fair value, SEK billion	18.1	19.1	20.5	17.4	16.3
Tax assessment value, SEK billion	11.8	11.9	11.9	9.0	10.6
Rentable floor space, 1,000 m ²	354	354	354	351	408
Rental vacancy level, %	6.2	5.3	3.3	6.5	7.1
Floor space vacancy level, %	7.4	5.9	4.6	8.1	8.7
Investments in properties, SEK m	281	182	524	181	76
Property sales, SEK m	–	–	6.6	1,106	–
Net operating income, SEK per m ² ²⁾	2,610	2,506	2,411	2,091	1,964
Financial key ratios					
Gross margin, %	68.8	67.3	67.8	64.7	60.6
Return on equity, %	-3.4	-3.9	20.4	33.6	15.9
Return on capital employed, %	-2.4	-5.7	22.3	23.9	16.5
Equity ratio, %	55.0	55.9	56.4	57.4	52.2
Interest coverage, multiple	7.0	5.5	6.2	5.1	5.7
Debt/equity, multiple	0.3	0.3	0.3	0.3	0.4
Net loan-to-value ratio, properties, %	16.4	15.6	15.8	19.3	21.7
Loan-to-value ratio, properties, %	18.8	17.8	16.6	19.3	21.7
Cash flow from current operations, SEK m	664	696	119	608	579
Cash flow for the year, SEK m	-14	153	245	-52	79
Average number of employees in the Group	88	87	88	119	122
Share data					
Profit for the year, SEK ³⁾	-1.73	-2.18	11.64	16.60	6.47
Ordinary dividend, SEK	2.10 ⁴⁾	1.90	1.75	1.60	1.45
Extra dividend, SEK	–	–	–	10.00	–
Dividend proportion (ordinary), %	–	–	15.0	9.6	22.4
Equity, SEK	49.58	53.09	57.25	57.14	41.77
Fair value of properties, SEK	87.87	92.52	99.53	84.40	78.91
Cash flow from current operations, SEK	3.22	3.38	0.58	2.95	2.81
Cash flow for the year, SEK	-0.07	0.74	1.19	-0.25	0.38
Net asset value, SEK	62.00	66.00	73.00	71.00	53.00
Share price, series A, at the year-end, SEK	54.25	55.25	62.00	77.50	52.00
P/E ratio, multiple	–	–	5.3	4.7	8.0
Share price/equity, %	109.4	104.1	108.3	135.6	124.5
Direct yield (ordinary), %	3.9	3.4	2.8	2.1	2.8
Number of outstanding shares at the year-end	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Average number of outstanding shares during the year	206,265,933	206,265,933	206,265,933	206,265,933	206,265,933
Total number of issued shares at the year-end	211,271,933	211,271,933	211,271,933	211,271,933	211,271,933

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

For Definitions, see page 93.

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

3) No dilution effect.

4) In accordance with a proposal by the Board.

Share capital and ownership structure

Share capital

Hufvudstaden was founded in 1915 with share capital of SEK 0.6 million, i.e. 6,000 shares at a nominal value of SEK 100. To date, three new share issues, four non-share issues, nine bonus issues and four share splits have been implemented. Three convertible subordinated loans have also been issued. All these loans have been converted or redeemed. At the end of 2009, the share capital amounted to SEK 1,056.4 million with a par value of SEK 5 per share.

Share series

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

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

Outstanding shares

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

Buy-back

Since the Annual General Meeting in 2003 the Board has had the mandate of the General Meeting to buy back a maximum of 10 per cent of all shares. The mandate was renewed at the 2009 Annual General Meeting. At the end of the year Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of issued shares. No shares were bought back during 2009.

Shareholder structure

The number of shareholders at the year-end was 19,057. The largest shareholder was L E Lundbergföretagen AB with 45.3 per cent of the total number of outstanding shares and 88.1 per cent of the votes. The second largest was SEB Trygg Liv with 11.4 per cent of the total number of out-

standing shares and 2.3 per cent of the votes. In January 2010, SEB Trygg Liv announced that they had divested the majority of their shareholding.

As of December 31, 2009, institutions and companies with holdings of over 100,000 shares held a total of 184,940,433 shares, equivalent to 89.7 per cent of the total number of outstanding shares and 97.0 per cent of the votes. Of these, 52 were Swedish institutions and companies, which together held a total of 143,728,429 shares, equivalent to 69.7 per cent of the total number of outstanding shares and 93.0 per cent of the votes. There were 71 foreign institutions and companies with holdings over 100,000 shares. Their holdings amounted to 40,812,004 shares, equivalent to 19.8 per cent of the outstanding shares and 4.0 per cent of the votes. In addition, three Swedish private individuals each held more than 100,000 shares. The number of shareholders increased during the year by 80. The proportion of foreign ownership fell during the year from 22.2 to 20.1 per cent of the total number of outstanding shares.

Ownership structure as of December 31, 2009

		Number of share-holders	Proportion of share-holders, %	Number of issued shares	Proportion of shares, %
1 –	500	14,092	73.9	1,994,645	0.9
501 –	5,000	4,284	22.5	6,066,396	2.9
5,001 –	10,000	242	1.3	1,830,683	0.9
10,001 –	20,000	146	0.8	2,124,672	1.0
20,001 –	50,000	112	0.6	3,629,686	1.7
50,001 –	100,000	55	0.3	3,995,006	1.9
100,001 –		126	0.6	186,624,845	88.3
		19,057	100.0	206,265,933	97.6
Hufvudstaden				5,006,000	2.4
Total				211,271,933	100.0

Source: Euroclear Sweden

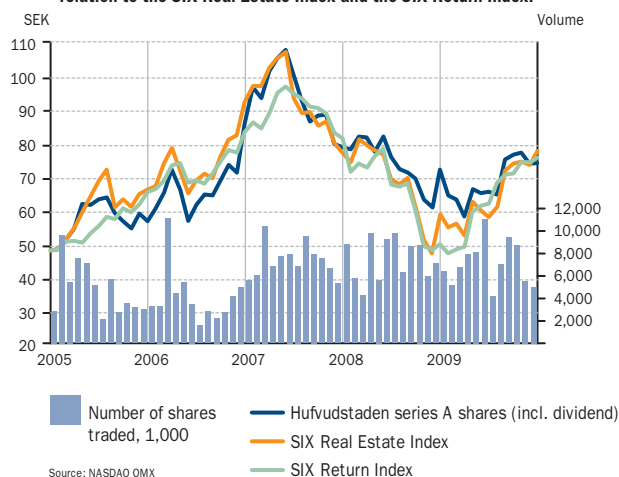
Market capitalization

At the end of 2009, Hufvudstaden's total market capitalization was SEK 11,941 million. The graph on the opposite page shows the price trend and trading in Hufvudstaden's series A shares during the year.

Dividend policy

Hufvudstaden shares shall have good growth over time and the dividend shall be more than half the net profit from current operations unless investments or the Company's financial position generally justify a deviation. A dividend of SEK 2.10 per share is proposed for 2009, equivalent to 75 per cent of the net profit on current operations. (See Definitions, page 93, Dividend amount).

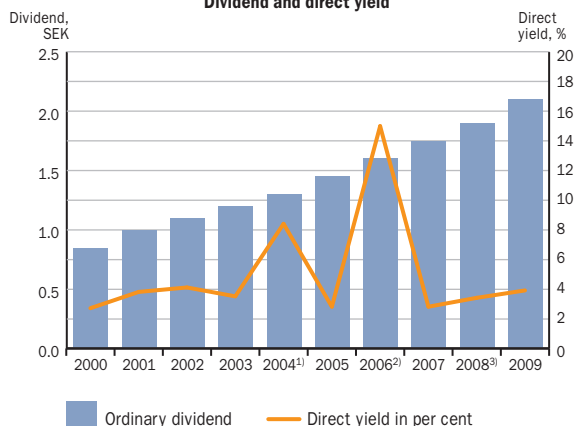
Share price trend and trading from January 1, 2005 in relation to the SIX Real Estate Index and the SIX Return Index.



Share price trend and trading during 2009 in relation to the SIX Real Estate Index and the SIX Return Index.



Dividend and direct yield



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

The ten largest listed property companies as of December 31, 2009

	Market value, SEK m
Castellum	12,470
Hufvudstaden	11,941
Atrium Ljungberg	8,926
Fabege	7,653
Wallenstam	7,596
Kungsleden	6,716
Wihlborgs Fastigheter AB	5,092
Klöver	3,814
Sagax	2,876
Heba Fastighets AB	2,270

Source: NASDAQ OMX

The largest shareholder groups as of December 31, 2009

	Series A shares	Series C shares	Total number of shares	Outstanding shares, %		Issued shares, %	
				Capital	Votes	Capital	Votes
Lundbergs	85,200,000	8,177,680	93,377,680	45.3	88.1	44.2	87.6
SEB Trygg Liv	23,463,007	0	23,463,007	11.4	2.3	11.1	2.3
State Street Bank and Trust	4,819,643	0	4,819,643	2.3	0.5	2.3	0.5
Mellon Funds	4,331,278	0	4,331,278	2.1	0.4	2.1	0.4
JP Morgan Funds with Chase Bank	4,168,349	0	4,168,349	2.0	0.4	2.0	0.4
Danske Capital Sverige	3,102,410	0	3,102,410	1.5	0.3	1.5	0.3
Försäkringsbolaget Pensionsgaranti	2,613,315	0	2,613,315	1.3	0.3	1.2	0.3
SIX SIS AG	2,443,367	0	2,443,367	1.2	0.2	1.2	0.2
Other shareholders	67,849,500	97,384	67,946,884	32.9	7.6	32.0	7.5
Outstanding shares	197,990,869	8,275,064	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	202,996,869	8,275,064	211,271,933			100.0	100.0

Source: Euroclear Sweden

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

Corporate Social Responsibility

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

Long-term responsibility

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

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

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

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

Quality and the environment

One of Hufvudstaden's strategies to achieve the Company's objectives is that our quality and environmental systems ensure the highest possible level of quality in all products and services. This is measured primarily through the annual Customer Satisfaction Index. The Company's quality programme is founded on structured processes for the control and follow-up of business operations.

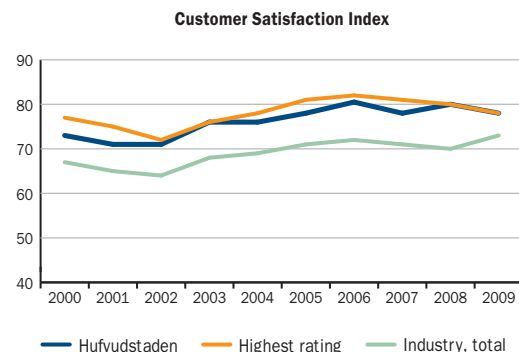
The environmental programme is an integral part of day-to-day work and the person responsible is the head of property development, who is also a member of the executive management. This work is governed by the environ-

mental policy and prioritized areas are energy use, water consumption, waste management, choice of materials and hazardous substances. Hufvudstaden does not carry on any operations that require permits or notification under the Environmentally Hazardous Operations and Health Protection Ordinance (1998:899) and has no current environmental disputes.

Hufvudstaden's environmental work was analyzed and approved for investment in the Swedbank Robur Environmental Fund. The Company has taken part in a number of environmental surveys and through the Environmental Real Estate Survey run by Maastricht University it received a very good review of its overall environmental programme.

Customer Satisfaction Index

According to the annual Customer Satisfaction Survey run by Fastighetsbarometern, Hufvudstaden has the most satisfied office tenants. This is the fifth time that Hufvudstaden has come top in the survey, which covers most of the other leading property companies. In 2009 Hufvudstaden had its highest scores in service, location of premises and image.



Environmental Policy

Vision

To lead the Company's development towards a sustainable society in terms of both the environment and climate.

Objectives

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

Strategy for achieving the objectives.

- Train employees on a continuous basis in matters related to the environment and climate.
- Have a clear environmental management system that ensures a high level of quality.

- Apply the prudence and good management principle.
- Select as far as possible eco-friendly technology and environmentally labelled products.
- Prevent environmental problems and comply with current environmental legislation.
- Make clear demands on suppliers and contractors.
- Co-operate with our customers and other partners in their environmental programmes.

Follow-up of the quality and environmental objectives for 2009

Quality and environmental programmes

The quality programme is being constantly developed within all the designated and established areas – Leasing, Adaptation of Premises and Management – together with the auxiliary and support processes.

The environmental programme has been intensified and an Environmental Council has been set up with representatives from different parts of the organization. During the year Hufvudstaden certified the property Norrmalmstorg 1 in accordance with the Green Building Programme. The practical environmental work is concentrated mainly on the areas that have the greatest impact on the environment: environmentally adapted development, waste management and energy use. These areas are described in more detail below.

Environmentally adapted development

In construction projects we create long-term, flexible construction solutions that minimize resource wastage when changing tenants. The choice of products is made based on a long lifespan and a high level of quality. New, eco-friendly technology is evaluated on a continuous basis and during the year all project managers received training in energy issues related to lighting.

Hufvudstaden plays an active role in the development of BVB, the construction products assessment system, which is a common tool in the property industry for the environmental assessment of construction products and construction management. The aim is to ensure that only environmentally examined and approved construction products are used.

Waste management

Waste generated in Hufvudstaden properties mainly comes from the tenants' operations as well as the Company's construction activities. Hufvudstaden seeks to consistently apply the principle that sorting should in the first instance take place where the waste is generated. The total volume of sorted waste from Hufvudstaden's customers in 2009 was just over 2,061 tonnes, which is largely unchanged compared with the previous year.

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

Energy use

Prioritized work is taking place at the Company to reduce energy use and thus also to reduce carbon dioxide emissions. Energy use in Hufvudstaden properties is exclusively in the form of electricity, district heating and district cooling. Hufvudstaden's carbon dioxide emissions from energy use have fallen by 175 tonnes during the year. The total energy use in Hufvudstaden's properties during the period 2001–2009 fell by -17 per cent. During 2009, total energy use, excluding project consumption, fell by 1 per cent. This reduction was possible despite the continued conversion from cell offices into office landscapes as well as increased staff density and thus higher use. Energy declarations according to the EU energy efficiency directive have been prepared for all Hufvudstaden's properties. The geographical concentration of operations means that the number of business trips is very limited.

Energy and water consumption¹⁾

	2009	2008	2007	2006	2005
Electricity, MWh	44,265	46,761	46,261	46,133	44,470
District heating, MWh	17,496	17,502	19,105	19,806	21,773
District cooling, MWh	6,269	4,521	4,453	4,910	4,491
Total, MWh	68,030	68,783	69,819	70,849	70,734
Water, m ³	221,940	246,676	238,571	237,735	227,795
CO ₂ , tonnes	7,120	7,295	8,880	8,914	

1) For comparable holdings and excluding projects.

Information about energy and environmental issues for our tenants

Information regarding energy issues and Hufvudstaden's ongoing environmental programme was presented during the year at special information meetings and customer meetings. Information is also available for the customers in their service binder as well as Hufvudstaden's internet-based service network.

Quality and environmental objectives 2010

- Continue to develop the quality and environmental programmes.
- Improve energy efficiency by 3 per cent.
- Reduce Hufvudstaden's carbon dioxide emissions by 5 per cent.
- Further certification of properties according to the Green Building Programme.
- Provide environmental training for all employees.
- Increase the proportion of sorted waste.
- Improve information about energy and environmental issues to tenants.



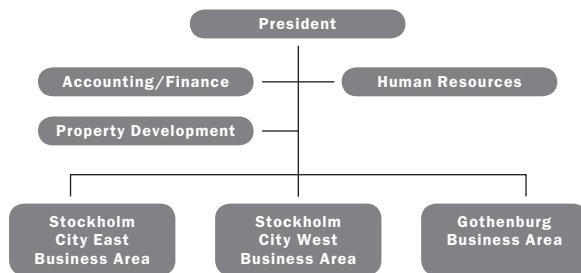
Employees at the Hufvudstaden office on Regeringsgatan, NK, Stockholm.

Organization and employees

Organization

Hufvudstaden's objective is to have the most professional employees in the industry. During the past year training initiatives and seminar programmes were run to further increase involvement, professional know-how and business acumen. During 2010 we will continue to work on reinforcing Hufvudstaden's position as an attractive employer.

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



At the end of 2009, 90 persons worked in the Group, of whom 86 were in the Parent Company and four at the subsidiary Parkaden AB. At the year-end, the division was 49 per cent women and 51 per cent men. Of the Group's managers, 32 per cent are women. The average age in the Group was 45 years for women and 43 years for men. The average period of employment was 8 years.

Value-controlled corporate culture

At Hufvudstaden our aim is to apply a clear, common, broadly accepted set of values that are intended to permeate everything we do. The values are not only a vital basis for leading and controlling operations towards achieving the Company's vision and objectives but also a prerequisite for being able to conduct operations in such a way that they promote social responsibility. Our core values are attentiveness, honesty, commitment and quality. The work on common corporate values is continuous; from the induction of new employees to recurring information sessions.

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

Attractive workplace

At Hufvudstaden it is important that employees assume responsibility and feel involved in the work of the Company. This is measured in the annual Employee Satisfaction Survey, where questions related to job satisfaction, leadership and attitudes are highlighted. The 2009 survey, in line with previous years, had a high response rate and demonstrated that Hufvudstaden is a workplace characterized by equality and good leadership. The number of employees who are proud of working at Hufvudstaden has been consistently high for several years and increased slightly in 2009.

Committed employees

Committed, expert, service-oriented, satisfied employees throughout the Company are a key requirement for achieving the Company's objectives. A vital element in creating this corporate culture is the appraisal discussion. During the discussion, objectives and fulfilment of objectives are dealt with as well as competence development and similar issues. An individual activity plan for the coming year is then drawn up. During 2009, we ran seminar programmes for all employees on the theme 'Working at Hufvudstaden'. The aim of the seminar programmes is to work with common corporate values and promote consensus in a range of different issues. A further element in increasing the level of involvement is the bonus scheme, which includes all employees and which was run during the year.

Competence development

In our endeavour to maintain a high level of quality we focus on competence development in all parts of the organization. We want our employees to make use of their full potential and in doing so be strengthened in their professional roles.

Hufvudstaden offers each employee competence development through individual programmes adapted to length of employment, position, occupational specialization etc. The individual programmes focus primarily on business thinking and dealing with customers.

Leadership

Continuously identifying and developing employees with leadership qualities is a priority area. Hufvudstaden's leadership is characterized by courage and exemplary behaviour as well as being forward-thinking and inspirational. We work with short lines of communication and clear mandates that extend far out into the organization.

The focus in recent years on developing leadership, including an internal managerial network, has proved to be an important success factor. These initiatives help us to ensure the emergence and development of skilled managers. Another tool is the feedback that takes place during the annual Employee Satisfaction Survey.

