

WIHLBORGS FASTIGHETER AB
EXTRACT FROM THE ANNUAL REPORT 2005



**THE ØRESUND REGION
MOST DENSELY POPULATED IN THE NORDIC REGION**



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2005

The year in summary

On 9 May 2005, the Annual General Meeting of Fabege AB decided to distribute its property holdings in Öresund under the name of Wihlborgs Fastigheter AB.

This resulted in the creation of a geographically concentrated property company focusing on commercial real estate in the Öresund region.

The Group has constituted an economic unit since 31 December 2004.

On 23 May 2005, Wihlborgs' shares were listed on the O List of the Stockholm Stock Exchange.

- Wihlborgs' rental income in 2005 was SEK 736 million (SEK 709m pro forma 2004)
- The profit after tax was SEK 470 million (SEK 333m pro forma 2004)
- Earnings per share increased to SEK 24.66 (SEK 17.81 pro forma 2004)
- The Board proposes a dividend of SEK 7.00 (SEK 0 pro forma 2004) per share and a 2:1 share split, i.e. each old share will be replaced by two new shares
- The equity/assets ratio increased to 34.8 per cent (29.5%)

Key ratios ¹⁾	2005	Pro forma 2004
Rental income, SEKm	736	709
Net operating income, SEKm	497	472
Profit after financial items, SEKm	649	463
Return on equity, %	18.2	15.5
Equity/assets ratio, %	34.8	29.6
Interest coverage ratio, multiple	4.9	3.5
Earnings per share, SEK	24.66	17.81
Cash flow per share, SEK	16.73	12.41
Dividend per share, SEK	7.00	0

1) For definitions, see page 32.

2005 a strong first year

Dear Shareholders,

■ As I look back at the year that was, I am pleased to conclude that 2005 proved every bit as successful as I had dared to hope. It was a strong year for Wihlborgs as a key player in the fast-growing Öresund region. Through acquisitions and by concentrating on our selected sub-markets, we have managed to strengthen our position. We have also taken one further step to becoming the leading and most profitable property company on the Öresund market. A key ingredient behind our success in 2005 was the favourable reception we received on the market after separating from Fabège.

In the prospectus for our flotation on the O List of the Stockholm Stock Exchange I stated that Wihlborgs is well placed to take advantage of an economic expansion in the Öresund region. I said that our corporate culture, i.e. to be close to the clients, puts us in a good position to generate profits and increase the value of our property portfolio. At the time of writing this in early 2006, I can conclude that that is exactly what happened. The Öresund region has seen growing consumption, increasing demand for commercial property and a strong rental market.

Let me point out some interesting figures which illustrate this:

- Profits increased from SEK 333 million to SEK 470 million
- Net lettings for 2005 was SEK 39 million
- 184 new contracts were signed with a total annual rent of SEK 75 million

Another interesting economic figure concerns the Öresund region, where regional growth is estimated at 2.7 per cent. By comparison, Stockholm is expected to grow by 3.1 per cent and Gothenburg by 2.3 per cent (source: Öresundsinstitutet). Low interest rates, rising employment in retailing, transport and communications have led to a buoyant construction market. Rents for modern office properties in central Malmö are stable around SEK 1,500-1,800 per square metre. For older office premises rents are about SEK 1,000-1,400 per square metre. Rental levels for industrial and warehouse properties remain at SEK 600-800 per square metre.

Wihlborgs' property portfolio comprises commercial properties in Malmö, Helsingborg, Lund and Copenhagen. As at 31 December 2005, we owned 197 properties with a lettable area of about 995,000 m². Half the properties are in Malmö and about a third in Helsingborg. The total property value is SEK 8 billion, an increase of eight per cent. The rental value was SEK 839 million and the financial occupancy rate 90

per cent. Malmö had an occupancy rate of 92 per cent, Helsingborg 91 per cent and the rest of the Öresund region 87 per cent. With strong local market expertise and a competitive strategy, we are able to operate at a fast pace. In 2005, we made a number of transactions aimed at improving our property portfolio. 184 new contracts were signed with a total value of SEK 75 million. The number of terminations in the same period was 35. Net income increased by SEK 20 million. The key event during the year was the rental agreement signed with Teleca, under which Wihlborgs will build a new office building in the Dockan area in Malmö. The contract is for 9,000 m² out of the building's total lettable area of 10,200 m². The total investment is SEK 230 million and the annual rental value SEK 19 million.

In sales and acquisitions the transaction that stands out is the sale of our Bergedorf property in Hamburg. We now have only one property left in Germany, which we also intend to sell. Through the acquisitions of Töbebacken 7-8 and Måsen 16-17, Wihlborgs has also strengthened its presence in Lund, where the value of our properties has increased from SEK 274 million to SEK 420 million. In Helsingborg we are converting Svea, a former hotel, into modern offices. In Häst-hagen, another property, we are converting ABB's former manufacturing facilities for use by a logistics business.

The future continues to look bright for Wihlborgs. We operate in a region that is characterised by stable growth and optimism. Independent figures point to strong spending, rising employment and growing demand for property. This is a good foundation for further growth in our selected sub-markets. We believe the Dockan area, currently the hottest in all of southern Sweden, will continue to attract customers. We see a big potential in Helsingborg and are constantly glancing across the Sound. So far, price levels in Copenhagen have been too high.

In 2006, Wihlborgs will be even more active and competitive. We will become even better at offering attractive solutions to existing customers, and we will be on the lookout for new acquisitions.

We have the financial resources that will enable us to take part in the bidding whenever an attractive opportunity arises.

The Riksbank's decision to raise lending rates appears to have generated a more transaction-friendly climate on the property market. Higher interest rates normally have a negative impact on the property market, as they lower the value of the properties. It is already clear that expectations of



Photo: Andreas Offesson

further rate hikes have increased the willingness to sell. This is good for Wihlborgs, as we have considerable expertise in how to raise the value of a property. We do not expect that interest rates will rise so fast as to deflate the property market, although prices may grow at a slower pace. We believe the rate hikes should be seen as part of a process of adjustment to a less expansive monetary policy. That is why I am optimistic about Wihlborgs' opportunities to create shareholder value through successful business transactions also in 2006, and I believe that Wihlborgs will remain a company of choice for property investors in the fast-growing Öresund

region. Finally, I would like to thank all our staff for their tremendous efforts in 2005. Without those efforts, Wihlborgs would not have performed as well as it did.

Anders Jarl
Chief Executive Officer



Ubåtshallen, Malmö

Directors' Report

■ The Board of Directors and Chief Executive Officer of Wihlborgs Fastigheter AB (publ), company registration number 556367-0230, hereby present their annual report for the Group and parent company in 2005.

The business

Wihlborgs is a property company focusing on the Öresund region. The company's property portfolio comprises commercial properties in Malmö, Helsingborg, Lund and Copenhagen. The total rental value was SEK 839 million and the annual contractual rental income was SEK 758 million. The financial occupancy rate was 90 per cent. Our properties in Malmö and Helsingborg accounted for 86 per cent of the total rental value and 83 per cent of the book value of the properties. Wihlborgs' office and retail properties accounted for 67 per cent of the total rental value, and industrial and warehouse properties for 30 per cent.

Results

The profit after financial items was SEK 649 million (463m). Earnings per share was SEK 24.66 (17.81). Comparisons in parentheses refer to the same period in 2004 pro forma for the property portfolio as at 31 March 2005. The pro forma figures show the outcome for properties owned by Wihlborgs on 31 March 2005 as if they had been owned as of 1 January 2004. The pro forma statements have prepared in accordance with IFRS principles.

The rental income was SEK 736 million (709m) and net operating income increased to SEK 497 million (472m). Operating income increased to SEK 798m (631m), including gains from property sales of SEK 9m (0) and changes in the value of properties of SEK 318 million (183m). Net financial items was negative, SEK -149 million (-168m).

Cash flow and financial position

Shareholders' equity was SEK 2,842 million (2,320m) and the equity/assets ratio 34.8 per cent (29.6%). Return on equity was 18.2 per cent (15.5%).

Cash flow from operations was SEK 414 million. Cash flow from investments was also positive, SEK 106 million. Out of cash flow plus proceeds of SEK 5 million from a new issue and shareholder contributions of SEK 55 million, SEK 527 million has been used to reduce the company's long-term liabilities. Cash flow for the year was SEK 53 million, which, added to opening cash and cash equivalents, SEK 36 million, meant that cash and cash equivalents at the end of the year was SEK 89 million.

Consolidated cash and cash equivalents, including unutilised overdraft facilities, was SEK 164 million (114m) as at 31

December. Interest-bearing liabilities at year-end was SEK 4,388 million (4,868m) with an average interest rate of 3.23 per cent excluding committed lines of credit and 3.30 per cent including the cost of committed lines of credit. Out of total volume of short-term loans of SEK 3,881 million, loans of SEK 300 million were extended through an interest rate swap with a term of 2.5 years (see below). At year-end, the average fixed-rate term for the loans, including the effects of utilised derivative instruments, was 15 months (14).

The average maturity of loans, including committed lines of credit, was 4.8 years (4.6).

Sales and acquisitions of properties

In 2005, Wihlborgs acquired 13 properties for a total consideration of SEK 264 million.

Eight properties were sold for a total price of SEK 337 million. The proceeds exceeded the carrying amount by SEK 9 million.

Changes in value

Malmöbryggan Fastighetsekonomi AB and Savills Sweden AB have valued all of Wihlborgs' properties in Sweden. The market value of each property has been assessed individually. Our Danish properties have been valued by DTZ, and the one remaining property, in Hamburg, has been valued by Wihlborgs.