Ethics and equality

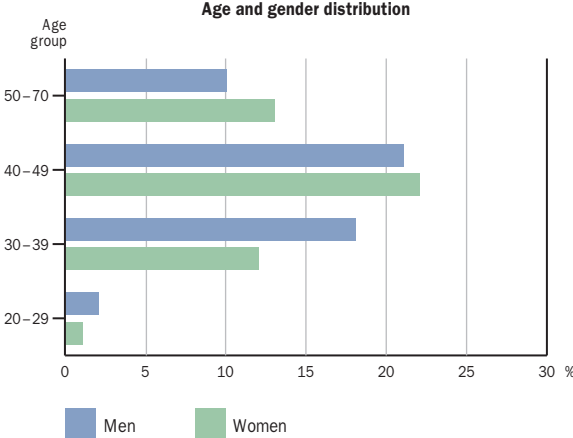
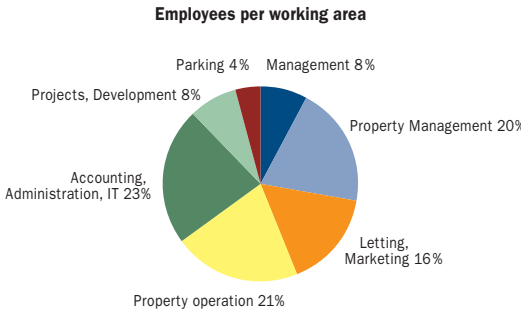
Hufvudstaden is working actively to counteract all forms of discrimination or harassment as a result of gender, ethnic affiliation or sexual disposition. It is taken for granted that men and women are given the same opportunity to develop and that unfounded salary differences are counteracted. The Employee Satisfaction Survey has for several years shown that one of our best results has been in the Equality area.

Health

We adopt a preventive approach to health through regular health checks, ongoing health-promoting activities and health insurance for all employees. A survey of the health of our employees was conducted during the year by means of individual health profiles. The results of our efforts in this area can be seen, for example, in the very low level of absenteeism due to illness and a pleasant working environment. Improving the working environment is an ongoing process conducted by a group made up of representatives from different parts of the organization and where health-related activities are planned and implemented. In the survey the employees state that they feel well and that they have a good balance between work and leisure.

Recruitment

At Hufvudstaden we have a clear recruitment policy and we endeavour to ensure that as many vacant posts as possible are filled through internal recruitment. During the year, 12 people were recruited and almost half the positions were filled by appointments made in-house. It has also been stated that as far as possible employees should be allowed to grow within the organization. This is a contributing factor in the low staff turnover at Hufvudstaden. We can therefore build up our operations based on solid experience and expertise. To attract new people on the labour market we have continued during the year to profile ourselves, among other things through our participation in what are known as 'labour market days'. We also have positive experience from our contact with colleges and universities and by taking in students on placement.





NK, Regeringsgatan, Stockholm.

Property market

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

Economic growth in Sweden has for a long time been concentrated in the city regions, where Stockholm occupies a unique position. In 2009, Stockholm and Gothenburg were hit by the international financial crisis and a low rate of economic growth. GNP growth in the world economy has been weak during the year, utilization of resources was lower than normal and there was a rise in unemployment. The deterioration in Stockholm, however, was less than for the country as a whole. Gothenburg and western Sweden have been affected slightly more, due primarily to problems in the automotive industry and expected cutbacks in the service sector. At the end of the year, however, there were signs of recovery.

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 region has been one of the strongest growing regions in the EU and has for a long time been a driving force in the Swedish economy. The region has 20 per cent of the country's inhabitants and accounts for almost 30 per cent of Sweden's gross national product. The industrial structure in the Stockholm region has a high proportion of IT, telecom, biotechnology, finance and service companies.

Stockholm has developed into the leading financial centre in the Nordic region. The banking and finance sector employs around 50,000 persons at over 2,000 companies. There is also one of the world's largest information and communication clusters and one of the leading biotechnology clusters in Europe. The number of foreign-owned companies is increasing and in the county there are now close to 170,000 persons working at 4,000 foreign-owned companies.

The Gothenburg region is of increasing importance in the development of western Sweden. Some 50 per cent of the industrial capacity of Scandinavia is to be found within a radius of 300 km. There is a tangible international presence. The number of foreign-owned companies has increased to approximately 2,200 in just a few years. The economic barometer for the Gothenburg region shows that

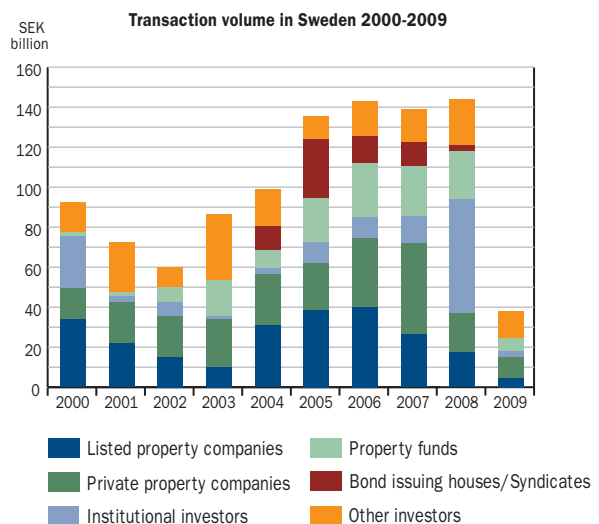
it is primarily the transport industry that has shown signs of recovery during the year. However, demand in the construction and contracting sector has continued to be low. As a result of poorer economic growth, the labour market in the Gothenburg region has deteriorated and employment has fallen.

The investor market

In recent years there has been strong demand for investment properties in Sweden. In addition to the expected long-term economic growth in Sweden, high liquidity, low transaction costs and a transparent market have made the Swedish property market attractive compared with many other markets. Transactions on the Swedish property market, however, fell significantly during 2009. During the year, the turnover of Swedish properties by Swedish and foreign investors has fallen significantly compared with the figure for 2008 of approximately SEK 140 billion. The financial crisis has made it difficult for highly leveraged operators to complete transactions. The most active purchaser categories during the year were institutions and private property operators with low leveraging. The average transaction size was also considerably lower than for the past four years.

Difficulty financing property deals, combined with the expectation of a slower rise in rent levels and increasing levels of vacant space, have contributed to falling market values.

The direct yield requirements for office premises in Stockholm and Gothenburg increased between 1998 and 2003. Since 2003, direct yield requirements have fallen as a



Source: Leimdörfer



Source: Leimdörfer

Larger property owners in Stockholm city centre.

result of strong demand, falling interest rate levels and expectations of a stronger rental market. Beginning in 2008, direct yield requirements began to rise once again. This growth continued, primarily during the first quarter of 2009. The increase was particularly strong for properties in peripheral locations and for properties of a lower standard.

Property acquisitions completed during the year were in the more central locations of Stockholm and Gothenburg and revealed that generally there was a slight upward adjustment in direct yield requirements. Direct yield requirements for modern office and retailing space in these locations was between 5.0 and 5.75 per cent in Stockholm and in Gothenburg between 5.5 and 6.25 per cent.

Swedish investors were the most active purchasers in the Stockholm CBD during the year although the transaction volume during 2009 was held back by the limited range of available properties. It was mainly investors with amended strategic assessments that were behind the sales that took place during the year.

The largest commercial property owners in the Stockholm CBD

	m ²
Vasakronan	286,000
Hufvudstaden	263,000
AMF Pension	186,000
Diligentia	166,000
Fabege	103,000
SEB Trygg Liv	95,000

Source: Leimdörfer

Rental market in Stockholm

The level of vacant office space in Stockholm's central submarkets increased slightly during the year, mainly due to a negative employment trend during the first half of the year. Demand was also lower during 2009 compared with the previous year, primarily in the peripheral areas of the city. The demand for prime location retailing premises continued to be stable although transfer sums for store premises have fallen. The result has been a weaker rental market with store rents levelling out and a slight fall in office rents.

Offices

Within the 'Tull' areas in Stockholm there are commercial property holdings comprising approximately 5 million square metres of office space, of which 1.7 million square metres are in the CBD. Investment in new office projects was low during the year and amounted to approximately 50,000 square metres. However, there was a high level of activity when it comes to upgrading older premises. The availability during 2009 of modern premises for letting remained unchanged. Major projects in the city include the area around Centralen and Västra City as well as Stockholm Waterfront, The View and Bocken on Regeringsgatan, new construction and redevelopment of the Salén building, a new office building at Kungsbron and the Pennfaktaren block on Vasagatan. Several projects in central Stockholm and directly outside the Tull areas are still awaiting tenants.

The demand for office space was primarily for central locations in the Tull areas and the immediately surrounding

suburbs, close to the Tull areas and public transport. Demand is switching more and more 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 slightly during the year. In Bibliotekstan, between Norrmalmstorg, Birger Jarlsgatan, Stureplan and Norrlandsgatan, rents were noted of between SEK 4,000 and 4,800 per square metre per year, excluding the property tax supplement. In bordering areas – at Stureplan, Hötorget, Drottninggatan, Hamngatan, Regeringsgatan and Vasagatan – offices were let for between SEK 3,000 and 4,500 per square metre per year, excluding the property tax supplement.

The level of vacant space during the year was between 7 and 8 per cent (6–7) in the CBD and between 6 and 35 per cent (7–35) in the 'Malm' areas and in neighbouring suburbs such as Kista, Liljeholmen, Alvik, Värtahamnen and Nacka Strand.

Stores

The demand for well-located store premises in the most central sub-market was high during the year although such premises were generally not available. The good level of demand can in turn be attributed to the fact that households, despite the downturn in the economy, continued to spend in both the durable and non-durable goods sectors. The positive development in the retail sector can be

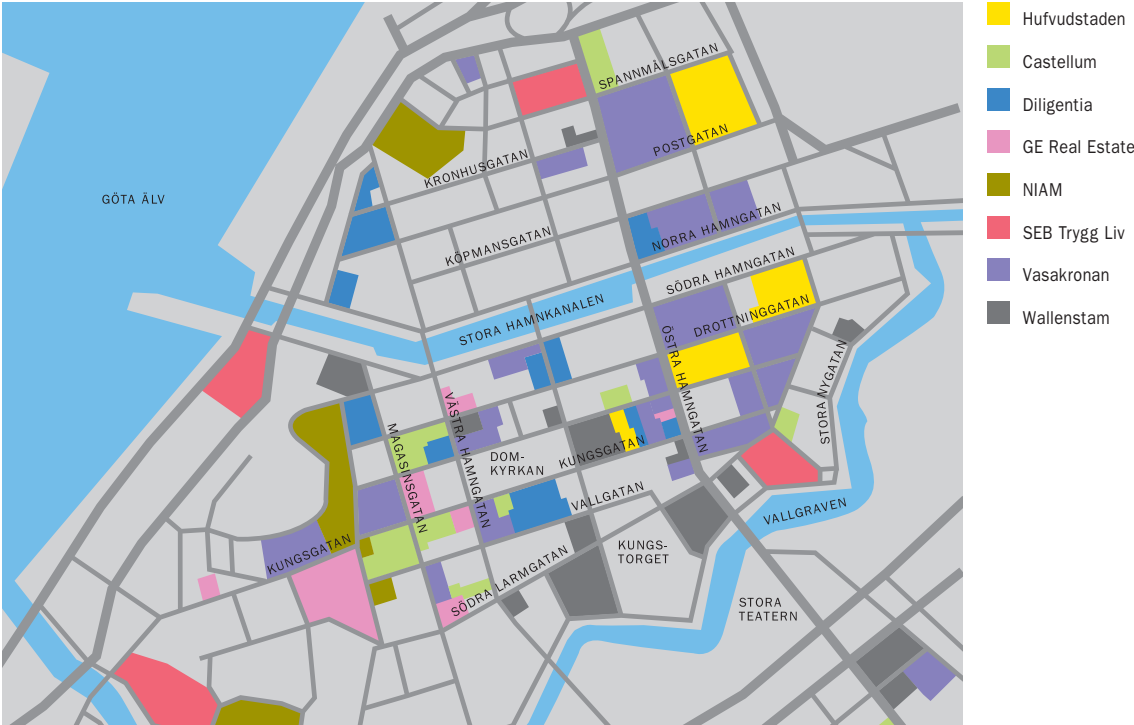
attributed to the increase in consumers' disposable income. The most sought-after retailing areas are in Bibliotekstan around Biblioteksgatan and at Norrmalmstorg, Hamngatan, Stureplan, Kungsgatan, Drottninggatan and parts of Grev Turegatan. Bibliotekstan, the NK department store and Hamngatan have a special position as the most exclusive store locations. The rent for prime retailing space in this area is between SEK 12,000 and 17,000 per square metre per year, excluding the property tax supplement.

A large number of retailing projects are either in progress or are planned for the Stockholm area. These are in time expected to increase the retailing floor space by approximately 500,000 square metres, or almost 40 per cent, of which approximately 50,000 square metres are within the Tull areas.

During the year four new or redeveloped shopping precincts were opened: the expanded Kista Galleria, Sollen-tuna Centrum, Liljeholmstorget and Lindhagen.

Rental market in Gothenburg

The rental market during the year for office space in central Gothenburg was marked by a slight increase in vacant space and stable rent levels. Gothenburg has further reinforced its position as the most interesting market in Sweden after Stockholm. In the office segment there is considerable interest in modern, efficient, centrally located premises, despite the fact that growth in demand for office premises in the region as a whole has been weak during the year.



Source: Forum Fastighetsekonomi

Larger property owners in Gothenburg

Offices

Greater Gothenburg is one of the largest office markets in the Nordic region with total office space of 3.3 million square metres. In the centre of Gothenburg, there are 1.5 million square metres of office premises, of which 0.9 million square metres are within the CBD.

There was considerable investment in new office projects during the year. The District Court as well as the regional rent and tenancy tribunals will move into a newly constructed building at Ullevi Park at the beginning of 2010. At the same time, around 10,000 square metres of floor space will be vacated on Postgatan. The area between the two Ullevi arenas is also being developed with properties intended for the police and the Swedish Prison and Probation Service. One project which has commenced is a construction right in Gårda and is expected to result in 16,000 square metres of office space. Plans are also in place for a large office building at Gullbergsvass. In Nordstan planning is in progress for new construction and redevelopment. The largest project in progress at Norra Älvstranden is Lindholmospiren 3, where 18,000 square metres of office space will be completed during 2010.

The rent levels in the central parts of Gothenburg were stable during 2009. The future, however, is slightly uncertain, due mainly to the fact that the level of vacant space could rise and the possibility that major new construction projects are implemented in the central areas of the city. Further major office projects could become a reality if the state of the economy were to improve. New construction of office premises is planned for the next few years at a cost of SEK 5 billion. It is uncertain, however, whether this will

materialize due, among other things, to developments in the automotive industry. In the most attractive locations, market rents are between SEK 1,600 and 2,300 per square metre per year, excluding the property tax supplement. The best locations for offices in central Gothenburg are considered to be the Inom Vallgraven areas, particularly areas near the Hamngatans, as well as Nordstaden, Kungportsavenyn, Svenska Mässan, Lilla Bommen, Gårda and Gullbergsvass. Vacant space in the Gothenburg CBD during the year was between 6 and 7 per cent (5–7).

Stores

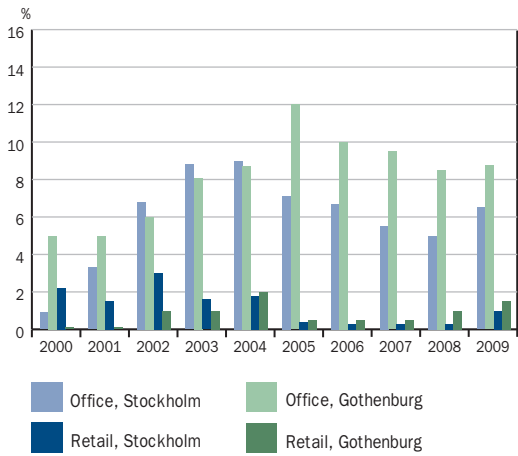
Rents for stores in prime locations remained relatively stable during the year. In A-locations rents were noted between SEK 5,000 and 11,000 per square metre per year, excluding the property tax supplement. Growth in retailing was good during the year. The availability of vacant retailing space was very limited – the estimate is less than one per cent – and 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 the retailing trade. The prime locations for stores in central Gothenburg are considered to be Nordstan, Fredsgatan, Arkaden, Kungsgatan between Korsgatan and Fredsgatan and part of Korsgatan.

Even in the Gothenburg region there is strong expansion of new and existing retailing facilities. Avenyn. Heden, Backaplan, Södra Älvstranden, Nordstan and Frölunda Torg are examples of marketplaces where development is planned.

Market rents, December 2009, Stockholm and Gothenburg
(excluding the property tax supplement)

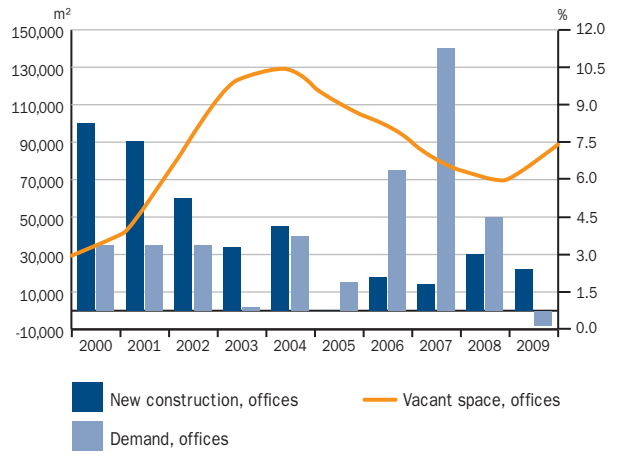
Sub-market	Offices, SEK/m ² per year	Stores, SEK/m ² per year
<i>Stockholm</i>		
Bibliotekstan/NK	4,000 – 4,800	12,000 – 17,000
City, other	3,000 – 4,500	4,000 – 10,000
Östermalm	2,300 – 3,600	3,000 – 8,500
Gamla Stan	2,200 – 2,700	2,500 – 5,000
Slussen/Södermalm	1,800 – 2,700	2,500 – 5,000
Kungsholmen	1,500 – 2,600	2,000 – 7,000
Liljeholmen	1,600 – 2,000	1,500 – 5,000
Globen	1,400 – 1,900	3,500 – 5,000
Kista	1,200 – 2,400	3,500 – 7,000
<i>Gothenburg</i>		
Inom Vallgraven	1,600 – 2,300	5,000 – 11,000

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



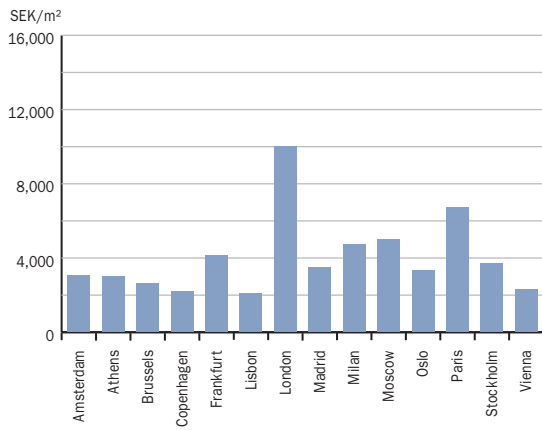
Source: NewSec

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



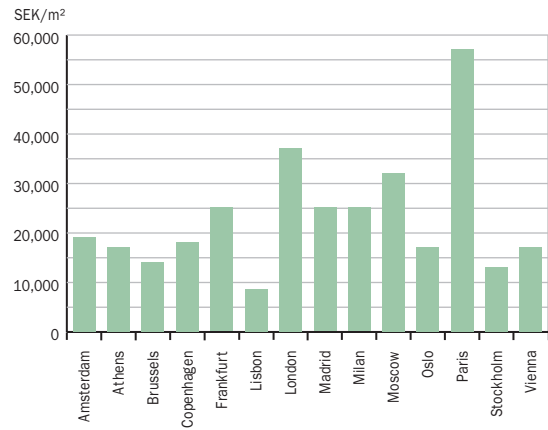
Source: NewSec

**Office rents in European cities, December 2009
Premises in prime locations**



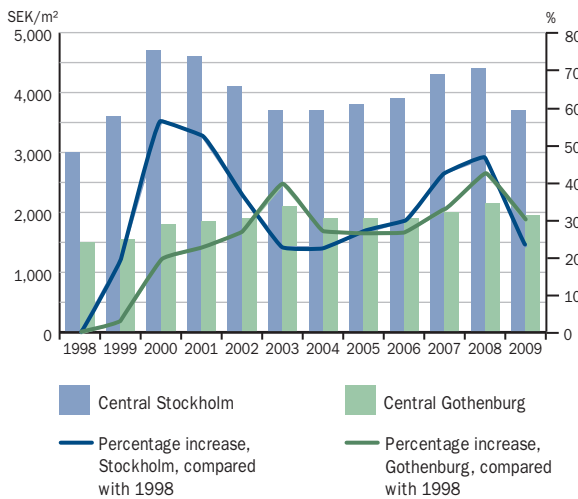
Source: NewSec

**Store rents in European cities, December 2009
Premises in prime locations**



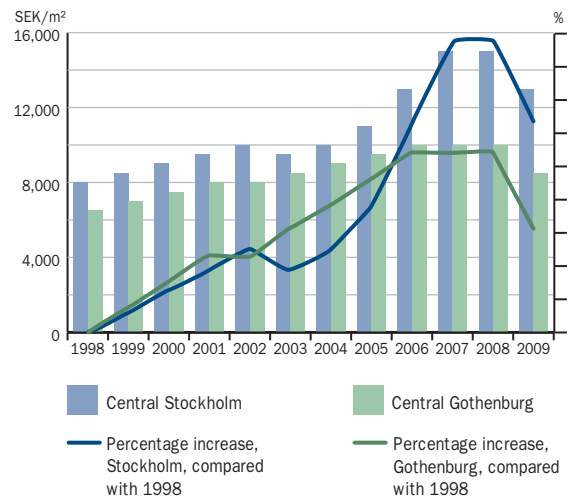
Source: NewSec

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



Source: NewSec

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



Source: NewSec

Property development

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

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

Adaptation of premises

Most redevelopment that is taking place in the Hufvudstaden property holdings comprises adaptation of premises to new or existing tenants. When premises become vacant they are inspected and then, if necessary, undergo basic refurbishment. Open-plan arrangements with more efficient use of floor space are being demanded more and more by the tenants. This has increased the need for ventilation and cooling and older installations are being replaced by the latest technology to ensure an optimal indoor climate. Hufvudstaden own many properties that are adjacent to each other. This facilitates the integration of premises with adjoining floor space, thus optimizing flexibility. Once the basic upgrading of the premises has been completed they are then adapted to the needs of the new tenant. In all redevelopment there is an emphasis on preserving the special character of the building and its architectural value.