Investments in existing properties and current projects

In 2005, Wihlborgs invested SEK 286 million in its existing portfolio. Out of this amount, SEK 155 million was invested in Malmö. Major projects include Forskaren, SEK 39 million, and projects for Acadia, Dansteatern in the Dockan area, SEK 21 million, and Dubbelknappen 23 for Bevego, SEK 18 million.

SEK 87 million was invested in Helsingborg, where major projects included Hästhagen 4, SEK 23 million, and Svea 7, SEK 25 million.

In the rest of the Öresund region Wihlborgs invested SEK 44 million, of which SEK 33 million refers to tenants improvements in Hörkaer, a property in Copenhagen.

Confirmed investments in current projects total SEK 427 million, of which SEK 146 million had been invested as at 31 December 2005. The biggest current project is Teleca in Malmö, which accounts for SEK 230 million of total confirmed investments. Other major current projects include the redevelopment of Svea 7 and Hästhagen 4 in Helsingborg.

Parent company

Sales, which mainly comprise intra-Group services, were SEK 61 million (0). The parent company invested SEK 128

million (911m), primarily in shares in subsidiaries.

Profit after tax in the parent company, which only performs Group functions, was SEK 77 million (0).

Corporate Governance Report

A separate Corporate Governance Report is presented on pages 26–31.

IFRS accounting in 2005

Wihlborgs' accounting principles and calculation methods conform with IFRS, as adopted by the EU, which also include applicable IAS and IFRIC/SIC interpretations. In two areas there are significant differences compared with the recommendations which applied until the end of 2004: investments properties (IAS 40) and financial instruments (IAS 39).

Under IAS 40, investment properties have been recognised at fair value, which has affected the comparability of equity at year-end 2004. Subsequent changes are recognised in the profit and loss account as they occur. As a result of this method of accounting, no depreciation or write-downs of the property portfolio is recognised.

As of 1 January 2005, Wihlborgs has applied IAS 39, which means that interest rate derivatives are recognised at fair value in the balance sheet. The effect of this change of accounting principle, after tax, is recognised directly in equity at the beginning of the year.

The differences are shown in the section Accounting principles on page 12.

Events after the end of the financial year

In January, Wihlborgs terminated a SEK 300 million interest rate swap maturing on 30 June 2008. The swap price was SEK 14 million, which was the market value at year-end 2005. Wihlborgs has also switched to a short fixed-rate period for a loan of SEK 500 million, which previously had an interest rate of 6.25 per cent.

Taking into account the Riksbank's rate increase in January, the termination of the interest rate swap and the switch to a short fixed-rate period for the SEK 500 million loan, Wihlborgs' average interest rate was 2.66 per cent as at 31 January 2006.

Wihlborgs sold four properties in 2006. The properties are located in Malmö; Dimman 11 in Lund, Kvartsen 7 in Vellinge, Eskilstorp 14:99 and in Trelleborg; Seplmanshejdan 5. The total lettable area is 32,300 m². Total proceeds were SEK 190 million, which was the market value at year-end.

In Malmö Wihlborgs acquired two properties in Fosie for SEK 11 million. The properties have a total lettable area of 2,300 m². In the centre of Malmö the company acquired Uven 9, a 7,100 m² property, for SEK 118 million.

Environment

The extent of Wihlborgs' activities that are subject to the permit and notification requirements contained in Section 6

of Chapter 9 of the Environmental Code are very limited and normal for the industry.

Outlook for 2006

The Öresund region is experiencing strong growth, and our rental market is therefore set to perform strongly. Property will remain an attractive investment also in 2006.

Wihlborgs has a strong financial position, and there is room in the balance sheet for acquisitions when business opportunities arise.

Proposed allocation of profits

The AGM is asked to decide on the allocation of the following amounts in the parent company:

Unrestricted reserves	1,079,595,396
Profit for the year	77,374,465
Total	1,156,969,861

The Board of Directors and Chief Executive Officer propose that the amount be allocated as follows:

Dividend to the shareholders	
SEK 7.00 per share	134,499,274
Carried forward	1,022,470,587
Total	1,156,969,861

Statement of the Board of Directors on the proposed dividend Grounds

The Group's equity has been calculated in accordance with the EU-approved IFRS standards, the interpretation of these (IFRIC) and Swedish law through the application of Recommendation RR30 of the Swedish Financial Accounting Standards Council (Supplementary Accounting Rules for Corporate Groups). Parent company equity has been calculated in accordance with Swedish law and Recommendation RR32 of the Swedish Financial Accounting Standards Council (Accounting for Legal Entities).

The proposed dividend is based on 50 per cent of Wihlborgs' income from property management and 50 per cent of realised gains from property sales less estimated tax at 28 per cent, which is exactly in line with Wihlborgs' dividend policy.

The Directors do not believe the proposed dividend will affect the company's future business opportunities. The dividend does not conflict with the company's financial objectives. Wihlborgs' estimated equity/assets ratio after the proposed dividend is 33.1 per cent.

The company's liquidity, including credit, is more than adequate to support the proposed dividend.

Profit and loss account

SEK millions	Note	Group		Parent company	
		2005	2004	Pro forma 2004	2005 2004
Rental income	4	736	-	709	-
Property expenses	5	-239	-	-237	-
Net operating income/ Gross profit		497	0	472	0
Central administration and marketing	6, 7	-26	-	-24	-11
Gain/loss from sale of investment properties	8	9	-	-	-
Change in value of investment properties	9	318	-	183	-
Other operating income	10	-	-	-	61
Other operating expenses	10	-	-	-	-61
Operating profit/loss		798	0	631	-11
Profit/loss from interests in Group companies	11	-	-	-	76
Profit/loss from interests in joint ventures	12	1	-	-	-3
Profit/loss from other securities and assets that are fixed assets	13	6	-	9	112
Other interest income		8	-	7	42
Interest expenses and similar items	14	-168	-	-184	-137
Change in value of derivatives	15	4	-	-	-
Profit/loss after financial items		649	0	463	79
Tax on the profit for the year	16	-179	-	-130	-2
Profit/loss after tax		470	0	333	77

As there are no minority interests, the consolidated profit is wholly attributable to the parent company's shareholders.

Data per share (there is no dilution effect, as there are no potential ordinary shares).

Earnings per share, SEK	24.66	0.00	17.81
Dividend per share (2005, proposed dividend)	7.00	0.00	0.00
No. of shares at end of period, millions	19.2	18.7	18.7
Average no. of shares, million	19.0	0.1	18.7

Balance sheet

SEK millions	Note	Group		Parent company	
		2005	2004	2005	2004
Assets					
Fixed assets					
Properties					
	17				
Investment properties	18	7,832	7,258	-	-
Project properties	19	58	54	-	-
Total properties		7,890	7,312	0	0
Equipment	20	7	7	4	4
Total tangible fixed assets		7,897	7,319	4	4
Financial fixed assets					
Interests in Group companies	21	-	-	972	855
Receivables from Group companies		-	254	4,313	3,690
Interests in joint ventures	22	53	52	52	52
Other long-term securities holdings		10	-	10	-
Deferred tax asset	23	18	37	-	-
Other long-term receivables	24	60	140	12	-
Total financial fixed assets		141	483	5,359	4,597
Total fixed assets		8,038	7,802	5,363	4,601
Current assets					
Current receivables					
Trade debtors		7	12	1	-
Other receivables		26	7	6	-
Prepayments and accrued income	25	13	10	1	-
Total current receivables		46	29	8	0
Cash and bank balances	26	89	36	80	11
Total current assets		135	65	88	11
TOTAL ASSETS		8,173	7,867	5,451	4,612

SEK millions	Note	Group		Parent company	
		2005	2004	2005	2004
Equity and liabilities					
Shareholders' equity	27				
Share capital		192	0	192	0
Other contributed capital		2,178	2,310	-	187
Reserves		15	10	-	-
<i>Total restricted equity in parent company</i>				192	187
Profit brought forward		457	0	1,080	1,030
Profit for the year in parent company				77	0
<i>Total unrestricted equity in parent company</i>				1,157	1,030
Total equity		2,842	2,320	1,349	1,217
Long-term liabilities					
<i>Non-interest-bearing liabilities</i>					
Deferred tax liability	28	633	489	-	-
Other long-term liabilities	29	40	37	-	-
<i>Interest-bearing liabilities</i>					
Overdraft facility	30	22	15	-	-
Liabilities to credit institutions	31	4,366	4,853	3,638	3,393
Loans from Group companies		-	-	434	2
Total long-term liabilities		5,061	5,394	4,072	3,395
Current liabilities					
<i>Non-interest-bearing liabilities</i>					
Trade creditors		47	56	2	-
Tax liabilities		4	2	-	-
Other liabilities		44	6	3	-
Accruals and deferred income	32	175	89	25	-
Total current liabilities		270	153	30	0
TOTAL EQUITY AND LIABILITIES		8,173	7,867	5,451	4,612
Commitments and contingent liabilities	33				

Changes in equity

SEK millions	Note	Share capital	Other contributed capital	Reserves	Profit brought forward	Total equity
<i>Group</i>						
Equity 31 December 2003		0	0	0	0	0
Shareholder contributions		-	1,030	-	-	1,030
Group incorporation	34	-	1,089	10	-	1,099
New issue		-	187	-	-	187
Group contributions received		-	69	-	-	69
Group contributions made		-	-63	-	-	-63
Tax on Group contributions		-	-2	-	-	-2
Profit for the year		-	-	-	-	0
Equity 31 December 2004		0	2,310	10	0	2,320
Effect of change of accounting principle – derivatives		-	-	-	-13	-13
Exchange rate differences		-	-	5	-	5
Shareholder contributions		-	55	-	-	55
New issue		192	-187	-	-	5
Profit for the year		-	-	-	470	470
Equity 31 December 2005	27	192	2,178	15	457	2,842

Consolidated equity is wholly attributable to the parent company's shareholders.