During the year renovation and adaptation of approximately 17,000 square metres of office space were completed. The adaptations were mainly for existing tenants who had increased their rented floor space. In conjunction with

extensive reinforcement work on the Pumpstocken block and the Rännilen block the ceiling height has been raised in certain premises located below street level and storage areas have been converted into retailing space. A number of adaptations to premises have taken place in the Grönlandet Södra 11 property on Drottninggatan. In this property the ventilation and cooling capacity have been expanded to meet the increased needs when the tenants choose to work in open landscapes. New tenants in this property include Grey and Kamera Content. Adaptations to premises have also been made in other properties in Bibliotekstan for the commercial tenants Credit Suisse, FSN Capital Partners and Flood.

Current projects

The major investment during the year took the form of complete redevelopment of the Rännilen 18 property in Bibliotekstan. The aim has been to create modern, efficient, flexible offices with the latest technology although with a firm emphasis on preserving the original character. Large sections of what were previously load-bearing walls have been demolished and replaced by steel beams and pillars in order to offer customers effective office space. New technical equipment offering very good performance has been installed at the same time that we have achieved energy efficiency objectives. The redevelopment will be completed during the first half of 2010. The requisite adaptations to the premises will then be carried out.

During the year surveying and planning commenced for an additional floor at Femmanhuset, Nordstan in Gothenburg. A new plan and a building permit are expected to be approved and granted during the first half of 2010. The construction will add a further floor to the property with approximately 4,600 square metres of extremely modern, flexible office space with a panoramic view. The project will also include a complete overhaul of the whole of the ventilation system.

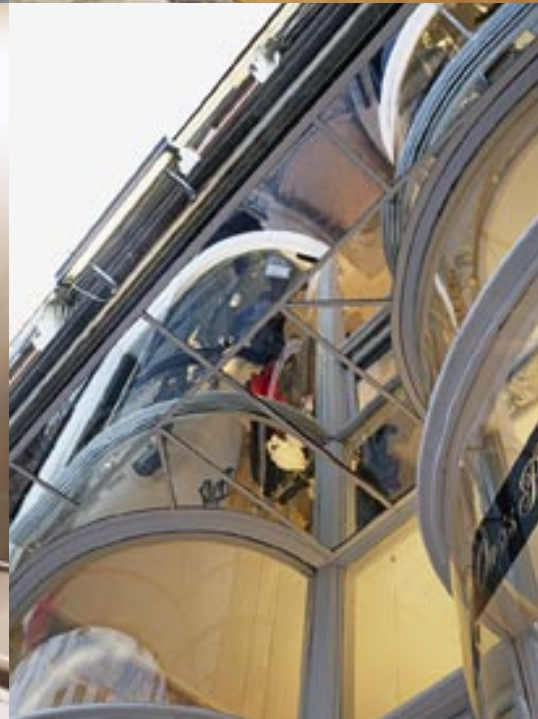


On Birger Jarlsgatan/Jakobsbergsgatan, in the heart of the fashion district of the city, Gant has opened a flagship store. Birger Jarlspassagen is a classic shopping precinct with a carefully selected store concept. The major redevelopment of the Rännilen 18 property on Birger Jarlsgatan/Smålandsgatan is proceeding according to plan. Photographs: Birger Jarlsgatan/Birger Jarlspassagen, Stockholm.





Photographs: Birger Jarlsgatan, Mäster Samuelsgatan, Biblioteksgatan, Jakobsbergsgatan, Kungsgatan, Sveavägen,



NK Hamngatan, Norrmalmstorg, Drottninggatan, Klarabergsgatan, Stockholm. NK Ostra Hamngatan, Kungsgatan, Gothenburg.

Stockholm City East Business Area

Property holdings

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

Development of holdings

The major redevelopment project at Rännilen 18, Birger Jarlsgatan 7, continued throughout the whole of 2009. The redevelopment has been carried out very carefully as the building is listed. At the same time, the building has acquired state-of-the-art technology. The property has also been opened up inside to ensure that the floor space is used efficiently and adapted to the needs of present-day tenants. Adaptation of premises has been carried out in the adjoining property for tenants that include Credit Suisse and Lynx. A total of 13,000 square metres of office space have been adapted.

The task of creating a more attractive retailing area in the eastern part of the city has continued. Our idea for the Bibliotekstan area is to create an exciting blend of small, unique shops in combination with high-class international brands with a high degree of fashion. Both the stores and the street environment will be based on an atmosphere that goes beyond the norm. New stores opened during the year include GANT, Fifth Avenue Shoe Repair and Byredo. The focus of the majority of the stores along Kungsgatan has for several years been on home, sport and leisure.

Rental market

Market rents for office space within the Business Area were subject to certain downward pressure during the year.

The market rents during the year for office premises in prime locations were between SEK 4,000 and 4,800 per square metre per year, excluding the property tax supplement.

The rental market for retailing premises also developed positively and the market rents for prime locations were SEK 12,000 to 17,000 per square metre per year, excluding the property tax supplement.

Customers

The office tenant structure within the Stockholm City East Business Area consists mainly of companies that value centrally located, high-quality premises. The dominant sectors are banks, finance companies and law firms as well as recruitment, management and media consultants. In total, there are 303 tenants in the Business Area. The ten largest tenants lease 36,000 square metres (35,000), representing annual rent revenue of SEK 164 million (162). The largest office tenants are Vinge, Danske Bank, Brummer & Partners, the Swedish Export Credits Guarantee Board and Reuters.

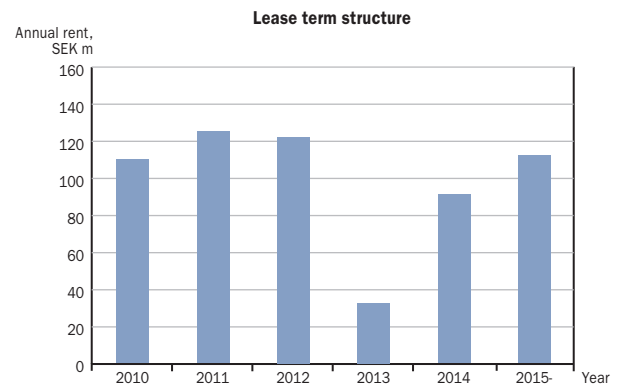
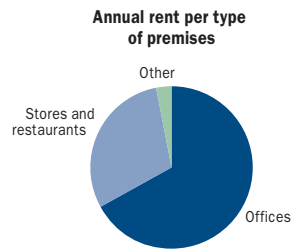
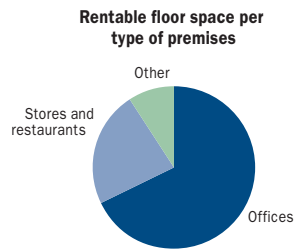
The majority of store tenants in Bibliotekstan are smaller operators although the tenants also include a number of larger retailing groups such as Urban Outfitters, RnB, GANT, Orrefors/Kosta Boda, Diesel, Replay, Georg Jensen and Inditex with its brand names Massimo Dutti and Zara. The store tenants along Kungsgatan are largely Swedish chain stores such as Stadium, Naturkompaniet, Alewalds and Cervera. At Hufvudstaden we strive to build up long-term business relationships. We have, for example, the old-established men's and women's clothing retailer Ströms at the junction of Sveavägen and Kungsgatan, which has become a well-known feature in the area.

Strong brand names within the Business Area

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

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

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



Renegotiations and new leases

	2009	2008
New leases, m ²	8,100	9,600
New leases, annual rent, SEK m	34	40
Renegotiated leases, m ²	22,500	17,000
Renegotiated annual rent, SEK m	88	79





Järnplåten 28 at Sveavägen 24–28 was inaugurated in 1959 and at the time was one of the most modern retailing and commercial buildings in Sweden. The property has now been adapted and has flexible interiors and modern technology. With its strategic address on the corner of Sveavägen/ Kungsgatan it is one of the best locations in the centre of Stockholm. Photographs: Kungsgatan/Sveavägen, Stockholm.





One of the most exclusive areas is Bibliotekstan with the main street Biblioteksgatan in the centre. The area has a wide variety of stores with internationally renowned designers as well as restaurants, bars, cafes, law firms, banks and financial companies and institutions. Photographs: Biblioteksgatan/Jakobsbergsgatan, Stockholm.



Stockholm City West Business Area

Property holdings

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

Development of holdings

Refurbishment and adaptation of premises totalling just over 3,000 square metres of floor space was completed during the year on behalf of new and existing tenants. New office tenants include Grey Transitio and Kamera Content, which have moved to Drottninggatan, and Know It, which has leased further floor space on Klarabergsgatan.

The stores are an important feature in the urban environment and the Company is working continuously to develop the store mix within the Business Area.

The NK department stores in Stockholm and Gothenburg have in recent years undergone extensive restructuring with the aim of creating even more attractive department stores which can more than hold their own internationally. A whole range of new brand names have been added to the department stores, such as Paul Smith, Michael Kors and Marc by Marc Jacobs. At NK Stockholm a whole new children's orientation has been created on the fourth floor. This has resulted in a better range and a greater degree of clarity in the children's segment. Work on improving the department stores is an ongoing process.

Rental market

The rental market for office space within the Business Area has been subject to a certain degree of downward pressure during the year.

The market rents for office premises in prime locations in Stockholm during the year were between SEK 4,000 and 4,800 per square metre per year, excluding the property tax supplement. The rental market during the year for retailing premises continued to be good. The market rents for prime retailing space in prime locations, excluding the NK department store and Bibliotekstan, were between SEK 4,000 and 10,000 per square metre per year, excluding the property tax supplement. At the NK department store,

which occupies the very best location and best retailing space in Stockholm, market rents in conjunction with renegotiations and new leases are between SEK 12,000 and 17,000 per square metre per year, excluding the turnover-based rent supplement and the property tax supplement. The equivalent rent levels for NK Gothenburg were between SEK 6,000 and 11,000 per square metre.

Customers

The tenant structure within the Business Area consists mainly of companies that value centrally located, high-quality premises. The dominant sectors are organizations, law firms and advertising agencies as well as IT and media companies and banks. In total, there are 217 customers in the Business Area. The ten largest customers lease 33,000 square metres (35,000), representing annual rent revenue of SEK 206 million (197).

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

AB Nordiska Kompaniet

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

The NK brand name

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

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

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

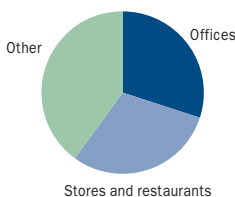
Rental and retailing market

Although growth in Sweden in 2009 was negative the retail sector could report a strong rise in consumption. According to the Retail Survey Index, DHI, sales increased in terms of price within the durable goods sector by 3 per cent. Clothing sales increased by 3 per cent. Total sales for the NK department stores were higher than 2008 and even exceeded the record figures noted in 2007. For both NK Stockholm and NK Gothenburg sales increased by 4 per cent.

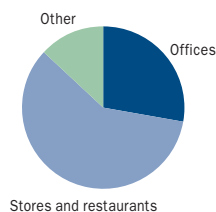
Parking operations

The wholly owned subsidiary Parkaden AB runs parking operations in two Hufvudstaden properties in Stockholm: Parkaden, the multi-storey car park on Regeringsgatan, opposite the NK department store, which has 800 parking spaces, and Continentalgaraget, on the Orgelpipan 7 property near the Central Station, with 435 parking spaces. At the Parkaden car park maintenance work was carried out during the year on, among other things, the driving lanes. Parkaden, one of the safest parking facilities in Stockholm, is an important service function for customers in the Hufvudstaden market areas.

Rentable floor space per type of premises



Annual rent per type of premises



Renegotiations and new leases

	2009	2008
New leases, m ²	9,100	3,000
New leases, annual rent, SEK m	37	12
Renegotiated leases, m ²	16,800	18,000
Renegotiated annual rent, SEK m	95	105

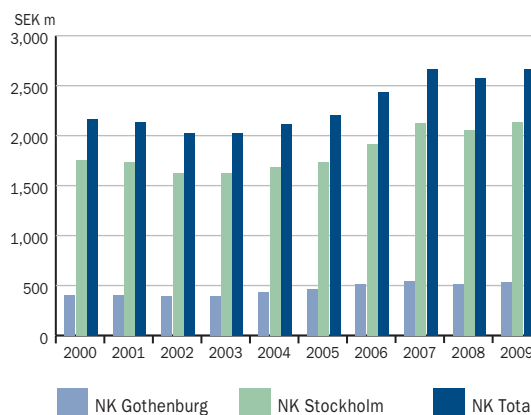
NK Department stores

	2009	2008
<i>NK Stockholm</i>		
Rentable floor space, m ²	24,067	24,035
Rentable storage space, m ²	3,533	3,494
Number of departments	105	103
Number of restaurants	8	8
Sales, including VAT, SEK m	2,133	2,058
<i>NK Gothenburg</i>		
Rentable floor space, m ²	10,095	10,048
Rentable storage space, m ²	1,321	1,235
Number of departments	44	45
Number of restaurants	2	4
Sales, including VAT, SEK m	534	515

Lease term structure



Sales, NK Department stores





The most well-known department store in Sweden, steeped in tradition, is NK Stockholm, which was opened in 1902. You can wander around the six floors and enjoy exclusive Swedish and international fashion, cosmetics, interior design, jewellery, glassware, food and deli products. You can also relax for a while in one of the store's restaurants: Photographs: NK Hamngatan, Stockholm.





The most exclusive department store in Gothenburg is NK on Östra Hamngatan, which is an extension of the most fashionable street in the city, Avenyn. The department store is filled with a wide range of strong, brand name departments and has four floors brimming with excitement, relaxation and inspiration. During 2009, the store had over three million visitors. Photographs: NK, Östra Hamngatan, Gothenburg.



Gothenburg Business Area

Property holdings

At the year-end, the Gothenburg Business Area comprised 4 (4) properties, located in the very heart of the Gothenburg central business district. The holdings are entirely commercial and consist of office and retail properties. The largest building houses the Femman Shopping Precinct, which is in turn part of the Nordstan Shopping Centre. Nordstan receives more than 35 million visitors each year, around 14 million of whom visit Femman. Annual revenue is approximately SEK 3 billion, of which Femman accounts for around SEK 840 million. Hufvudstaden is one of the largest individual partners in the Nordstan Co-operative Association, which owns and manages the Nordstan Car Park as well as the square and pedestrianized streets.

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

Development of the holdings

Ongoing refurbishment of office premises was carried out for a number of tenants during the year. The premises have thus been modernized and adapted to the needs of present-day tenants.

At Kungsgatan 46, Yrkesakademien has moved into its new office and Kom Design has expanded its floor space. In the Femman precinct a number of changes have been made. On the upper floor, Cervera has opened a new store and Gina Tricot has expanded its store. On the ground floor, Le Croissant has opened a new café.

Planning work is in progress in order to rearrange a construction right for an additional floor to Femman. This additional floor will result in approximately 4,600 square metres of new office space.

Rental market

The rental market for office premises during the year was marked by a slight rise in vacant space and stable rent levels. The market rent for office space in prime locations was between SEK 1,600 and 2,300 per square metre per year, excluding the property tax supplement. In the case of stores, the market rent trend continued to be good. Prime location premises attracted rents of between SEK 6,000 and 11,000 per square metre per year, excluding the property tax supplement.

Customers

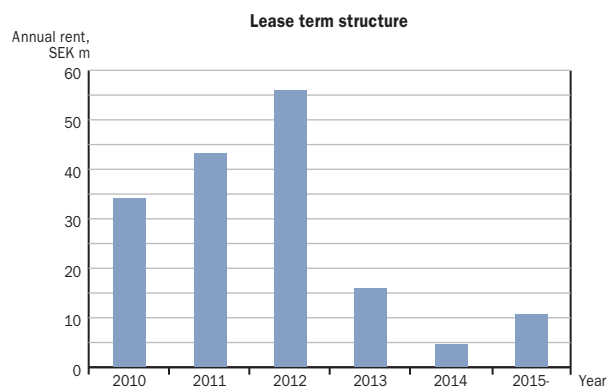
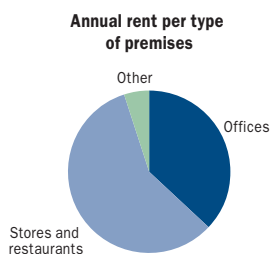
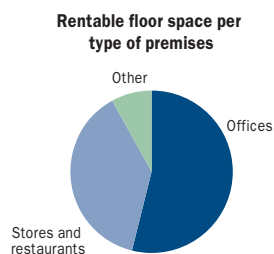
The Business Area's customers are principally companies that appreciate centrally located, high-quality premises. The dominant sectors are law firms, accountants, the media, public authorities and organizations. There are 131 tenants within the Business Area. The ten largest tenants lease 21,000 square metres (28,000), representing annual rent revenue of SEK 51 million (57).