		Share capital	Restricted reserves	Unrestricted equity	Total equity
<i>Parent company</i>					
Equity 31 December 2003		0	0	0	0
Shareholder contributions		-	-	1,030	1,030
New issue		-	187	-	187
Profit for the year		-	-	-	0
Equity 31 December 2004		0	187	1,030	1,217
Shareholder contributions		-	-	55	55
New issue		192	-187	-	5
Group contributions made		-	-	-7	-7
Tax on Group contributions		-	-	2	2
Profit for the year		-	-	77	77
Equity 31 December 2005	27	192	0	1,157	1,349

Cash flow statement

SEK millions	Note	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Operations					
Net operating income		497	-	-	-
Central administration and marketing excl. depreciation		-25	-	-10	-
Interest received and dividend		15	-	227	-
Interest paid		-160	-	-122	-
Income tax paid		-2	-	-	-
Cash flow before change in operating capital		325	0	95	0
Change in operating capital					
Current receivables		-16	-	-8	-
Current liabilities		105	-	15	-
Total change in operating capital	35	89	0	7	0
Cash flow from operations		414	0	102	0
Investing activities					
Investments and acquisition of properties		-414	-885	-	-
Sale of properties		149	-	-	-
Acquisition of interests in Group companies	36	-122	-1,007	-117	-855
Sale of interests in Group companies	37	158	-	-	-
Acquisition of interests in joint ventures		-	-52	-	-52
Acquisition of interests in other companies		-10	-	-10	-
Other tangible fixed assets		-1	-4	-1	-4
Other financial fixed assets		346	-2,632	-635	-3,690
Cash flow from investing activities		106	-4,580	-763	-4,601
Financing activities					
New issue		5	187	5	187
Shareholder contributions		55	1,030	55	1,030
Change in long-term liabilities		-527	3,393	677	3,395
Group contributions		-	6	-7	-
Cash flow from financing activities		-467	4,616	730	4,612
Change in cash and cash equivalents		53	36	69	11
Cash and cash equivalents at beginning of period		36	0	11	0
Cash and cash equivalents at end of period	26	89	36	80	11

Accounting principles

General

The consolidated financial statements and annual report of Wihlborgs Fastigheter AB (the parent company) for the financial year 2005 have been approved by the Board of Directors and Chief Executive Officer for publication on 20 March 2006 and will be presented to the Annual General Meeting for final approval on 26 April.

The parent company is a Swedish limited-liability company (publ) with registered office in Malmö.

Wihlborgs' accounting principles conform with IFRS, as adopted by the EU, which also include applicable IAS and IFRIC/SIC interpretations. The consolidated financial statements have also been prepared in accordance with Recommendation RR30 of the Swedish Financial Accounting Standards Council (Supplementary Accounting Rules for Corporate Groups).

The annual accounts of the parent company have been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RR32 of the Swedish Financial Accounting Standards Council (Accounting for Legal Entities).

Up to 29 December 2004, Wihlborgs was a dormant company, with no subsidiaries, and thus has not produced any consolidated financial statements before 31 December 2004. In December 2004, Wihlborgs acquired a property portfolio from companies in the Faberge Group.

The acquisition was made partly through direct property acquisitions and partly through the acquisition of shares and interests in property-managing companies.

Wihlborgs formed part of the Faberge Group up to May 2005, when the company's shares were distributed to Faberge's shareholders.

Effects of IFRS reporting

In two areas there are significant differences compared with the recommendations which applied until the end of 2004: investments properties (IAS 40) and financial instruments (IAS 39). Under IAS 40, investment properties have been recognised at fair value, which has affected the comparability of equity at year-end 2004 with closing equity in the annual report for 2004. Subsequent changes are recognised in the profit and loss account as they occur. As a result of this method of accounting, no depreciation or write-downs of the property portfolio is recognised. As of 1 January 2005, IAS 39 is applied, which means that interest rate derivatives are recognised at fair value in the balance sheet. The effect of this change of accounting principle, after tax, is recognised directly in equity at the beginning of the year. The following is a reconciliation of the accounts from the principles of the Swedish Financial Accounting Standards Council (RR) to IFRS.

The reconciliation of the profit and loss account for 2004 is shown pro forma, as the Group was incorporated only at the end of December 2004.