Brand names within the Business Area

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

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





Renegotiations and new leases

	2009	2008
New leases, m ²	3,200	3,700
New leases, annual rent, SEK m	8	8
Renegotiated leases, m ²	7,200	6,000
Renegotiated annual rent, SEK m	25	15

Group brand names

normalmstorg1



BJP
BIRGER JARLSPASSAGEN




BIBLIOTEKSTAN
EVOLVED SINCE 1885

VARUHuset
Femman



Nordstan is growing. During 2008/2009 large sections of the shopping centre underwent major renovation and expansion. The largest indoor shopping centre in the Nordic region is 320,000 square metres in size, has over 35 million visitors each year and reports an annual turnover of SEK 3.4 billion. Photographs: Femman/Nordstan, Gothenburg.



KICKS

EUROPA'S

BARER



Asini

Panache

Europa-gränd

Scandic

Business Areas in figures

Property holdings (comparable holdings)	Business Area Stockholm City East				Business Area Stockholm City West				Business Area Gothenburg				Property management, total			
	2009		2008		2009		2008		2009		2008		2009		2008	
	SEK m	m ²	SEK m	m ²	SEK m	m ²	SEK m	m ²	SEK m	m ²	SEK m	m ²	SEK m	m ²	SEK m	m ²
Gross rent, including charge for consumables <i>(of which property tax supplement)</i>	642.5	4,423	615.3	4,228	573.8	3,826	552.2	3,687	175.0	2,975	169.2	2,871	1,391.3	3,930	1,336.7	3,773
Rent losses on vacant space	-61.7	-425	-35.5	-244	-20.1	-134	-15.8	-105	-2.2	-37	-1.8	-31	-84.0	-237	-53.1	-150
Bad debt losses	-1.1	-8	-0.6	-4	-1.4	-9	-0.4	-3	-	-	-0.4	-7	-2.5	-7	-1.4	-4
Net sales	579.7	3,990	579.2	3,980	552.3	3,683	536.0	3,579	172.8	2,938	167.0	2,833	1,304.8	3,686	1,282.2	3,619
Maintenance	-15.7	-108	-17.8	-122	-10.7	-71	-24.1	-161	-2.1	-36	-1.9	-32	-28.5	-80	-43.8	-124
Operating costs	-41.6	-286	-38.8	-267	-96.2	-641	-95.1	-635	-26.3	-447	-25.1	-426	-164.1	-463	-159.0	-449
Administration	-27.1	-187	-27.4	-188	-23.2	-155	-24.5	-164	-5.2	-88	-5.1	-87	-55.5	-157	-57.0	-161
Ground rent	-0.2	-1	-0.2	-1	-16.0	-107	-15.9	-106	-	-	-	-	-16.2	-46	-16.1	-45
Property tax	-59.1	-407	-58.4	-401	-42.1	-281	-42.6	-284	-15.3	-260	-18.0	-305	-116.5	-329	-119.0	-336
Total property expenses	-143.7	-989	-142.6	-979	-188.2	-1,255	-202.2	-1,350	-48.9	-831	-50.1	-850	-380.8	-1,075	-394.9	-1,115
Gross operating profit	436.0	3,001	436.6	3,001	364.1	2,428	333.8	2,229	123.9	2,107	116.9	1,983	924.0	2,611	887.3	2,504

Property data	Business Area Stockholm City East		Business Area Stockholm City West		Business Area Gothenburg		Property management, total	
	2009	2008	2009	2008	2009	2008	2009	2008
Number of properties	16	16	9	9	4	4	29	29
Floor space, m ²	145,263	145,536	149,982	149,774	58,818	58,935	354,063	354,245
Vacant rental space, %	10.4	8.7	2.5	2.7	2.2	1.0	6.2	5.3
Vacant floor space, %	12.4	9.6	4.2	4.1	3.1	1.5	7.4	5.9
Total rentable parking spaces	173	182	1,276	1,276	51	51	1,500	1,509

Rentable space and annual rent	Business Area Stockholm City East		Business Area Stockholm City West		Business Area Gothenburg		Property management, total	
	Area, m ²	Annual rent, SEK m	Area, m ²	Annual rent, SEK m	Area, m ²	Annual rent, SEK m	Area, m ²	Annual rent, SEK m
December 31, 2009								
Offices	99,033	433.2	45,705	156.4	31,825	59.8	176,563	649.4
Stores and restaurants	33,843	190.3	44,878	332.7	22,189	93.4	100,910	616.4
Cinemas	-	-	1,893	1.4	-	-	1,893	1.4
Storage and miscellaneous	6,535	13.2	18,198	30.0	3,554	6.4	28,287	49.6
Garages	4,864	5.8	39,010	40.0	1,250	1.4	45,124	47.2
Residential	988	1.7	298	0.3	-	-	1,286	2.0
Total	145,263	644.2	149,982	560.8	58,818	161.0	354,063	1,366.0

Floor space vacancy level and rental vacancy level	Business Area Stockholm City East		Business Area Stockholm City West		Business Area Gothenburg		Property management, total	
	Vacant floor space, m ²	Rental vacancy level, SEK m	Vacant floor space, m ²	Rental vacancy level, SEK m	Vacant floor space, m ²	Rental vacancy level, SEK m	Vacant floor space, m ²	Rental vacancy level, SEK m
December 31, 2009								
Offices	14,212	59.9	920	2.8	1,567	3.0	16,699	65.7
Stores and restaurants	911	3.1	2,383	8.2	69	0.3	3,363	11.6
Cinemas	-	-	-	-	-	-	-	-
Storage and miscellaneous	1,540	2.2	2,831	3.0	150	0.2	4,521	5.4
Garages	919	1.2	1,89	0.2	50	0.1	1,158	1.5
Residential	359	0.6	-	0.0	-	0.0	359	0.6
Total	17,941	67.0	6,323	14.2	1,836	3.6	26,100	84.8

Lease term structure ¹⁾²⁾³⁾ December 31, 2009							
NUMBER OF CONTRACTS	2010	2011	2012	2013	2014	2015–	Total
Stockholm City East Business Area							
Offices	52	45	38	17	10	10	172
Stores	27	21	26	4	6	8	92
Miscellaneous	261	83	61	25	6	27	463
Total	340	149	125	46	22	45	727
Proportion, %	47.2	20.3	17.1	6.3	3.0	6.1	100.0
Stockholm City West Business Area							
Offices	21	22	29	5	2	2	81
Stores	51	49	54	14	9	2	179
Miscellaneous	136	66	59	11	7	10	289
Total	208	137	142	30	18	14	549
Proportion, %	38.0	24.9	25.8	5.4	3.3	2.6	100.0
Gothenburg Business Area							
Offices	19	10	16	4	1	0	50
Stores	14	16	22	11	3	2	68
Miscellaneous	46	49	18	1	2	0	116
Total	79	75	56	16	6	2	234
Proportion, %	33.6	31.9	24.3	6.8	2.5	0.9	100.0
Hufvudstaden, total							
Offices	92	77	83	26	13	12	303
Stores	92	86	102	29	18	12	339
Miscellaneous	443	198	138	37	15	37	868
Total	627	361	323	92	46	61	1,510
Proportion, %	41.5	23.9	21.4	6.1	3.1	4.0	100.0
ANNUAL RENT, SEK M							
Stockholm City East Business Area							
Offices	62.7	80.9	66.3	24.5	80.9	67.7	383.0
Stores	38.1	34.5	45.0	7.4	8.9	40.7	174.6
Miscellaneous	9.0	9.4	10.5	0.7	1.2	3.6	34.4
Total	109.8	124.8	121.8	32.6	91.0	112.0	592.0
Proportion, %	18.6	21.1	20.5	5.5	15.4	18.9	100.0
Stockholm City West Business Area							
Offices	58.1	33.5	40.3	7.7	9.0	7.4	156.0
Stores	89.9	88.5	74.8	20.4	25.8	9.5	308.9
Miscellaneous	11.9	11.3	13.3	6.1	4.0	1.7	48.3
Total	159.9	133.3	128.4	34.2	38.8	18.6	513.2
Proportion, %	31.2	26.0	25.0	6.7	7.5	3.6	100.0
Gothenburg Business Area							
Offices	14.9	20.3	20.3	1.7	0.3	–	57.5
Stores	14.8	18.4	31.4	14.1	4.2	10.6	93.5
Miscellaneous	4.4	4.4	4.1	–	0.1	–	13.0
Total	34.1	43.1	55.8	15.8	4.6	10.6	164.0
Proportion, %	23.0	25.4	33.3	9.3	2.7	6.3	100.0
Hufvudstaden, total							
Offices	135.7	134.7	126.9	33.9	90.2	75.1	596.5
Stores	142.8	141.4	151.2	41.9	38.9	60.8	577.0
Miscellaneous	25.3	25.1	27.9	6.8	5.3	5.3	95.7
Total	303.8	301.2	306.0	82.6	134.4	141.2	1,269.2
Proportion, %	24.0	23.7	24.1	6.5	10.6	11.1	100.0

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

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

3) Excluding residential leases.

Corporate governance

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

Hufvudstaden complies with the Code with a deviation with regard to the Election Committee.

The deviation from the Code is explained in more detail below.

Annual General Meeting

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

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

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

The 2009 Annual General Meeting was held on March 26, 2009. A total of 285 shareholders, representing 124,852,915 series A shares and 8,255,694 series C shares,

were present and they represented a total of 950,422,315 votes, equivalent to 93 per cent of the total number of votes. Fredrik Lundberg was elected to chair the meeting. At the Annual General Meeting it was decided to adopt the Income Statement and the Balance Sheet as well as the Consolidated Income Statement and the Consolidated Balance Sheet and to allocate the unappropriated earnings in such a way that SEK 1.90 per share is paid to the shareholders as a dividend. At the meeting discharge from liability was granted to the members of the Board of Directors and the President and a decision was reached on the fee to the members of the Board of Directors and the auditors. In addition, all members of the Board of Directors were re-elected for the period up to the end of the next Annual General Meeting. A decision was also reached at the meeting on guidelines for salaries and remuneration to senior executives and authorization for the Board of Directors to acquire and assign Company shares. Finally, a decision was reached at the meeting to change the Articles of Association with regard to the manner in which shareholders are summoned to the Annual General Meeting although with a provision that the decision is subject to a change in the Swedish Companies Act taking legal effect, whereby the new wording in the Articles of Association would be in compliance with the Companies Act. It can be noted that a change in the Companies Act regarding the simplified summons procedure had yet to take legal effect at the time this Corporate Governance Report was presented, and consequently the previous Articles of Association, adopted on March 23, 2006, are still in force. The 2010 Annual General Meeting will be held in Stockholm on March 25, 2010.

Nomination and election of the Board of Directors and auditors

In the light of the concentrated ownership structure there is no formally appointed Election Committee. The main shareholder presents a proposal for a chairman for the meeting, a Board of Directors, Chairman of the Board and Board fees and, where applicable, auditors and auditors' fees. Other shareholders have the opportunity to submit nominations to the Chairman of the Board at the address stated on the Company's website. Proposals are made public no later than in conjunction with the summons to the Annual General Meeting.

As a basis for its proposal prior to the 2010 Annual General Meeting, the main shareholder has made an assessment of whether the composition of the present Board of Directors is appropriate, among other things using

applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

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

Board of Directors

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

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

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

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

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

The work of the Board of Directors during 2009

During the 2009 financial year, the Board of Directors held seven meetings, of which one was a statutory meeting. Economic and financial reports and operational reports

from the Business Areas are presented at each Board meeting. In addition, key matters of principle or of major financial significance are taken up at each ordinary meeting. During the year the work of the Board of Directors has been directed specifically at strategy discussions, issues pertaining to the economic climate and investments. The redevelopment project Rännilen 18 was one of the issues followed up on a continuous basis during the year. Officials in the Company attend the Board meetings as presenters.

The Company's auditor attended the Board meeting in February when the Annual Report for 2008 was approved and at the Board Meeting in August in conjunction with the examination of the Company's six-monthly report.

Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members who are elected at the Annual General Meeting for a period of one year. The only member of the executive management on the Board is the President and he is the only one who can be regarded as being dependent on the Company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are in a position of dependence on the largest shareholder L E Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see page 86. An external lawyer is engaged to act as secretary to the Board.

Name	Function	Attendance 2009 ¹⁾	Independent in relation to the Company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Bengt Braun		7	Yes	Yes
Peter Egardt		6	Yes	Yes
Louise Lindh		6	Yes	No
Hans Mertzig		7	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg		6	Yes	Yes
Ivo Stopner	President	7	No (employee)	Yes

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

Audit

At the 2008 Annual General Meeting, authorized public accountants George Pettersson and Joakim Thilstedt, both from KPMG, were elected as auditor and deputy auditor respectively for a period of four years. George Pettersson's other major assignments include L E Lundbergföretagen AB, Holmen AB and Skanska AB.

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

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

Audit Committee

The Board has examined the matter of establishment of an Audit Committee but has chosen not to appoint such a committee and will instead handle matters that rest with such a committee within the framework of the ordinary work of the Board of Directors.

President and executive management

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

In addition to the President, the executive management comprises the three business area heads, the Head of Finance, the Head of Property Development and the Head of Human Resources. The executive management meets approximately once a month to discuss current issues. For information about individual members see page 88.

Remuneration to the Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2009 it was decided that remuneration for Board work for 2009, totalling SEK 1,575,000, be divided among the members with the exception of the President, Ivo Stopner, who does not receive any remuneration for his work on the Board. The Chairman received SEK 350,000 and the other seven non-employed members received SEK 175,000 each.

Remuneration Committee

The Board of Directors has examined the question of setting up a Remuneration Committee but has opted not to set up such a committee and will instead handle the matter within the framework of the normal work of the Board of Directors. This means that the whole of the Board of Directors, apart from the President, discharge the duties that rest with a Remuneration Committee.

Remuneration to the President and the executive management

Guidelines for salaries, bonuses and other remuneration to the Company's leading executives are decided at the Annual General Meeting. For 2009, it was decided at the meeting that the same guidelines should be applied as previously, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited profit-related bonus scheme as described below. The Company has no incentive schemes related to share price.

There is a bonus scheme in place for the President and the executive management, which is reviewed annually. The outcome depends on profit, customer satisfaction and personal objectives. The bonus for the President is subject to a maximum of SEK 500,000 and for the other leading executives SEK 250,000 per person.

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

For further information regarding salaries and remuneration, see Note 8.

Internal control and risk management

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

Control environment

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

Risk assessment

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

Control measures

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

Information and communication

In-house information and external communication are governed on a general level by, among other things, an information policy. Internal communication to and from the Board and executive management takes place in a variety of ways including the executive management holding regular information meetings for the whole Company and

for individual units. Another important communication channel is Hufvudstaden's intranet. Through this all employees have access to up-to-date information. Internal policies, guidelines, instructions and equivalent documents which control and support operations are published on the intranet. A review of the human resource and environment policies was made during the year. Feedback on internal control work follows the customary reporting channels.

Follow-up

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

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

Internal audit statement

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

Stockholm, February 12, 2010

Board of Directors

This Corporate Governance Report has not been the subject of an examination by the Company's auditors.

Administration Report

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

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

It is proposed that the Income Statement and Balance Sheet included in the Annual Report be adopted at the Annual General Meeting to be held on March 25, 2010.

Operations

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

The global financial crisis which started in autumn 2008 also continued into the first part of 2009. The recession led to a rise in vacant floor space and the rental market was subject to certain downward pressure. Uncertainty on the market and a general tightening of credit provision led to a rise in the yield requirements for properties, with falling property values as a result. The financial trend meant that lenders made stricter demands on the companies' earning capacity and financial position. Hufvudstaden has a good financial position and a stable cash flow. The equity ratio is in excess of 50 per cent, the interest coverage is seven-fold and there are unutilized loan assurances of SEK 2 billion.

During autumn 2009 there were a number of indications that the recession had bottomed out. Activity on the rental market increased slightly and more property transactions were completed. The downturn in the Stockholm area was less than in the rest of Sweden and during the latter half of the year the region reported positive growth. In central Gothenburg, the rental market has been stable despite the fact that Western Sweden has been hit by problems in different sectors, including the automotive industry.

Property holdings

At the end of the year Hufvudstaden owned 29 properties (29). The rentable floor space was 278,659 square metres in Stockholm and 75,404 square metres in Gothenburg, totalling 354,063 square metres. The total rental vacancy level in the Group as of December 31, 2009 was 6.2 per cent (5.3)

and the floor space vacancy level was 7.4 per cent (5.9). The rental vacancy level, excluding projects in progress, was 4.0 per cent (2.9). In Stockholm, the rental vacancy level was 6.9 per cent and in Gothenburg 2.7 per cent.

During the year a total of 46,000 square metres (41,000) were renegotiated at a total value of SEK 208.0 million per year and new leases were signed totalling 20,300 square metres (16,300).

Property value and net asset value

Hufvudstaden has made an internal valuation of all the Company's properties. The aim of the valuation is to assess the fair value of the property holdings as of December 31, 2009. To assure the valuation, external valuations were commissioned from two valuation companies. The external valuations made at the turn of the year were equivalent to 29 per cent of the fair value and the equivalent proportion for the whole of 2009 was 48 per cent.

The fair value of the property holdings as of December 31, 2009 was set at SEK 18.1 billion (19.1).

Valuation method

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

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

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rental revenue	SEK 100/m ²	SEK 700 million
Property costs	SEK 50/m ²	SEK 350 million
Rental vacancy level	1.0 percentage points	SEK 250 million
Yield requirement	0.5 percentage points	SEK 1,700 million

Net asset value

The assessed fair value of the property holdings as of December 31, 2009 was SEK 18.1 billion. Based on the valuation of the property holdings, the net asset value is SEK 12.8 billion or SEK 62 per share after tax. When computing the net asset value, calculated deferred tax has been used. This is calculated at 10 per cent of the difference between the assessed fair value and the fiscal residual value of the properties. This has been assessed in the light of

current tax legislation, which means the properties can be sold via a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify some compensation, which has been set at 10 per cent. If the rate for deferred tax according to the Balance Sheet (26.3 per cent) is used in the calculation, the net asset value would have been SEK 10.2 billion or SEK 50 per share. If the tax rate is assumed to be 0 per cent, the net asset value would have been SEK 14.4 billion or SEK 70 per share.

Net asset value, December 31, 2009

SEK billion	
Reported equity	10.2
Reversal of recorded deferred tax	4.2
Net asset value before tax	14.4
Calculated deferred tax of 10 per cent	-1.6
Net asset value after tax	12.8
Net asset value per share	SEK 62

Opportunities and risks

The downturn in the economy and unrest on the credit market have resulted in a greater focus on the risk areas in the Company's operations. The Company's financial risks are reviewed on a continuous basis. Hufvudstaden's financing potential has been guaranteed through long-term loan assurances amounting to SEK 2 billion, which are in place up to and including 2017. The Company has satisfactory margins in relation to the lenders' restrictions (covenants) regarding the loan agreements. No loans fell due during 2009 and during 2010 loans will fall due amounting to SEK 500 million. The interest risk has been handled by hedging the interest level for SEK 3.2 billion of the total borrowing of SEK 3.4 billion. The fixed interest period amounted to 36 months and the average Annual Equivalent Rate of interest (AER) was 3.7 per cent. Measures have also been taken to further heighten monitoring of accounts receivable and rent receivables.

Hufvudstaden's potential to influence profits in current operations in the short term is limited. Revenue is governed by relatively long leases – normally three to five years – and operating costs are difficult to change in the short term without sacrificing service and quality. Hufvudstaden's profitability and operations are affected mainly by macro-economic factors, such as the business climate, interest rates, regional development in Stockholm and Gothenburg as well as political decisions. Long forward planning and clear strategies are vital if a property company is to handle opportunities and risks successfully. The Company has not identified any material risks or uncertainty factors other than those described below.

Changes in value in the property holdings

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

Rent trend

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

Property tax

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

Rent losses on vacant premises

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

Lease term

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

Turnover-based rent

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

Operation and maintenance

Hufvudstaden is working actively to optimize the properties' consumption and in doing so reduce the operating costs. The procurement of energy takes place regularly

through forward agreements to reduce the sensitivity to fluctuations in energy prices. There is an ongoing review if the conditions change.

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

Concentration on central Stockholm and central Gothenburg

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

Financial risks

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

Sensitivity analysis

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

The reported effects on profit in conjunction with changes in the rent level, level of vacant space, operating and maintenance costs and property tax, refer to the effects that would have occurred during the 2009 financial year if the changes had occurred at the beginning of 2009.

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

Change in pre-tax profit, excluding changes in value

	Change +/-	Change in pre-tax profit, excluding changes in value, +/-
Rent level	SEK 100/m ²	SEK m 35
Vacancy level ¹⁾	1 percentage point	SEK m 11
Operation and maintenance	10 per cent	SEK m 14
Property tax ²⁾	1 percentage point	SEK m 11
Interest level ³⁾	1 percentage point	SEK m 34

1) Vacant floor space is estimated at SEK 3,000 per square metre.

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

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

Non-financial result indicators

Corporate social responsibility, both internally and externally, is a prerequisite for success. Hufvudstaden contributes to the development of society by assuming responsibility for its properties and the surrounding environment. The Company ensures that it complies with prevailing laws and agreements by making demands on contractors and sub-suppliers. Hufvudstaden's values characterize the actions of its employees and are an active tool in the day-to-day work. All forms of discrimination and unfounded salary differences are counteracted. A comprehensive leadership programme was run for all managers at the Company during the year.

Environmental impact

Hufvudstaden is working actively to reduce negative environmental impact by, for example, reducing energy use and demanding the use of environmentally friendly products. No operations were carried on during 2009 that required a permit or were subject to a reporting obligation under the Environmentally Hazardous Operations and Health Protection Ordinance (1998:899).

Shares and shareholders

Hufvudstaden's share capital at the year-end amounted to SEK 1,056,359,665, divided into a total of 211,271,933 shares, giving a par value of SEK 5 per share. Of the shares, 202,996,869 are series A shares, carrying one vote per share, and 8,275,064 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the Company's assets and profit. The largest shareholder is L E Lundbergföretagen AB, with a total of 45.3 per cent of outstanding shares and 88.1 per cent of the votes. According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request that their series C shares be converted into series A shares. There are no limits in the Articles of Association regarding the transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected as a result of a public purchase offer. There is no pension fund or any other undertaking to the personnel with regard to shareholdings.

Buy-back of Company shares

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back a maximum of 10 per cent of all shares with the aim of giving the Board the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. The mandate was renewed at the 2009 Annual General Meeting. As of December 31, 2009,

Hufvudstaden held 5,006,000 series A shares, equivalent to 2.4 per cent of the total number of all shares. The whole block was acquired in 2003 at an average price of SEK 27.30 per share. No shares were bought back during the year or after the reporting period (up to and including February 11, 2010).

Board of Directors

A description of the work of the Board of Directors etc. can be found under Corporate Governance on page 48.

Remuneration to the President and the executive management

Guidelines for salaries, bonuses and other remuneration to the Company's senior executives are decided at the Annual General Meeting. For 2009 it was decided at the meeting that the same guidelines should be applied as previously, i.e. that the Company's remuneration shall comprise salaries in line with the market as well as a limited, profit-related bonus scheme as described below. The Company has no share price-related incentive schemes. These guidelines were followed during 2009 and a proposal that the same guidelines be applied for 2010 will be presented at the Annual General Meeting. The auditor's statement on whether guidelines for remuneration to senior executives, which was adopted at the Annual General Meeting in 2009, has been followed, is available on the Company's website www.hufvudstaden.se and will be attached to the documents distributed at the Annual General Meeting. The statement is also available from the Company on request.

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

Bonus

There is a bonus scheme in place for the President and the executive management, which is reviewed annually. The outcome depends on profit, customer satisfaction and personal objectives. The bonus for the President is subject to a maximum of SEK 500,000 and for the other senior executives SEK 250,000 per person.

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

In the case of both bonus schemes a decision is made one year at a time and is subject to a ceiling. A bonus is only payable if the Company reports a positive result with

no consideration given to unrealized changes in value. In 2009, the bonus cost was SEK 0.7 million (2.5) or an average of SEK 4,000 per employee. For the executive management, including the President, the average was SEK 56,000 per person. The bonus is not pensionable.

Stock market information

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

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

Key events after the year-end

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

Future prospects

Hufvudstaden will continue to devote its efforts to managing, refining and developing its property holdings to ensure the highest possible yield.

Our assessment is that the positive trend that emerged during autumn 2009 will continue during 2010. This means a stable level of demand and satisfactory rent levels for the Company's well-located, high-standard office and retailing premises.

Hufvudstaden's good earning capacity and strong financial position mean that it can continue at the same rate to implement current property projects. It constantly evaluates new investments in order to reinforce its market areas and thus in the long-term increase the profitability of the property holdings.

Activity on the transaction market will probably increase and the assessment is that direct yield requirements in the near future will remain at present levels. Strategic acquisitions of individual properties that complement the Company's holdings cannot be ruled out.

Proposed dividend and allocation of profits

The Board has proposed a dividend of SEK 2.10 per share, making a total of SEK 433.2 million. The Board of Directors' proposed profit allocation is presented in full on page 84.

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

Consolidated income statements with comments

SEK m	Note	2009	2008
<i>Net revenue</i>			
Property management		1.304.8	1.282.2
Parking operations		66.9	65.4
	3	1.371.7	1.347.6
<i>Property management costs</i>			
– Maintenance		-28.5	-43.8
– Operations and administration	6	-219.6	-216.0
– Ground rents		-16.2	-16.1
– Property tax		-116.5	-119.0
Property management expenses		-380.8	-394.9
Parking operations, costs	3, 6	-47.0	-45.8
Cost of operations		-427.8	-440.7
Gross profit		943.9	906.9
– of which Property management	3, 5	924.0	887.3
– of which Parking operations	3	19.9	19.6
Central administration		-29.2	-32.0
Operating profit before changes in value		914.7	874.9
<i>Changes in value</i>			
– Investment properties	12	-1.239.1	-1.629.4
– Interest derivatives		-25.6	-126.6
Operating result	8–12	-350.0	-881.1
<i>Financial income and expense</i>			
Financial income	13	2.9	17.3
Financial expense	14	-131.0	-161.6
		-128.1	-144.3
Result before tax		-478.1	-1.025.4
Tax	16	120.6	576.2
RESULT FOR THE YEAR AFTER TAX		-357.5	-449.2
Other total result			
Change in hedging reserve		25.5	-48.8
TOTAL RESULT FOR THE YEAR		-332.0	-498.0
Result for the year per share before and after dilution, SEK		-1.73	-2.18
Ordinary dividend per share, SEK (proposed)		2.10	1.90

Property Management

Net revenue from property management during the year totalled SEK 1,304.8 million (1,282.2), equivalent to an increase of 2 per cent. The rise can be attributed to the net of higher gross rents in conjunction with renegotiations as well as higher rent losses on vacant space. During the year, Hufvudstaden renegotiated leases equivalent to approximately SEK 208.0 million in annual rental revenue. Renegotiations for both office and retailing premises resulted in increased rent levels by an average of around 9 per cent (14).

The turnover-based rent supplement in the NK properties was SEK 5.6 million (10.1). The decrease can be attributed to increased minimum rents in conjunction with renegotiations.

Maintenance costs decreased by SEK 15.3 million to SEK 28.5 million (43.8), the main reason being the higher cost of evacuating tenants the previous year. Operating costs amounted to SEK 164.1 million (161.0). The increase can be attributed to higher energy costs. Administration expenses increased to SEK 55.5 million (55.0). Property tax decreased to SEK 116.5 million (119.0) as a result of approved reductions in property tax. The cost of property tax has mainly been passed on to the tenants. Overall, this means that the total cost for property management amounted to SEK 380.8 million (394.9).

The gross profit for the year was SEK 924.0 million (887.3), which is equivalent to an increase of 4 per cent.

Parking operations

Parking operations comprise parking operations at Parkaden AB.

Net revenue was SEK 66.9 million (65.4). Costs amounted to SEK 47.0 million (45.8) and the gross profit SEK 19.9 million (19.6).

Changes in value, investment properties

Changes in the value of investment properties amounted to SEK -1,239.1 million (-1,629.4). The unrealized change in value can be attributed to a slightly higher direct yield requirement as a result of the uncertainty on the credit market as well as the downturn in the economy and a slightly weaker rental market. The average direct yield requirement in conjunction with the above valuation was 5.3 per cent (5.1).

Financial items

The financial items result for the year was SEK -128.1 million (-144.3). Interest income was SEK 2.9 million (17.3) and interest expense SEK -131.0 million (-161.6). The decrease in net cost can be explained by lower interest on short-term loans.

Tax

The Group's tax expense was SEK 120.6 million (576.2), of which SEK -159.4 million (-115.8) was actual tax and SEK 280.0 million (692.0) deferred tax. The positive tax can be attributed to dissolution of deferred tax as a result of unrealized decreases in value.

Result for the year

The result for the year was SEK -357.5 million (-449.2). The negative result can be explained primarily by the net of the unrealized decrease in the value of the property holdings for the year and the dissolution of deferred tax compared with the preceding year.

Consolidated balance sheet with comments

SEK m	Note	31-12-2009	31-12-2008
ASSETS			
Fixed assets			
Investment properties	17	18,125.3	19,083.2
Tangible fixed assets	18	8.5	7.8
Non-current receivables	20	5.0	3.8
Total fixed assets		18,138.8	19,094.8
Current assets			
Accounts receivable	21	13.7	13.7
Other receivables		1.2	6.4
Prepaid expenses and accrued income	22	21.4	30.2
Current investment		410.0	425.0
Liquid funds	23	14.9	13.9
Total current assets		461.2	489.2
TOTAL ASSETS		18,600.0	19,584.0
EQUITY AND LIABILITIES			
Equity			
Share capital		1,056.4	1,056.4
Other contributed capital		628.1	628.1
Other reserves		0.0	-25.5
Profit brought forward, including result for the year		8,541.4	9,290.7
Total equity	24	10,225.9	10,949.7
<i>Non-current liabilities</i>			
Interest-bearing liabilities to credit institutions	25	2,900.0	3,400.0
Deferred tax liabilities	26	4,335.9	4,606.9
Other non-current liabilities		138.0	147.9
Other provisions	27	6.3	5.0
Total non-current liabilities		7,380.2	8,159.8
<i>Current liabilities</i>			
Interest-bearing liabilities to credit institutions	25	500.0	–
Accounts payable		63.5	73.6
Current tax liabilities		70.6	76.3
Other liabilities	28	84.1	88.7
Accrued expenses and prepaid income	30	275.7	235.9
Total current liabilities		993.9	474.5
Total liabilities		8,374.1	8,634.3
TOTAL EQUITY AND LIABILITIES		18,600.0	19,584.0

Investment properties

The properties' carrying amount in the Group was SEK 18,125.3 million (19,083.2). The decrease in the properties' fair value can be attributed to the net of an unrealized change in value of SEK -1,239.1 million (-1,629.4) and the investments in the property holdings made during the year, which amounted to SEK 281.2 million (182.1). Investment properties in the Group are reported at fair value according to IAS 40, which does not permit depreciation. The valuation method is described in Note 17, Investment properties. The properties' fiscal residual value was SEK 1.9 billion.

Liquid funds

Liquid funds, the sum of cash and bank holdings as well as current investments, amounted to SEK 424.9 million (438.9). Rent payments take place mainly at the turn of the quarter, whereupon a temporary surplus could arise. This surplus liquidity is normally used for the amortization of loans or is invested in short-term instruments with high liquidity and low risk. As of December 31, 2009, such current investments amounted to SEK 410.0 million (425.0). There are no limits on the right of use of liquid funds. In addition to liquid funds there are unutilized overdraft facilities of SEK 40 million (40).

Interest-bearing liabilities

The Group's liabilities to credit institutions amounted to SEK 3,400.0 million (3,400.0). The average fixed interest period was 36 months (43), the average capital tie-up period was 39 months (51) and the average annual equivalent interest cost at the year-end was 3.7 per cent (4.0). Net indebtedness totalled SEK 2,990.0 million (2,975.0). Financial items included in net indebtedness are listed in Note 2, page 70.

Deferred tax liabilities

Deferred tax liabilities amounted to SEK 4,335.9 million (4,606.9). The decrease can be explained by the dissolution of deferred tax as a result of unrealized changes in value.

Changes in equity – Group

SEK m	Share capital	Other contributed capital	Reserves	Profit brought forward, including profit for the year	Total
Opening equity 1-1-2008	1,056.4	628.1	27.7	10,096.5	11,808.7
Total result for the year			-53.2	-444.8	-498.0
Total changes in wealth			-53.2	-444.8	-498.0
Dividend				-361.0	-361.0
Closing equity 31-12-2008	1,056.4	628.1	-25.5	9,290.7	10,949.7
Opening equity 1-1-2009	1,056.4	628.1	-25.5	9,290.7	10,949.7
Total result for the year			25.5	-357.5	-332.0
Total changes in wealth			25.5	-357.5	-332.0
Dividend				-391.9	-391.9
Closing equity 31-12-2009	1,056.4	628.1	0.0	8,541.4	10,225.9

The number of shares bought back was 5,006,000, equivalent to 2.4 per cent of all shares. At the Annual General Meeting held on March 26, 2009, the Board of Directors was given a renewed mandate to buy back a maximum of 10 per cent of all shares with the aim of giving the Board of Directors the opportunity to adjust the capital structure in order to create increased value for the Company's shareholders. No buy-backs took place during 2009.

During 2009, a dividend of SEK 1.90 per share was paid to the Company's shareholders, totalling SEK 391,905,273.

The proposed dividend according to the allocation of unappropriated earnings is SEK 433.2 million. (See Definitions, page 93, Dividend amount.)



NK, Regeringsgatan, Stockholm.

Cash flow statement – Group

SEK m	2009	2008
Current operations		
Result before tax	-478.1	-1,025.4
Depreciation and impairment of assets	6.0	4.4
Change in value, investment properties	1,239.1	1,629.4
Change in value, derivatives	25.6	126.6
Other changes	1.2	-0.6
Income tax paid	-165.1	-71.5
Cash flow from current operations before changes in working capital	628.7	662.9
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	11.5	11.5
Increase (+) / Decrease (-) in operating liabilities	24.3	21.9
Cash flow from current operations	664.5	696.3
Investments		
Investment in investment properties	-281.2	-182.1
Investment in equipment	-4.2	-2.7
Change in financial assets	-1.2	2.6
Cash flow from investments	-286.6	-182.2
Financing		
Dividend paid	-391.9	-361.0
Cash flow from financing	-391.9	-361.0
Cash flow for the year	-14.0	153.1
Liquid funds at the beginning of the year	438.9	285.8
Liquid funds at the year-end	424.9	438.9
Supplementary information, statements of cash flow		
Interest received	4.4	11.4
Interest paid	127.2	163.3

Cash flow from current operations

Cash flow from current operations before changes in operating capital decreased by SEK 34.2 million to SEK 628.7 million (662.9), which can be explained by higher tax payments. Changes in working capital increased the cash flow by SEK 35.8 million (33.4). Cash flow from current operations thus totalled SEK 664.5 million (696.3).

Cash flow from investments

Cash flow from investments amounted to SEK -286.6 million (-182.2). Investments in property holdings increased by SEK 99.1 million compared with the preceding year, which can be attributed mainly to redevelopment of the Rännilen 18 property.

Cash flow from financing

Cash flow from financing decreased by SEK 30.9 million to SEK -391.9 million (-361.0). The decrease can be explained by the higher dividend decided at the 2009 Annual General Meeting. The net change in interest-bearing liabilities to credit institutions totalled SEK 0 million (0). No buy-back of Company shares took place during the year (0)

The cash flow for the year was SEK -14.0 million (153.1).

Liquid funds

The Group's liquid funds totalled SEK 424.9 million (438.9), of which cash and bank holdings amounted to SEK 14.9 million (13.9) and current investment of surplus liquidity was SEK 410.0 million (425.0). Including unutilized overdraft facilities, liquidity amounted to SEK 464.9 million (478.9). All current investments have a term shorter than three months. As of December 31, 2009, Hufvudstaden had non-current loan assurances of SEK 2 billion. At the turn of the year SEK 0 billion had been utilized.

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

Hufvudstaden AB – Parent Company

Income statements – Parent Company

SEK m	Note	2009	2008
Net revenue		796.0	789.1
Operating costs		-463.4	-387.6
Gross profit		332.6	401.5
Central administration		-29.2	-32.0
Changes in value – interest derivatives		-25.6	-126.6
Operating profit	6–11	277.8	242.9
Profit from financial items			
Financial income	13	720.9	16.7
Financial expense	14	-129.5	-161.0
		591.4	-144.3
Profit after financial items		869.2	98.6
Appropriations	15	103.1	-95.7
Profit before tax		972.3	2.9
Tax	16	-71.4	66.2
PROFIT FOR THE YEAR		900.9	69.1

Balance sheets – Parent Company

SEK m	Note	31-12-2009	31-12-2008
ASSETS			
Fixed assets			
Investment properties	17	5,959.2	5,966.6
Tangible fixed assets	18	5.5	5.9
		5,964.7	5,972.5
<i>Financial fixed assets</i>			
Participations in Group companies	19	2,824.8	2,824.8
Other non-current receivables	20	5.0	3.8
<i>Total financial fixed assets</i>		2,829.8	2,828.6
Total fixed assets		8,794.5	8,801.1
Current assets			
<i>Current receivables</i>			
Accounts receivable	21	2.5	2.3
Receivables from Group companies		502.1	5.7
Other receivables		–	5.5
Prepaid expenses and accrued income	22	13.7	20.6
<i>Total current assets</i>		518.3	34.1
Other current investments		410.0	425.0
Cash and bank holdings	23	14.7	13.7
Total current assets		943.0	472.8
TOTAL ASSETS		9,737.5	9,273.9

Balance sheets – Parent Company cont'd.