EFFECTS ON BALANCE SHEET OF IFRS 31 DEC 2004 AND 1 JAN 2005

	31 Dec 2004 RR	Effects of IFRS		1 Jan 2005 IFRS
	31 Dec 2004	31 Dec 2004	1 Jan 2005	IFRS
Properties	6,896	416		7,312
Other fixed assets	490			490
Current assets	29			29
Cash and cash equivalents	36			36
Total assets	7,451	416	0	7,867
Shareholders' equity	2,020	300	-13	2,307
Deferred tax liability	373	116	-5	484
Other long-term liabilities	4,905		18	4,923
Current liabilities	153			153
Total equity and liabilities	7,451	416	0	7,867

EFFECTS ON PROFIT AND LOSS ACCOUNT PRO FORMA 1 JAN–31 DEC 2004

	Pro forma 2004 RR	Effects of IFRS		Pro forma 2004 IFRS
	2004	Effects of IFRS		IFRS
Rental income	709			709
Property expenses	-252	15		-237
Net operating income	457	15		472
Depreciation	-60	60		0
Gross profit	397	75		472
Central administration	-24			-24
Changes in value, investment properties		183		183
Operating profit/loss	373	258		631
Net financial items	-168			-168
Profit/loss after financial items	205	258		463
Tax	-58	-72		-130
Profit for the year	147	186		333

Use of estimates

In preparing the financial statements in accordance with generally accepted accounting principles, the company's management and Board need to make estimates and assumptions which affect the reported balance sheet items and income and expense items as well as other reported information. These estimates are based on experience and on assumptions that the management and Board believe to be reasonable under present circumstances. The conclusions that are drawn form the basis for determining the carrying amounts of assets and liabilities in cases where these amounts cannot readily be determined on the basis of information from other sources. Actual figures may differ from these estimates if other assumptions are made or other conditions are present.

The financial statements are sensitive to the estimates and assumptions used for the valuation of investment properties.

Consolidated financial statements

The consolidated financial statements comprise the parent company Wihlborgs and all companies in which the parent company directly or indirectly owns more than 50 per cent of the votes or in other ways exercises a controlling influence.

The consolidated financial statements are based on accounting documents drawn up for all Group companies as at 31 December and have been prepared in accordance with the acquisition method. However, in this Group the Group companies that were acquired in December 2004 have been carried at the amounts reported in the Faberge Group under the joint verification rules.

In the consolidated profit and loss account acquired or divested companies have been recognised only to the extent corresponding to the period of ownership. Internal sales and transactions and profits and losses within the Group have been eliminated in the consolidated financial statements.

A company acquisition can be regarded either as a business combination or asset acquisition. Companies which only contain properties and have no in-house property management organisation or administration are normally treated as asset acquisitions.

Translation of foreign operations

The functional currency of the Group's foreign operations is the currency in which the respective Group units conduct their business activities. The Group's financial reports are presented in Swedish kronor (SEK), which is the reporting currency of the parent company. Profit and loss accounts and balance sheets for foreign operations are translated into SEK according to the current exchange rate method, which means that balance sheets are translated at the exchange rate applying on the balance sheet date, except in the case of equity, which is translated at the historical exchange rate. Profit and loss accounts are translated at the average exchange rate for the period. The resulting translation difference is recognised directly in equity.

Joint Ventures

Companies in which Wihlborgs has a long-term ownership commitment and exercises a controlling influence together with one or several business partners are reported in the consolidated profit and loss accounts and balance sheets according to the equity method.

The profit and loss item Profit/loss from interests in joint ventures includes gains/losses from the sale of interests in joint ventures. Any internal gains are eliminated in relation to the ownership share. In the balance sheet interests in joint ventures are valued at acquisition value, which does not include dividends on shares in subsidiaries. Any depreciation or write-downs reduce the carrying amount.

Transactions in foreign currencies

Transactions in foreign currencies are translated into Swedish kronor at the exchange rate applying on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the exchange rate applying on the balance sheet date, and the resulting exchange rate differences are reported in the profit and loss account. Exchange rate differences relating to operating receivables and liabilities are reported in operating profit/loss, while exchange rate differences relating to financial assets and liabilities are reported in result from financial investments.

Income

Rental income from the company's property management activities is recognised in the profit and loss account in the period to which it refers. In cases where a tenant is offered a discounted rent for a certain period and pays a higher rent at other times, accruals are made for the resulting deficit or surplus during the term of the contract unless the rental discount was due to gradual occupation or a similar circumstance.

Income attributable to early redemption of rental agreements is recognised as income immediately unless there are outstanding obligations towards the tenant. Income from the sale of properties is recognised on the date of contract unless the purchase contract contains special provisions which prohibit this. Interest income is recognised in the period to which it refers. Dividends on shares are recognised in the period in which the right to receive payment is deemed to be secure.