SEK m	Note	31-12-2009	31-12-2008
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital (211,271,933 shares)		1,056.4	1,056.4
Revaluation reserve		124.2	124.2
Statutory reserve		798.1	798.1
Total restricted equity		1,978.7	1,978.7
<i>Non-restricted equity</i>			
Profit brought forward		1,232.7	1,305.4
Profit for the year		900.9	69.1
Total non-restricted equity		2,133.6	1,374.5
Total equity	24	4,112.3	3,353.2
<i>Untaxed reserves</i>	29	654.1	757.2
<i>Provisions</i>			
Pension provisions	27	6.0	4.8
Provisions for taxes	26	1,103.6	1,100.3
Total provisions		1,109.6	1,105.1
<i>Non-current liabilities</i>			
Liabilities to credit institutions	25	2,900.0	3,400.0
Liabilities to Group companies		0.7	0.7
Other liabilities		137.8	147.8
Total non-current liabilities		3,038.5	3,548.5
<i>Current liabilities</i>			
Liabilities to credit institutions	25	500.0	–
Accounts payable		35.0	41.9
Liabilities to Group companies		8.5	218.9
Current tax liabilities		55.6	30.6
Other liabilities	28	39.1	42.3
Accrued expenses and prepaid income	30	184.8	176.2
Total current liabilities		823.0	509.9
Total liabilities		5,625.2	5,920.7
TOTAL EQUITY AND LIABILITIES		9,737.5	9,273.9

SEK m	Note	31-12-2009	31-12-2008
Pledged assets	31	1,711.0	1,710.0
Contingent liabilities	31	None	None

Changes in equity – Parent Company

SEK m	Share capital	Revaluation reserve	Statutory reserve	Profit brought forward, including profit for the year	Total
Opening equity 1-1-2008	1,056.4	124.2	798.1	1,524.9	3,503.6
Change for the year in the hedging reserve				-73.1	-73.1
Tax attributable to the hedging reserve				19.9	19.9
Group contributions received				270.4	270.4
Tax effect, group contributions				-75.7	-75.7
Transfer between restricted and non-restricted reserves					
Profit for the year				69.1	69.1
Dividend in Parent Company				-361.0	-361.0
Closing equity 31-12-2008	1,056.4	124.2	798.1	1,374.5	3,353.2
Opening equity 1-1-2009	1,056.4	124.2	798.1	1,374.5	3,353.2
Change for the year in the hedging reserve				34.6	34.6
Tax attributable to the hedging reserve				-9.1	-9.1
Group contributions received				304.8	304.8
Tax effect, group contributions				-80.2	-80.2
Result for the year				900.9	900.9
Dividend in Parent Company				-391.9	-391.9
Closing equity 31-12-2009	1,056.4	124.2	798.1	2,133.6	4,112.3

Cash flow statements – Parent Company

SEK m	2009	2008
Current operations		
Profit after financial items	869.2	98.6
Depreciation and impairment of assets	59.2	54.6
Changes in value, interest derivatives	25.6	126.6
Change, other provisions	1.2	-0.6
Income tax paid	-132.3	-74.6
Cash flow from current operations before changes in working capital	822.9	204.6
Cash flow from changes in working capital		
Decrease (+) / Increase (-) in operating receivables	-484.3	-2.8
Increase (+) / Decrease (-) in operating liabilities	91.7	357.4
Cash flow from current operations	430.3	559.2
Investments		
Investment in investment properties	-49.0	-45.3
Investment in equipment	-2.2	-2.3
Investment in financial assets	-1.2	2.6
Cash flow from investments	-52.4	-45.0
Financing		
Dividend paid	-391.9	-361.0
Cash flow from financing	-391.9	-361.0
Cash flow for the year	-14.0	153.2
Liquid funds at the beginning of the year	438.7	285.5
Liquid funds at the year-end	424.7	438.7
Supplementary information, cash flow statements		
Interest received	3.9	10.4
Interest paid	125.6	163.0

Notes

Note 1. Accounting principles

General information

Hufvudstaden AB (publ) is a Swedish listed company with its registered office in Stockholm. Hufvudstaden is quoted in the large cap list on NASDAQ OMX Stockholm. The Group's principal area of business is the ownership, development and management of commercial properties. The Company's address is Hufvudstaden AB (publ), NK 100, SE-111 77 Stockholm. L E Lundbergföretagen AB, company registration number 556056-8817, Stockholm, has a controlling influence at Hufvudstaden, which is why the Company is consolidated into the Lundberg Group. The Annual Report and Annual Consolidated Accounts for Hufvudstaden AB (publ) for 2009 have been approved for publication according to a decision reached by the Board on February 12, 2010. It is proposed that the Annual Report and consolidated accounts be adopted at the Annual General Meeting on March 25, 2010.

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. In addition, the Swedish Financial Accounting Standards Council recommendation RFR 1.2, Supplementary Rules for Consolidated Financial Statements, has been applied. Hufvudstaden's Income Statements are classified according to function and are adapted to the Company's operations.

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

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

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

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

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

Assessments and estimates

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

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

Investment properties

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

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

Deferred tax in conjunction with the calculation of the net asset value

When calculating the net asset value, estimated deferred tax has been used. This has been set at 10 per cent of the difference between the assessed fair value and the fiscal residual value of the properties and has been assessed in the light of current tax legislation, which means that properties can be sold through a limited company without tax implications. The purchaser, however, loses the basis for depreciation, which could justify a certain degree of compensation. This has been set at 10 per cent.

Amended accounting principles

The following new accounting principles have been applied since January 1, 2009:

IAS 1 Presentation of Financial Statements. The change has meant that income and costs which were previously reported directly against equity are now reported against other comprehensive income, which is presented after the profit for the year in an extended Income Statement.

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

IFRS 8 Operating segments. Implementation has not meant any change in the division into segments. However, an adaptation has been made so that the segments reported in the financial statements concur with the information followed up by the executive management.

IFRS 7 Financial instruments. Amendments to IFRS 7 have resulted in the addition of further information requirements.

IAS 23 Borrowing costs. The change means that in the acquisition value of qualified assets borrowing costs are capitalized.

New IFRS and interpretations

A number of new standards, amendments to the standards as well as interpretation statements will come into force from the 2010 financial year and have not been applied in the preparation of these financial statements. These are not considered to have any major impact on Hufvudstaden's financial statements.

Classification etc.

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

Consolidated accounts

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

Reporting of income and costs

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

Income from property sales

Income from property sales is reported on the completion date if material risks and benefits have not passed to the purchaser previously. Checks are made on whether the asset could have been transferred at an earlier point in time than the completion point and if this has happened the property sale is recognized as revenue at this earlier point in time. When assessing the point of recognition of revenue, consideration should be given to what has been agreed between the parties regarding risks and benefits as well as involvement in the ongoing management. In addition, circumstances are taken into account which could affect the outcome of the deal and which are beyond the control of the seller and/or purchaser.

Note 1 continued on page 67.

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.

Financial income and expense

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

Leases

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

Remuneration to employees

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

As regards the Group's pension undertakings, the majority of the white-collar workers are covered by what is known as the ITP plan, which is secured through insurance with Alecta, and the blue-collar workers are covered by the SAF-LO pension agreement. During the 2009 financial year, the Company did not have access to information that made it possible to report these plans as defined benefit plans. The pension plans are therefore reported as defined contribution plans. The commitments regarding charges to defined benefit plans are reported as a cost in the Income Statement when they arise.

Tax

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

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

Financial instruments

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

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

A financial asset and a financial liability are set off and reported as a net amount in the Balance Sheet only when there is a legal right to set off the

amounts and when there is an intention to settle the items at a net amount or at the same time realize the asset and settle the liability. Hufvudstaden has not identified any embedded derivatives that should be separated from their host contracts and reported separately.

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

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

This category includes interest derivatives.

Loan receivables and accounts receivable

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

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

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

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

Other financial liabilities

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

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

Derivatives

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

Impairment of financial instruments

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

Tangible fixed assets

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

Depreciation, property management

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

Depreciation, other operations

Depreciation of tangible fixed assets is included in the cost of Other operations.

Depreciation principles

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

Investment properties

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

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

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

Impairments

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

Share capital

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

Profit per share

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

Fixed assets which are held for resale and discontinued operations

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

Provisions

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

Contingent liabilities

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

Cash Flow Statements

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

Segment reporting

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2.2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board for listed companies have also been applied. RFR 2.2 means that the Parent Company shall in the annual report for the legal entity apply all EU-approved IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Safeguarding of Pension Commitments Act and with consideration given to the link between the accounts and taxation. Recommendations state the exceptions and additions that should be made to IFRS. The differences between the Group's and the Parent Company's accounting principles are stated below.

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

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

Investment properties

The Parent Company's investment properties are valued at cost with a deduction for accumulated depreciation. The acquisition value comprises the acquisition price, cost of title deeds and value-enhancing improvements. Hufvudstaden only capitalizes charges that generate a permanent increase in the value of the properties. Development costs of a maintenance nature are charged to profit.

Valuation of investment properties and tangible fixed assets

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

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

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

Depreciation – investment properties

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

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

Note 2. Financial risks

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

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

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

Financing risk

A financing risk arises in the fact that difficulties could exist in securing financing for operations at a given point in time. To minimize the cost of Group borrowing and to ensure that financing can be secured, the Company must have loan assurances that cover the rescheduling of loans and investments. The Board establishes the level of capital tie-up in the loan portfolio on an ongoing basis. The executive management prepares rolling forecasts for the Group's liquidity on the basis of expected cash flows. Hufvudstaden's borrowings amounted to SEK 3,400.0 million at the year-end. The average fixed interest period was 36 months (43), the average capital tie-up period was 39 months (51) and the average interest cost 3.7 per cent (4.0). Net debt totalled SEK 2,990.0 million compared to SEK 2,975.0 million at the end of 2008. As of December 31, 2009, the Group had non-current loan assurances of SEK 2 billion, of which SEK 0 billion was utilized.

Due date structure, interest and capital, December 31, 2009

Year due	Interest payment, SEK m	Of which swaps, SEK m	Nominal amount, SEK m	Proportion, %
2010	113.3	90.4	500.0	15
2011	101.8	85.1	950.0	28
2012	92.3	77.6	250.0	7
2013	65.2	57.0	950.0	28
2014	50.4	45.3	-	-
2015	43.9	38.8	-	-
2016	37.0	31.9	-	-
2017	15.3	12.3	750.0	22
Total	519.2	438.4	3,400.0	100

In addition to the above there are other liabilities, which also include accounts payable, which normally fall due within 30 days, as well as derivatives with a negative value of SEK 135.8 million.

Interest risk

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

The raising of interest-bearing loans means that the Group is exposed to an interest risk. Hufvudstaden's finance policy states the framework for how interest risks are to be handled. An overall aim is that the renewal structure in the leases should be taken into account when determining the fixed interest period and that a balance is struck between the assessed current cost of borrowing and the risk of a significant negative impact on profit in the event of a sudden, major change in the interest rate. This means that the Group's fixed interest structure for the net debt should normally be 12–48 months. Loans are normally raised at a variable rate of interest and to achieve the desired fixed interest structure derivatives are used. As of December 31, 2009, the Group's fixed interest period was 36 months. A change in the interest level of +/-1 percentage point, assuming an unchanged loan volume and fixed interest period according to current derivative agreements, would affect Hufvudstaden's interest expense in 2010 to the amount of +/- SEK 2 million. The change in interest

would at the same time mean a change in value in interest derivatives to the amount of SEK 29 million in the result.

Fixed interest structure: December 31, 2009 (Including effect of interest derivatives)

Year due	Volume, SEK m	Proportion, %	Average AER, %
2010 ¹⁾	1,000.0	29	2.5
2011	600.0	18	3.6
2012	250.0	7	4.9
2013	600.0	18	3.9
2014	200.0	6	3.6
2015	-	-	-
2016	-	-	-
2017	750.0	22	4.8
Total	3,400.0	100	3.7

¹⁾ Of which SEK 300 million will be fixed in March 2010 for five years at 3.3 per cent.

Credit risk

A credit risk is the risk of a loss if the Group's counterparties do not fulfil their contractual obligations and any collateral does not cover the Group's claims. A credit risk can be mainly attributed to outstanding accounts receivable/rent receivables, liquid funds as well as financial derivative agreements with positive values, which as of the year-end had a collective carrying value of SEK 438.6 million, which means that the Group has limited exposure to credit risks.

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

The Group's 10 largest tenants represent 24 per cent of the total contracted rent and the single largest customer accounts for 9 per cent, which means that Hufvudstaden's exposure to the credit risk represented by individual tenants is relatively limited. Exposure regarding financial derivative agreements is limited by the Group policy of only entering into such agreements with major financial institutions with a very good rating and with whom the Company has a long-term relationship. In addition, there are general agreements with these institutions regarding the setting off of different derivative agreements, which further reduces the credit risk exposure.

Concentration of credit risk, December 31, 2009^{1) 2)}

Annual rent, KSEK	Number of customers	Total annual rent, KSEK	Proportion, %
0 – 99	73	2,654	0
100 – 499	119	31,795	3
500 – 999	131	97,231	8
1,000 – 2,499	138	211,223	17
2,500 – 4,999	79	277,571	23
5,000 – 9,999	38	260,641	21
10,000 –	14	345,069	28
Total	592	1,226,184	100.0

¹⁾ Excluding vacant space and space (storage and office) for Company use.

²⁾ Annual rent as of December 31, 2009.

Fair value

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

Note 2 continued on page 70.

Continuation, Note 2.

Information regarding fair values, financial instruments							
	Items valued at fair value through profit or loss	Derivatives reported as hedges	Accounts receivable and loan receivables	Other liabilities	Non-financial items	Total carrying amount	Fair value
	Derivatives						
GROUP 2009							
<i>Financial instruments included in the financial net liability</i>							
Non-current receivables			5.0			5.0	5.0
Current receivables			1.8		20.8	22.6	22.6
Liquid funds			424.9			424.9	424.9
Non-current liabilities	135.2			2,906.3		3,041.5	3,041.5
Current liabilities	0.6			508.7	266.4	775.7	775.7
<i>Financial instruments not included in the financial net liability</i>							
Accounts receivable			13.7			13.7	13.7
Accounts payable				63.5		63.5	63.5
GROUP 2008							
<i>Financial instruments included in the financial net liability</i>							
Non-current receivables			3.8			3.8	3.8
Current financial receivables			6.1		30.5	36.6	36.6
Liquid funds			438.9			438.9	438.9
Non-current liabilities	110.2	34.6		3,405.0		3,549.8	3,549.8
Current liabilities				11.0	224.9	235.9	235.9
<i>Financial instruments not included in the financial net liability</i>							
Accounts receivable			13.7			13.7	13.7
Accounts payable				73.6		73.6	73.6
PARENT COMPANY 2009							
<i>Financial instruments included in the financial net liability</i>							
Non-current receivables			5.0			5.0	5.0
Current receivables			0.6		13.1	13.7	13.7
Liquid funds			424.7			424.7	424.7
Non-current liabilities	135.2			2,906.0		3,041.2	3,041.2
Current liabilities	0.6			8.7	175.5	184.8	184.8
<i>Financial instruments not included in the financial net liability</i>							
Accounts receivable							
Accounts payable							
PARENT COMPANY 2008							
<i>Financial instruments included in the financial net liability</i>							
Non-current receivables			3.8			3.8	3.8
Current receivables			6.1		20.0	26.1	26.1
Liquid funds			438.7			438.7	438.7
Non-current liabilities	110.2	34.6		3,404.8		3,549.6	3,549.6
Current liabilities				11.0	165.2	176.2	176.2
<i>Financial instruments not included in the financial net liability</i>							
Accounts receivable			2.3			2.3	2.3
Accounts payable				41.9		41.9	41.9

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

Note 3. Segment information

Property management

The Group's operations are divided into two segments, property management and parking operations. The property management segment is divided into business areas that follow the operative control of the Company's business, which mainly follows the geographical division of the rental market into sub-markets. In the Parent Company there is only the property management segment

SEK m	Stockholm City East Business Area	Stockholm City West Business Area	Gothenburg Business Area	Total
GROUP 2009				
<i>Income and costs</i>				
Net revenue	579.7	552.3	172.8	1,304.8
<i>(of which turnover-based rent supplement)</i>	(-)	(5.6)	(-)	(5.6)
Maintenance	-15.7	-10.7	-2.1	-28.5
Operations and administration	-68.7	-119.4	-31.5	-219.6
Ground rent	-0.2	-16.0	-	-16.2
Property tax	-59.1	-42.1	-15.3	-116.5
Gross profit, property management	436.0	364.1	123.9	924.0
Parking operations				19.9
Central administration				-29.2
<i>Change in value</i>				
Investment properties				-1,239.1
Interest derivatives				-25.6
Operating profit				-350.0
Financial income and expense				-128.1
Profit before tax				-478.1
<i>Assets</i>				
Investment properties	9,164.5	6,982.8	1,978.0	18,125.3
Rent receivables	0.1	1.6	0.1	1.8
<i>Investments</i>				
Tangible investments for the period	226.6	55.9	2.9	285.4
GROUP 2008				
<i>Income and costs</i>				
Net revenue	579.2	536.0	167.0	1,282.2
<i>(of which turnover-based rent supplement)</i>	(-)	(10.1)	(-)	(10.1)
Maintenance	-17.8	-24.1	-1.9	-43.8
Operations and administration	-66.2	-119.6	-30.2	-216.0
Ground rent	-0.2	-15.9	-	-16.1
Property tax	-58.4	-42.6	-18.0	-119.0
Gross profit, Property management	436.6	333.8	116.9	887.3
Parking operations				19.6
Central administration				-32.0
<i>Change in value</i>				
Investment properties				-1,629.4
Interest derivatives				-126.6
Operating profit				-881.1
Financial income and expense				-144.3
Profit before tax				-1,025.4
<i>Assets</i>				
Investment properties	9,673.0	7,364.5	2,045.7	19,083.2
Rent receivables	0.3	0.1	0.1	0.5
<i>Investments</i>				
Tangible investments for the period	137.4	34.9	12.5	184.8

Note 3 continued on page 72.

Continuation, Note 3.

Parking operations

The Parking operations segment includes parking operations at Parkaden AB.

SEK m	2009	2008
GROUP		
Net revenue	66.9	65.4
Rental costs	-39.2	-37.7
Operations and administration	-7.2	-7.5
Depreciation	-0.6	-0.6
Gross profit	19.9	19.6

Total assets amounted to SEK 6.3 million (5.4).

Note 4. Profit trend – summary

SEK m	January–March		April–June		July–September		October–December		January–December	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
GROUP										
<i>Property management</i>										
Net revenue	325.7	317.6	324.2	316.1	322.5	320.1	332.4	328.4	1,304.8	1,282.2
Maintenance	-4.8	-4.9	-6.5	-20.4	-3.6	-5.7	-13.6	-12.8	-28.5	-43.8
Operations and administration	-57.1	-53.5	-52.5	-52.6	-49.6	-49.2	-60.4	-60.7	-219.6	-216.0
Other costs	-33.8	-33.8	-33.9	-33.8	-31.4	-33.9	-33.6	-33.6	-132.7	-135.1
Property management costs	-95.7	-92.2	-92.9	-106.8	-84.6	-88.8	-107.6	-107.1	-380.8	-394.9
Other operations, net	4.4	4.5	4.2	4.8	3.4	3.5	7.9	6.8	19.9	19.6
Gross result	234.4	229.9	235.5	214.1	241.3	234.8	232.7	228.1	943.9	906.9
Central administration	-7.1	-7.7	-7.6	-6.7	-5.2	-7.0	-9.3	-10.6	-29.2	-32.0
<i>Changes in value</i>										
Investment properties	-562.7	–	-495.1	-497.1	–	-586.7	-181.3	-545.6	-1,239.1	-1,629.4
Interest derivatives	-45.3	-17.9	38.4	43.9	-6.6	-44.4	-12.1	-108.2	-25.6	-126.6
Net financial income/expense	-34.8	-35.8	-32.2	-38.8	-30.6	-39.0	-30.5	-30.7	-128.1	-144.3
Tax	107.8	-48.5	67.1	78.5	-53.4	122.5	-0.9	423.7	120.6	576.2
Result for the year after tax	-307.7	120.0	-193.9	-206.1	145.5	-319.8	-1.4	-43.3	-357.5	-449.2

Note 5. Operational lease agreements – Group as lessor

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

Renewal structure^{1) 2) 3)}

	2010	2011	2012	2013	2014	2015–	Total
<i>Number of agreements</i>							
Offices	92	77	83	26	13	12	303
Stores	92	86	102	29	18	12	339
Other	443	198	138	37	15	37	868
Total	627	361	323	92	46	61	1,510
Proportion, %	41.5	23.9	21.4	6.1	3.1	4.0	100.0
<i>Annual rent, SEK m</i>							
Offices	135.7	134.7	126.9	33.9	90.2	75.1	596.5
Stores	142.8	141.4	151.2	41.9	38.9	60.8	577.0
Other	25.3	25.1	27.9	6.8	5.3	5.3	95.7
Total	303.8	301.2	306.0	82.6	134.4	141.2	1,269.2
Proportion, %	24.0	23.7	24.1	6.5	10.6	11.1	100.0

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

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

³⁾ Excluding residential contracts.