Expenses

The term property expenses includes all expenses relating to the let properties. This includes direct property expenses such as operating and maintenance expenses, ground rents and property tax, as well as indirect property expenses such as expenses for letting and property administration.

The term central administration includes expenses for Group management, expenses attributable to the public nature of the company and other expenses connected with the company form, including central advertising and other marketing.

Leasing

Rental agreements relating to investment properties are classified as operational leases. These agreements are reported in accordance with the principles for reporting of income describe above. There are also a number of relatively small leasing contracts in which Wihlborgs is the lessee. These leasing contracts, which primarily relate to cars, are reported as operational leases

Impairment

The carrying amounts of the Group's fixed assets (excluding investment properties, which are recognised at fair value) are tested for impairment regularly through analyses of individual assets. If an analysis indicates that the carrying amount exceeds the recoverable value, which is the higher of the net selling price and the value in use, the asset is written down to the recoverable value. The value in use is the discounted present value of estimated future cash flows. The impairment loss is recognised in the profit and loss account in the period in which it can be shown to have occurred.

Profit/loss from joint ventures

This item shows the Group's share of the profit or loss of joint ventures after tax. The profit or loss of joint ventures is based on the most recent available financial statements for the respective companies after adjusting for any differences in accounting principles and for estimates relating to events and transactions up to the closing date for the Wihlborgs Group.

Compensation to employees

Compensation to employees in the form of salaries, holiday pay, paid sick leave, etc. is recognised as it is earned. Pensions and other compensation paid after termination of employment are classified as defined contribution or defined benefit schemes. Commitments relating to defined contribution schemes are met through premiums paid to the government agencies or companies that administrate the schemes.

A number of Wihlborgs employees have ITP occupational pension schemes which involve regular payments to Alecta. Under IFRS these are classified as defined benefit schemes involving several employers.

As there is not sufficient information to report these as defined benefit schemes, they have been reported as defined contribution schemes.

Income tax

The income and expense item Tax on profit for the year includes current and deferred income tax for Swedish and foreign Group units.

Current tax is based on the taxable profit for the year, which differs from the reported profit in that it has been adjusted for non-taxable income, non-deductible expenses and changes in temporary differences between the carrying amounts and tax bases of assets and liabilities. The Group's current tax has been calculated on the basis of tax rates applying on the balance sheet date.

Deferred tax is calculated using the balance sheet liability method.

Under this method deferred tax liabilities and assets are recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities and for all tax deductions and loss carry-forwards. Deferred tax liabilities and tax assets are calculated using the expected tax rates at the time of reversal of the temporary difference. Deferred tax assets are reduced to the extent that it is unlikely that it will be possible to realise the underlying tax asset within the foreseeable future.

In the case of asset acquisitions no deferred tax on consolidated goodwill and negative goodwill is recognised initially for the acquired assets and liabilities.

Deferred tax is recognised at the nominal current tax rate with no discount. Deferred tax assets and deferred tax liabilities are eliminated if they refer to income taxes payable to the same tax authority and if the Group is able to settle the tax by payment of the net amount.

Both current and deferred tax is recognised in the profit and loss account as income or expense, except where the underlying transaction is credited or charged directly to equity. In such cases the tax is also recognised directly in equity.

Appropriations and untaxed reserves

Tax laws in Sweden and certain other jurisdictions allow for the deferral of tax payments through provisions to untaxed reserves in the balance sheet via the income and expense item appropriations. The legal rules on depreciation allow for depreciation in excess of straight-line depreciation. Appropriations and untaxed reserves are not reported in the consolidated financial statements, however. In the consolidated balance sheet untaxed reserves have been divided into deferred tax liabilities and equity. Thereafter, equity is eliminated so that only equity earned after the time of acquisition remains.

In the consolidated profit and loss account provisions to or elimination of untaxed reserves is divided into deferred tax and profit for the year.

Properties

All fully developed properties in the Group are classified as investment properties, as they are held for the purpose of earning rental income or for capital appreciation or a combination of the two.

Investment properties are recognised at fair value in the balance sheet, in accordance with IAS 40. The change in value is recognised in the profit and loss account and is included in operating profit/loss. The Group's properties are reported as fixed assets in the balance sheet. As the properties are recognised at fair value, depreciation is no longer reported in the consolidated financial statements. Investment properties are valued on a quarterly basis according to an internal valuation model.

At year-end, the properties are valued by external valuers. The valuation model used is based on long-term valuations of returns using the present value of future payments with differentiated required rates of return for each property depending on location, use, condition, standard and other factors.

Wihlborgs has one property which is classified as a project property and which has therefore been stated at accrued acquisition value. Notes 17–19 describe the carrying amounts of the property portfolio and the way in which it has been divided.