Note 6. Depreciation, tangible fixed assets and investment properties

SEK m	Group		Parent Company	
	2009	2008	2009	2008
<i>Depreciation per type of asset</i>				
Investment properties	- 1)	- 1)	56.4	51.6
Tangible fixed assets	3.4	3.4	2.6	2.5
Total	3.4	3.4	59.0	54.1
<i>Depreciation per function/ operating area</i>				
Property management	0.2	0.3	56.4	51.6
Administration	2.6	2.5	2.6	2.5
Other operations	0.6	0.6	-	-
Total	3.4	3.4	59.0	54.1

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

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

Average number of employees	2009	2009	2008	2008
		Of which men, %		Of which men, %
Parent Company	84	50	82	50
of which senior executives	7	86	7	86
<i>Wholly owned subsidiaries</i>				
Parkaden AB	4	50	5	40
Total, Group	88	50	87	50
of which senior executives	7	86	7	86

Of the Group's 25 managers (23), 8 are women (8) or 32 per cent (35). The Board of the Parent Company comprised 7 men (7) and 2 women (2). In the Group there is one other member of the Board (1 man). The Group only has employees in Sweden.

Absenteeism due to sickness

%	2009	2009	2008	2008
	Total absenteeism due to sickness	Of which long-term absenteeism due to sickness	Total absenteeism due to sickness	Of which long-term absenteeism due to sickness
GROUP				
Total absenteeism due to sickness	2	7	2	23
Absenteeism due to sickness divided according to gender:				
Men	1		3	
Women	2		2	
Absenteeism due to sickness divided according to age category:				
20–29 years	- 1)		- 1)	
30–49 years	2		2	
50 years or older	2		3	
PARENT COMPANY				
Total absence due to sickness	2	7	2	24
Absenteeism due to sickness divided according to gender:				
Men	1		2	
Women	2		3	
Absenteeism due to sickness divided according to age category:				
20–29 years	- 1)		- 1)	
30–49 years	2		2	
50 years or older	2		4	

1) Not reported due to the exception rule in the law, which means that information should not be furnished if the number of employees in the group is 10 or fewer or if the information can be traced to a single individual.

Note 8. Salaries and remuneration

SEK K	Group		Parent Company	
	2009	(of which bonus)	2008	(of which bonus)
<i>Salaries and other remuneration</i>				
Fee to the Chairman of the Board	350		350	350
Fee to other Board members	1,245		1,245	1,225
Payment and benefits, President	3,519	75	3,396	257
Payment and benefits, other senior executives	7,436	320	7,092	764
Payment and benefits, other employees	34,065	296	34,063	1,463
Total	46,615	691	46,146	2,484
<i>National insurance expenses, incl. special employer's contribution</i>				
Chairman of the Board	110		113	110
Other Board members	354		365	348
President	1,319		1,267	1,319
Other senior executives	2,696		2,563	2,696
Other employees	11,759		12,069	11,443
Total	16,238		16,377	15,916
<i>Pension expenses</i>				
President	878		757	878
Other senior executives	1,486		1,269	1,486
Other employees	3,976		5,077	3,908
Total	6,340		7,103	6,272

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

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

The pensions of the Group's employees, including the President, are covered by the ITP plan, which provides defined benefit. For the 2009 financial year, the Company has not had access to information that makes it possible to report these plans as defined benefit. The pension plans are therefore reported as defined contribution plan. The retirement age for the President is 65 years although with the right for the President or the Company to decide on retirement with a full pension from the age of 60 years. In addition, there is a defined contribution pension to the President for the part of the salary not covered by the ITP plan. There are no pension commitments for the Board of Directors.

Alecta's surplus in the form of the collective consolidation level as of December had at the time of the signing of this annual report not been published and consequently this cannot be given. Alecta's most recent official consolidation level amounted as of September to 136 per cent (December 2008: 112 per cent). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

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

If other senior executives are given notice by the Company, the period of notice is one year. If notice is given by a senior executive, the period of notice is six months. In both cases any payment received from a new employer shall be deducted.

Guidelines for salary, bonus and other remuneration to senior executives are decided at the Annual General Meeting. For 2009, the meeting decided that the same guidelines should be applied as previously, i.e. the Company's remuneration shall comprise market-based salaries as well as a limited profit-related bonus scheme, as described below. There are no share-related incentive schemes in the Company. Payment to the President is proposed by the Chairman of the Board and adopted by the Board (the President is not involved in this decision). The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

For the President and senior executives there was a bonus scheme in place during the year based on result, customer satisfaction and personal objectives. The bonus for the year is maximized to SEK 500,000 for the President and for other senior executives SEK 250,000 each.

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

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

In the final accounts, a provision has been made for a bonus for profit targets and customer satisfaction. For personal objectives a provision is made equivalent to 75 per cent of the maximum outcome, SEK 421,000. The bonus outcome for 2009 has been charged with a cost for 2008 amounting to SEK 113,000.

Note 9. Fees and cost reimbursements to auditors

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Audit assignments, KPMG	0.8	0.8	0.8	0.8
Other assignments, KPMG	0.1	0.4	0.1	0.4
Total	0.9	1.2	0.9	1.2

Note 10. Operational lease agreements – Group as the Lessee

Annual charges, SEK m	Group		Parent Company	
	2009	2008	2009	2008
- 1 year	1.4	0.2	0.2	0.2
1 year– 5 years	18.4	18.3	7.9	7.9
5 years –	0.3	1.5	0.3	0.3

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

Note 11. Operating costs per cost category

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Maintenance	28.5	43.8	207.3	134.2
Operation and administration	223.0	220.9	73.2	70.7
Ground rent	16.2	16.1	8.1	8.0
Property tax	116.5	119.0	79.4	83.4
Depreciation	3.4	3.4	56.4	51.6
Personnel costs	70.4	70.3	68.7	68.7
Total	458.0	473.5	493.1	416.6

Note 12. Changes in value, investment properties

SEK m	Group	
	2009	2008
Unrealized	-1,239.1	-1,629.4
Total	-1,239.1	-1,629.4

Note 13. Financial income

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Dividend from subsidiary	-	-	718.0	-
Interest income on bank holdings	0.1	1.0	0.1	0.5
Interest income on current investments	2.7	12.5	2.7	12.5
Interest income, other	0.1	3.8	0.1	3.7
Total	2.9	17.3	720.9	16.7

Of the financial income, SEK 2.9 million (17.3) refers to financial instruments which are not valued at fair value.

Note 14. Financial expense

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Interest expense to credit institutions	52.1	180.6	52.1	180.6
Interest expense, swaps	72.6	-20.5	72.6	-20.5
Interest expense, other	6.3	1.5	4.8	0.9
Total	131.0	161.6	129.5	161.0

Of the financial expense, SEK 58.4 million (182.1) refers to financial instruments which are not valued at fair value.

Note 15. Appropriations

SEK m	Parent Company	
	2009	2008
Change in accumulated additional depreciation	0.6	-7.7
Change in tax allocation reserve	102.5	-88.0
Total	103.1	-95.7

Note 16. Income taxes

SEK m	Group		Parent Company	
	2009	2008	2009	2008
<i>Actual tax expense</i>				
Tax expense for the year	-159.2	-116.4	-77.0	-40.4
Tax attributable to previous years	-0.2	0.6	-0.1	0.6
<i>Deferred tax expense/tax income</i>				
Difference between fiscal and accounting depreciation:				
Revaluation/reversal/impairment	-	-	-1.0	-1.1
Original acquisition values	-81.7	-61.3	-	-
Unrealized change in value, investment properties	325.9	456.2	-	-
Unrealized change in value, securities	6.7	35.4	6.7	35.4
Effect, allocation to untaxed reserves	29.1	-32.2	-	-
Recalculation, deferred tax 26.3%	-	293.9	-	71.7
Total tax	120.6	576.2	-71.4	66.2
<i>Result before tax</i>	-478.1	-1,025.4	972.3	3.0
Tax according to the current tax rate 26.3/28 %				
	125.7	287.1	-255.7	-0.8
Tax attributable to previous years	-0.2	0.6	-0.1	0.6
Non-taxable income in conjunction with a dividend from a subsidiary	-	-	188.9	-
Non-taxable income	0.1	0.3	0.1	0.2
Non-deductible expense	-1.3	-0.7	-0.9	-0.6
Standard income, Tax allocation reserve	-3.7	-5.0	-3.7	-4.9
Recalculation, deferred tax 26.3%	-	293.9	-	71.7
Total tax	120.6	576.2	-71.4	66.2
<i>Tax items reported within other comprehensive income</i>				
Deferred tax in respect of hedge provision				
	-9.1	19.9		
	-9.1	19.9		
<i>Tax items reported directly against equity</i>				
Deferred tax in respect of hedge provision				
			-9.1	19.9
Actual tax in group contributions received				
			-80.2	-75.7
			-89.3	-55.8

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

The subsidiary Fastighets AB Stockholms City is involved in a dispute with the National Tax Agency on how much is to be capitalized as a building. As the Company does not share the view of the Tax Agency the decision was appealed in the County Administrative Court. During the year the County Administrative Court found in favour of the Company. The National Tax Agency has appealed the decision to the Administrative Court of Appeal and the judgment is expected during 2010. The amount of taxes and charges is approximately SEK 25 million and does not have any impact on the total reported tax expense for the Group and is only a shift between actual and deferred tax.

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

Note 17. Investment properties**GROUP**

Investment properties were reported according to the fair value method.

SEK m	2009	2008
Investment properties, Group	18,125.3	19,083.2

Information about changes in the carrying amount of investment properties

SEK m	Investment properties owned for the full year
2009	
Opening fair value	19,083.2
Investment in properties	281.2
Unrealized change in value	-1,239.1
Closing fair value	18,125.3
2008	
Opening fair value	20,530.5
Investment in properties	182.1
Unrealized change in value	-1,629.4
Closing fair value	19,083.2

For income and costs attributable to investment properties reference can be made to Note 3.

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

Valuation method

Valuation of the property holdings was done by assessing each individual property's fair value. The valuation took place on the basis of a valuation using a variation on the location price method, known as the net capitalization method. The method means that the market's yield requirement is put in relation to the net operating income of the properties.

The yield requirement is based on information compiled about the market's yield requirement for actual purchases and sales of comparable properties in similar locations. The yield requirement can vary between different regions and different sub-areas within the regions. The net operating income of the properties is based on the market rental income, long-term rental vacancy level and normalized operating and maintenance costs. Account has also taken of the type of property, the technical standard, the building construction and major investment needs.

For leasehold properties, the calculation was based on a yield requirement that was 0.25 percentage points higher than for properties where the land is freehold.

The following information has been used in the valuation:

	Rental revenue, SEK m	Net operating profit, SEK m	Direct yield requirement, % ¹⁾
Stockholm, commercial			5.0–5.5
Gothenburg, commercial			5.5–6.0
Property holdings, Group	1,330.7	954.3	5.3 ²⁾

¹⁾ Office and retailing properties

²⁾ Average.

External valuation

To assure the valuations, external valuations have been made by two valuation companies, DTZ Sverige AB and Forum Fastighetsekonomi AB. The external valuations cover 9 properties and are equivalent to 29 per cent of the internally assessed fair value. The starting point for the selection of the properties was that the objects selected should represent different property categories, towns, locations, technical standards and construction standards. The properties that underwent an external valuation were Grönlandet Södra 11, Hästskon 10, Inom Vallgraven 10:9, Inom Vallgraven 12:10, Järnplåten 28, Medusa 1, Orgelpipan 7, Pumpstocken 10 and Skären 9.

The external valuation companies have set a fair value of SEK 5.2 billion with a range of approximately +/- 5 per cent. Hufvudstaden's internal valuation of the same properties is SEK 5.2 billion. The internal valuations thus concur with the external valuations.

Sensitivity analysis, property valuation

	Change +/-	Impact on profit before tax, +/-
Rent revenue	SEK 100/m ²	SEK 700 million
Property costs	SEK 50/m ²	SEK 350 million
Rental vacancy level	1.0 percentage points	SEK 250 million
Yield requirement	0.5 percentage points	SEK 1,700 million

Tax values, investment properties, Group

SEK m	2009	2008
Tax values, buildings	7,578.2	7,628.7
Tax values, land	4,281.3	4,318.6
	11,859.5	11,947.3

PARENT COMPANY

Investment properties are reported according to the acquisition method.

SEK m	2009	2008
Investment properties, Parent Company	5,959.2	5,966.6

Investment properties, excluding land

SEK m	2009	2008
Opening acquisition values	1,949.4	1,904.1
Investments for the year	49.0	45.3
Closing acquisition values	1,998.4	1,949.4
Opening depreciation	-607.5	-569.9
Depreciation for the year	-42.4	-37.6
Closing depreciation	-649.9	-607.5
Closing revaluations according to the adopted Balance Sheet for the preceding year	1,175.0	1,189.0
Depreciation for the year	-14.0	-14.0
Closing revaluations	1,161.0	1,175.0
Closing residual value according to plan	2,509.5	2,516.9

Land

SEK m	2009	2008
Opening acquisition value	408.1	408.1
Closing acquisition value	408.1	408.1
Opening value, revaluations	3,041.6	3,041.6
Closing value, revaluations	3,041.6	3,041.6
Closing residual value according to plan	3,449.7	3,449.7

Investment properties are divided into different categories,

which are depreciated as follows.

- Buildings: offices 1 per cent
- Buildings: department stores, multi-storey car parks, hotels, restaurants 2 per cent
- Building equipment: 20 per cent
- Land improvements: 3.75–5 per cent

Information about the fair value of investment properties

SEK m	2009	2008
Investment properties, Parent Company	11,361.4	11,942.8

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

Note 17 continued on page 77.

Continuation, Note 17.

The following information has been used in the valuation:

	Rent revenue, SEK m	Net operating profit, SEK m	Direct yield requirement, %
Stockholm, commercial			5.0 –5.5
Gothenburg, commercial			5.75–6.0
Property holdings, Parent Company	847.1	606.2	5.3 ¹⁾
^{1) Average}			
<i>Tax values, investment properties, Parent Company</i>			
SEK m	2009	2008	
Tax values, buildings	4,993.5	5,044.0	
Tax values, land	3,151.7	3,189.0	
	8,145.2	8,233.0	

Note 18. Tangible fixed assets

SEK m	2009	Group 2008	Parent Company 2009	Parent Company 2008
Opening acquisition value	34.6	32.3	19.5	17.5
Investments for the year	4.2	2.7	2.2	2.3
Disposals	-3.7	-0.4	-3.6	-0.3
Closing acquisition value	35.1	34.6	18.1	19.5
Opening depreciation	-26.8	-23.8	-13.6	-11.4
Depreciation for the year	-3.4	-3.4	-2.6	-2.5
Disposals	3.6	0.4	3.6	0.3
Closing accumulated depreciation	-26.6	-26.8	-12.6	-13.6
Closing residual value according to plan	8.5	7.8	5.5	5.9

Note 19. Participation in Group Companies

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

No change compared to the previous year.

Change in Parent Company's holdings in Group companies

SEK m	2009	Parent Company 2008
Opening carrying amount	2,824.8	2,824.8
Closing carrying amount	2,824.8	2,824.8

There are no foreign subsidiaries in the Group.

Note 20. Other non-current receivables

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Opening carrying amount	3.8	60.6	3.8	60.6
Change in value, interest derivatives	-	-54.2	-	-54.2
Change for the year	1.2	-2.6	1.2	-2.6
Closing carrying amount	5.0	3.8	5.0	3.8

For information regarding capital tie-up and interest terms, see Note 2.

Note 21. Accounts receivable

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Accounts receivable	11.9	13.2	2.3	1.9
Rent receivables	1.8	0.5	0.2	0.4
Total	13.7	13.7	2.5	2.3

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

Rent receivables are charged in advance, the majority on a quarterly basis. Accounts receivable are invoiced subject to terms of payment of 30 days. Bad debt losses for the year amounted to SEK 2.5 million (1.4). Accounts receivable that have fallen due but which have not been impaired amounted to SEK 2.1 million (2.9).

Note 24. Equity**GROUP****Specification of equity item, reserves**

SEK m	2009	2008
<i>Hedge reserve</i>		
Opening hedge reserve	-25.5	27.7
<i>Cash flow hedges:</i>		
Reported directly against equity	34.6	-73.1
Tax attributable to hedges for the year	-9.1	20.5
Recalculation, deferred tax 26.3%	-	-0.6
Closing hedge reserve	0.0	-25.5
<i>Total reserves</i>		
Opening reserves	-25.5	27.7
Change in hedge reserve	25.5	-53.2
Closing reserves	0.0	-25.5

Other capital contributed

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

Reserves

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

Profit brought forward, including profit for the year

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

Dividend

In 2009, a dividend was paid of SEK 1.90 per share or a total of SEK 391,905,273.

Asset management

The Company's capital is defined as the Group's reported equity.

Hufvudstaden's aim is to increase profit from current operations and to have a well consolidated balance sheet with an equity ratio of at least 40 per cent over time. The shareholders should have good dividend growth over time and the dividend should be more than half of the net profit from current operations unless investments or the Company's financial position in other respects justify a deviation.

Note 22. Prepaid expenses and accrued income

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Accrued rent revenue	13.8	17.8	10.7	12.0
Prepaid expenses	7.0	6.3	2.4	2.5
Accrued interest income	0.6	6.1	0.6	6.1
Total	21.4	30.2	13.7	20.6

Note 23. Liquid funds

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Bank balances	14.9	13.9	14.7	13.7
Total	14.9	13.9	14.7	13.7

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

Share capital

SEK m	2009	2008
<i>Breakdown of share series</i>		
A 202,996,869 shares	1,015.0	1,015.0
C 8,275,064 shares	41.4	41.4
Total	1,056.4	1,056.4

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

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

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

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

PARENT COMPANY**Restricted funds**

Restricted funds may not be reduced through a dividend.

Statutory reserve. The aim of the statutory reserve has been to save part of the net profit which is not used to cover a loss brought forward. The statutory reserve also includes amounts which prior to January 1, 2006 were added to the share premium reserve.

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

Non-restricted equity

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

Note 25. Liabilities to credit institutions

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Loans	3,400.0	3,400.0	3,400.0	3,400.0
Total	3,400.0	3,400.0	3,400.0	3,400.0
Credit facility granted	40.0	40.0	40.0	40.0
Loan assurances	2,000.0	2,000.0	2,000.0	2,000.0

As of December 31, 2009, Hufvudstaden had non-current loan assurances of SEK 2 billion. The loan assurances are subject to undertakings regarding the equity ratio and interest coverage ratio. At the year-end SEK 0 billion had been utilized.

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

Bank loans 31-12-2009

Year due	Group		Parent Company	
	Average AER % ¹⁾	Nominal amount, SEK m	Average AER % ¹⁾	Nominal amount, SEK m
2010	0.9	500.0	0.9	500.0
2011	0.8	950.0	0.8	950.0
2012	0.6	250.0	0.6	250.0
2013	0.9	950.0	0.9	950.0
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	0.7	750.0	0.7	750.0
Total		3,400.0		3,400.0

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

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

Interest swaps 31-12-2009**Group and Parent Company**

Year due	Average AER		Nominal amount, SEK m	Fair value, SEK m
	Fixed interest, %	Variable interest, % ²⁾		
2010	3.7	0.4	500.0	-0.6
2011	3.3	0.5	600.0	-17.9
2012 ¹⁾	4.8	0.5	250.0	-18.2
2013	3.6	0.5	600.0	-23.8
2014	3.2	0.5	200.0	-4.0
2015 ³⁾	-	0.5	300.0	-5.6
2016	-	-	-	-
2017	4.7	0.5	750.0	-65.7
Total			3,200.0	-135.8

¹⁾ Interest is paid annually.

²⁾ Interest terms are three months Stibor. Interest is paid quarterly. Swap contracts are in SEK.

³⁾ The swap contract has a variable rate of interest up to and including March 2010, thereafter a fixed rate of interest of 3.3% for five years.

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

Note 26. Deferred tax liability

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Investment properties	4,161.2	4,405.5	1,139.3	1,138.4
Untaxed reserves	210.4	239.5	-	-
Interest derivatives	-35.7	-38.1	-35.7	-38.1
Total	4,335.9	4,606.9	1,103.6	1,100.3

No deficit deduction as of the year-end 2009

Change in deferred tax

SEK m	Balance as of January 1	Reported within profit or loss	Reported within other comprehensive income	Balance as of December 31
GROUP				
2009				
Investment properties	4,405.5	-244.3	-	4,161.2
Untaxed reserves	239.5	-29.1	-	210.4
Interest derivatives	-38.1	-6.7	9.1	-35.7
	4,606.9	-280.1	9.1	4,335.9
2008				
Investment properties	5,085.1	-675.1	-4.5	4,405.5
Untaxed reserves	222.8	16.7	-	239.5
Interest derivatives	15.4	-33.6	-19.9	-38.1
	5,323.3	-692.0	-24.4	4,606.9

Note 26 continued on page 80

Continuation, Note 26.

SEK m	Balance as of January 1	Reported within profit or loss	Reported within equity	Balance as of December 31
GROUP				
2009				
Investment properties	1,138.4	0.9	-	1,139.3
Interest derivatives	-38.1	-6.7	9.1	-35.7
	1,100.3	-5.8	9.1	1,103.6
2008				
Investment properties	1,210.8	-72.4	-	1,138.4
Interest derivatives	15.4	-33.6	-19.9	-38.1
	1,226.2	-106.0	-19.9	1,100.3

Note 27. Other provisions

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

Note 28. Other liabilities

SEK m	Group		Parent Company	
	2009	2008	2009	2008
VAT settlement	45.0	42.8	28.4	26.2
Other	39.1	45.9	10.7	16.1
Total	84.1	88.7	39.1	42.3

Note 29. Untaxed reserves

SEK m	Parent Company	
	2009	2008
Accumulated depreciation in excess of plan		
Opening balance	81.7	74.0
Depreciation for the year	-0.6	7.7
Closing balance	81.1	81.7
Tax allocation reserves	573.0	675.5
Total	573.0	675.5
Total untaxed reserves	654.1	757.2

Note 30. Accrued expenses and prepaid income

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Accrued interest	8.7	11.0	8.7	11.0
Prepaid rent	214.9	185.9	123.1	121.4
Other	52.1	39.0	53.0	43.8
Total	275.7	235.9	184.8	176.2

Note 31. Pledged assets and contingent liabilities

SEK m	Group		Parent Company	
	2009	2008	2009	2008
Property mortgages for liabilities at credit institutions	1,706.2	1,706.4	1,706.2	1,706.4
(of which mortgages on subsidiaries' properties)			(606)	(606)
Other non-current receivables	4.8	3.6	4.8	3.6
Total	1,711.0	1,710.0	1,711.0	1,710.0

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

Note 32. Affiliations

Hufvudstaden AB is under the controlling influence of L E Lundbergföretagen and Fredrik Lundberg. No material transactions have taken place with L E Lundbergföretagen. Following a decision at the Annual General Meeting, Fredrik Lundberg's director's fee for 2009 was SEK 350,000. Details of payments to Board members and senior executives are to be found in Note 8.

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

Note 33. Events after the year-end

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



Gant Flagship Store, Birger Jarlsgatan, Stockholm.



Drottninggatan is Stockholm's longest retailing street and probably the street with the most shops and with a growing tendency towards fashion for the young. It runs from the Royal Palace in Gamla Stan to Observatorielunden and is filled with people almost day and night. There are also many young companies in modern, adapted office premises. Photographs: Drottninggatan, Stockholm.



Proposed distribution of unappropriated earnings

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

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

Profit brought forward	SEK 1,232,717,601
<u>Profit for the year</u>	<u>SEK 900,903,893</u>
	SEK 2,133,621,494
Dividend to the shareholders,	
SEK 2.10 per share	SEK 433,158,459 ¹⁾
<u>To be carried forward</u>	<u>SEK 1,700,463,035</u>
	SEK 2,133,621,494

1) See Definitions, page 93, Dividend.

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

Stockholm, February 12, 2010

Fredrik Lundberg
Chairman

Claes Boustedt

Bengt Braun

Peter Egardt

Louise Lindh

Hans Mertzig

Sten Peterson

Anna-Greta Sjöberg

Ivo Stopner
President

My audit report was submitted on February 15, 2010

George Pettersson
Authorized Public Accountant
KPMG

Auditors' Report

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

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Hufvudstaden AB (publ) for 2009. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 52–84. The Board of Directors and the President are responsible for these accounts and the administration of the Company as well as the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS, as adopted by the EU, and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

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

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

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

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

Stockholm, February 15, 2010

George Pettersson
Authorized Public Accountant
KPMG

Board of Directors and Auditors

The Board of Directors consists of nine members, without any deputies, all elected at the Annual General Meeting. The members include persons who have links to Hufvudstaden's largest shareholder L E Lundbergföretagen. The President is also a member of the Board of Directors. Other executives in the Company take part in Board meetings to present specific points. During the 2009 financial year, the

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



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



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



Bengt Braun
Born 1946. MBA, LL.M. Board member since 2000. Chairman of the Board of Euro Comfort Holding GmbH. Deputy Chairman of Bonnier AB. Board member of the Swedish American Chamber of Commerce, Hjärnfonden, Bonnier Holding AB and TV4. Holding in Hufvudstaden: 3,750 shares.

Auditors

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



Peter Egardt

Born 1949. BA.

Board member since 2003.

President of the Stockholm Chamber of Commerce and the Association of Swedish Chambers of Commerce. Chairman of Chamber Sign AB, the Swedish National Space Board and Kungsträdgården Park & Evenemang AB. Deputy Chairman of Eurochambres and Stockholmsmässan.

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

Holding in Hufvudstaden: 15,000 shares.



Louise Lindh

Born 1979. MBA.

Board member since 2007.

Vice President, Fastighets AB L E Lundberg. Member of the Board of Byggnads AB Karlsson & Wingsjö and L E Lundberg Kapitalförvaltning AB.

Holding in Hufvudstaden: 29,166 shares.



Hans Mertzig

Born 1941. Economist.

Board member since 2000.

Asset manager at Ramsbury AB.

Holding in Hufvudstaden: –



Sten Peterson

Born 1956. MSc.

Board member since 2006.

President of Byggnads AB Karlsson & Wingsjö.

Member of the Board of L E Lundbergföretagen AB, Fastighets AB L E Lundberg and Byggnads AB Karlsson & Wingsjö.

Holding in Hufvudstaden: –



Anna-Greta Sjöberg

Born 1967. MBA.

Board member since 2006.

Managing Director, Royal Bank of Scotland, Nordic Branch.

Member of the Board of LKAB.

*Holding in Hufvudstaden: –
Holding of shares not permitted according to the employer's policy.*



Ivo Stopner

Born 1962. MSc.

President and Board member since 1999.

Holding in Hufvudstaden: 3,300 shares (including family). Ivo Stopner, including family, has no material shareholding or partnership in companies with which the Company has significant business relations.

Secretary

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

President and Senior Executives

Ivo Stopner

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

Ki Hummelgren

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

Magnus Jacobson

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

Sverker Källgården

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

Daniel Massot

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

Eric Nihlmark

Born 1952. MSc. Head of the Gothenburg Business Area until December 2009, employed 1983. Holding in Hufvudstaden: 1,000 shares.

Anders Nygren

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

Bo Wikare

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



The Hufvudstaden executive management in the property Rännilen 18 on the corner of Birger Jarlsgatan/Smålandsgatan. The property is undergoing complete redevelopment for adaptation to the tenants' need for modernity and efficiency. From the left: Eric Nihlmark, Magnus Jacobson, Ki Hummelgren, Ivo Stopner, Bo Wikare, Anders Nygren, Sverker Källgården and Daniel Massot.

Property designation

Property designation	Address	Site area, m ²	Year of purchase	Year of construction/redevelopment	Tax assessment 2009, SEK m
Stockholm City East Business Area					
<i>Kungsgatan Management Area</i>					
Hästhuvudet 13	Sveavägen 21–23, Kungsgatan 40–42, Apelbergsgatan 35–37, Olofsgatan 2–4	1,302	1929/99	1919/32/94/2001	276.0
Järnplåten 28	Sveavägen 24–26, Oxtorgsgatan 18–20, Kungsgatan 39	1,085	1928/54	1958/95	301.0
Kåkenhusen 39	Kungsgatan 4 A–B–10, Brunnsgatan 5–9, Norrlandsgatan 29	3,788	1921	1926/28/30/84/85/89/91	545.0
Oxhuvudet 18 ¹⁾	Kungsgatan 32–38, Sveavägen 28–30, Apelbergsgatan 29–33, Malmskillnadsgatan 39	4,509	1926	1931/85/89/91	1,017.0
<i>Total</i>		10,684			2,139.0
<i>Norrmalmstorg Management Area</i>					
Kvasten 2	Norrlandsgatan 16, Jakobsbergsgatan 11	934	1966	1987	161.0
Kvasten 6 ¹⁾	Biblioteksgatan 5, Mäster Samuelsgatan 6–8	2,075	1915	1917/90	270.0
Kvasten 9	Biblioteksgatan 7, Jakobsbergsgatan 5–9	822	1955	1978/95	168.0
Norrmalm 2:63 ²⁾	Norrmalmstorg, Café Palmhuset		1992	1993	8.0
Packarhuset 4 ^{1) 3)}	Norrmalmstorg 1, Hamngatan 8, Norrlandsgatan 2, Smålandsgatan 11	2,195	2000	1932/2003	810.0
Pumpstocken 10 ¹⁾	Birger Jarlsgatan 13–15, Mäster Samuelsgatan 2–4, Biblioteksgatan 10–12, Jakobsbergsgatan 1–3	2,886	1917/78 91/2000	1865/97/1901/29/84 96/97/2006	593.9
Rännilen 8	Birger Jarlsgatan 11, Mäster Samuelsgatan 1	645	1917	1900/90	120.0
Rännilen 11	Biblioteksgatan 6–8, Mäster Samuelsgatan 5	775	1958	1902/85	120.0
Rännilen 18 ¹⁾	Birger Jarlsgatan 7–9, Smålandsgatan 8–10	1,677	1963	1888/1986/2009	355.0
Rännilen 19	Norrmalmstorg 12–14, Biblioteksgatan 2–4, Mäster Samuelsgatan 3	2,169	1931/39 2007	1902/42/64/90/2002	546.0
Skären 9	Smålandsgatan 20, Norrlandsgatan 10	2,195	1917	1984/2001	478.0
Vildmannen 7 ¹⁾	Biblioteksgatan 9, Jakobsbergsgatan 6	1,290	1918	1897/1996	164.8
<i>Total</i>		17,663			3,794.7
Total, Stockholm City East Business Area		28,347			5,933.7
Stockholm City West Business Area					
<i>NK Management Area, Stockholm</i>					
Hästen 19 ¹⁾ and 20, Spektern 14 ⁴⁾	Hamngatan 18–20, 29–33, Regeringsgatan 26–32, 36–40	8,875	1998	1915/91	1,893.0
<i>NK Management Area, Gothenburg</i>					
Inom Vallgraven 10:9 ⁵⁾	Östra Hamngatan 42, Kyrkogatan 54, Fredsgatan 5–7, Drottninggatan 39, 45	4,520	1998	1964/94	632.0
<i>Parkaden Management Area</i>					
Hästskon 10 ⁶⁾	Regeringsgatan 49–53, Mäster Samuelsgatan 29–33	4,921	1977	1964/95	322.0
<i>West Management Area</i>					
Achilles 1 ⁷⁾	Slussplan 5–9, Skeppsbron 48, Södra Dryckesgränd 1, Järntorgsgatan 7	1,046	1979	17th Century/1974	118.0
Grönlandet Södra 11	Drottninggatan 92–94, Wallingatan 5, Adolf Fredriks Kyrkogata 12	1,662	1923	1911/91	203.0
Kungl Trädgården 5	Västra Trädgårdsgatan 8	673	1984	1984/95	99.0
Medusa 1 ^{1) 8)}	Kornhamnstorg 61, Slussplan 1–3, Järntorgsgatan 6	547	1980	1878/1991	57.2
Orgelpipan 7 ⁹⁾	Klarabergsgatan 56–64, Vasagatan 24–26, Mäster Samuelsgatan 65–73, Klara Norra Kyrkogata 3–5	6,294	1979	1964/2001	723.0
Svärdfisken 2 ¹⁾	Drottninggatan 82, Apelbergsgatan 50–52, Olof Palmes gata 13	1,853	1921	1851/1987	170.5
<i>Total</i>		12,075			1,370.7
Total, Stockholm City West Business Area		30,391			4,217.7
Gothenburg Business Area					
Inom Vallgraven 12:8	Drottninggatan 52	398	1967	1875	16.1
Inom Vallgraven 12:10	Södra Hamngatan 49–57, Östra Larmgatan 1, Drottninggatan 54–60	4,157	1967	1975	217.0
Inom Vallgraven 20:4	Kungsgatan 46	982	1974	1914	63.6
Nordstan 8:24	Postgatan 26–32, Nordstadstorget 6, Spannmålsgränd 19, Nils Ericssonsgatan 17	8,404	1979	1972	1,215.0
Nordstan GA:5 ¹⁰⁾	Nordstadstorget and others				196.4
Total, Gothenburg Business Area		13,941			1,708.1
TOTAL		72,679			11,859.5

Rentable space, m ²								
Offices	Stores	Restaurants	Cinemas	Storage	Garage	Residential	Other	Total
4,957	1,959			239				7,155
6,624	1,588			1,028				9,240
11,879	3,108	548		500				16,035
21,366	4,676			1,982	1,643		5	29,672
44,826	11,331	548		3,749	1,643		5	62,102
2,858	765			287	792			4,702
3,533	2,751	243		165	204			6,896
2,469	534	192		256				3,451
	52	137						189
10,883	3,269	704		406				15,262
7,753	3,835	513		129		192	1	12,423
2,031	438	167						2,636
1,598	876	539						3,013
5,393	620	850		386				7,249
8,044	2,320			738	1,069			12,171
7,710	1,642			402	1,156			10,910
1,935	1,517			10		796	1	4,259
54,207	18,619	3,345		2,779	3,221	988	2	83,161
99,033	29,950	3,893		6,528	4,864	988	7	145,263
11,291	22,239	1,828		3,533			15	38,906
5,158	9,563	532		1,321			12	16,586
	2,696	512		8,659	24,482		1	36,350
3,993	351			607				4,951
7,574	378	263		863				9,078
2,617								2,617
1,282	242	271		101		298		2,194
9,897	3,909	1,919		2,694	13,421		1	31,841
3,893	175		1,893	391	1,107			7,459
29,256	5,055	2,453	1,893	4,656	14,528	298	1	58,140
45,705	39,553	5,325	1,893	18,169	39,010	298	29	149,982
414	186			341				941
10,269	3,218	404		1,014	1,250			16,155
754	1,690							2,444
20,388	15,951	740		2,117			82	39,278
31,825	21,045	1,144		3,472	1,250		82	58,818
176,563	90,548	10,362	1,893	28,169	45,124	1,286	118	354,063

1) The property is classified as being of cultural and historical importance.

2) The property is held on a lease.

3) Owned by the subsidiary Fastighets-aktiebolaget Stockholms City.

4) Owned by the subsidiary AB Nordiska Kompaniet. Hästen 20 och Spektern 14 are leaseholds. The ground rent for Hästen 20 is SEK 2.5 million and is fixed until May 1, 2012. The ground rent for Spektern 14 is SEK 0.2 million and was fixed until October 1, 2005. The ground rent after October 1, 2005 is the subject of negotiation. Both ground rents are regulated every 10 years. The tax assessment value of the land is included to the amount of SEK 574.0 million.

5) Owned by the subsidiary AB Nordiska Kompaniet.

6) Owned by the subsidiary AB Hamngatgaraget. Leasehold. The ground rent is SEK 4.4 million, fixed until August 31, 2014 and reviewed every 10 years. The tax assessment value of the land is included to the amount of SEK 75.0 million.

7) The property is a listed building.

8) Owned by the subsidiary Fastighets-aktiebolaget Medusa.

9) Leasehold. The ground rent is SEK 7.9 million, fixed until November 1, 2014 and reviewed every 10 years. The tax assessment value of the land is included to the amount of SEK 232.0 million.

10) The property is jointly owned and includes parking operations, some leasing of premises as well as servicing and maintenance of pedestrian precincts, loading areas, cooling and emergency power supplies. The tax assessment value refers to Hufvudstaden's share of 29.6 per cent, equivalent to 25,359 square metres.



Norrmalmstorg is the hub of the area Hamngatan/Bibliotekstan with its range of exclusive brand name stores. This is also the centre for banking and finance. Photographs: Norrmalmstorg, Stockholm.

Definitions

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

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

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

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

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

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

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

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

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

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

Comparable property holdings. Properties acquired and sold during the year are excluded.

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

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

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

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

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

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

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

Fair value. The estimated market value of the properties.

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

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

Gross margin. Gross profit in relation to net sales.

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

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

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

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

Net liabilities. Interest-bearing liabilities minus current investments.

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

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

Net profit on current operations. Profit before tax, excluding changes in value, properties and derivatives and items affecting comparability charged with 26.3% (28) standard tax.

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

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

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

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

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

Property tax supplement. Reimbursement of property tax from tenants.

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

Rentable floor space. Total 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.

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

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

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

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

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

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

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

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

Addresses

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Parking operations

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