Definition of segments

Wihlborgs' primary segments are three geographical market areas: Malmö, Helsingborg and the Rest of the Öresund region. The property portfolio is also divided into secondary segments by property category: office/retail and industrial/warehouse. Office/retail differs from industrial/warehouse in that the percentage yield is lower and the change in value is higher in percentage terms.

Equipment

Assets are recognised in the balance sheet at accrued acquisition value less accumulated straight-line depreciation and impairment. The assets are written off at 20 per cent of acquisition value per year.

Breakdown into restricted and unrestricted equity

In the consolidated financial statements no breakdown into unrestricted and restricted equity is made in the balance sheet, unlike in the parent company, where such a breakdown is made in accordance with the Annual Accounts Act. Dividends to the shareholders are limited to an amount that allows for full provision to be made for restricted equity in the parent company after payment of the dividend. Moreover, a dividend may only be paid if the dividend is justifiable in view of the equity requirements arising from the nature, scope and risks associated with the business and the consolidation needs, liquidity and position of the company and Group.

Financial instruments

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised, expire or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or ceased for other reasons. Financial instru-

ments are recognised either at acquisition value or fair value, depending on the categorisation under IAS 39.

Long-term receivables

Long-term receivables primarily refers to promissory note loans made in connection with the sale of properties or companies. It is intended that these promissory notes will be held to maturity. The notes have been valued at accrued acquisition value. If the interest terms attached to the promissory note loans differ from market terms, the accrued acquisition value will differ from the nominal value.

Trade debtors

Trade debtors have been valued at accrued acquisition value. The value of each trade debtor is determined individually and only those amounts that are expected to be received are recognised in the balance sheet.

Loans

Loans have been recognised at accrued acquisition value.

Derivatives

Wihlborgs' derivatives are categorised as financial assets/liabilities that are held for trading purposes and have been recognised at fair value. Any change in value is recognised in the profit and loss account. Fair value is determined on the basis of official prices on the closing date. In the parent company derivatives have been recognised at acquisition value.

Trade creditors

Trade creditors have been valued at accrued acquisition value.

Financial instruments and financial risk management

Financial policy

Wihlborgs' financial activities are guided by the financial policy adopted annually by the Board. The financial policy lays down a set of general rules for how Wihlborgs' finance function should be managed and how the risks in the company's financial activities should be limited. The finance function is a Group function with responsibility for the Group's financing, liquidity planning and management of financial risks. The overall objectives of the finance function are to:

- Secure Wihlborgs' short- and long-term capital requirements.
- Optimise net financial items in view of current risk limits.
- Adapt the company's financing on the basis of Wihlborgs' activities for the purpose of achieving and maintaining a stable long-term capital structure.

MANAGEMENT OF FINANCIAL RISKS

Liquidity and borrowing risk

Liquidity and borrowing risk refers to the risk that the company will be unable to meet its payment obligations as a result of insufficient liquidity or difficulties in obtaining new loans. The objective is to ensure that Wihlborgs is always able to conclude transactions when an opportunity arises and meet its obligations. Liquidity risk is managed by ensuring that Wihlborgs has access to credit lines or cash and cash equivalents that can be used at short notice. Borrowing risk is the risk that finance will be unavailable or obtainable only at highly unfavourable terms at a certain time.

To limit the borrowing risk, Wihlborgs strives to use credit facilities with long maturities as well as a broad pool of creditors.

Through long-term committed lines of credit, Wihlborgs has secured access to finance. Wihlborgs' total available credit is SEK 5,265 million, of which SEK 4,374 million had been drawn on 31 December 2005.

Interest risk

Interest risk refers to the risk that the company's results or cash flow will be affected by a change in market interest rates. Interest expenses are the single largest expense item for Wihlborgs. How much and how fast a change in interest rates affects the results depends on the chosen fixed-rate term. Increases in interest rates are often prompted by higher inflation. In commercial rental agreements rents are normally index-adjusted in line with rising inflation. This means that Wihlborgs can benefit from higher rents when interest rates rise, albeit with a slight delay. Wihlborgs primarily uses loans with short fixed-rate terms. With the help of interest rate swaps the company can achieve the desired fixed-rate term and hedge its overall interest expenses. Through a combination of loans with short fixed-rate terms and interest rate swaps a large measure of flexibility can be achieved and the fixed-rate

term can be adjusted to meet the targets for the company's financial activities. And without the need to renegotiate the underlying loans. To manage interest risk and achieve stability in net financial items, the average fixed-rate term of Wihlborgs' borrowings has been adjusted to the estimated risk level and interest rate expectations. As at 31 December 2005, Wihlborgs' average fixed-rate term was 15 months.

Interest and maturity structure as at 31 December 2005

Maturity, years	Interest maturity		Loan maturity	
	Loan amount, SEKm	Average interest rate, %	Available credit, SEKm	Used, SEKm
2006	3,881	3.03	434	434
2007				
2008	300	4.96	20	20
2009		1.135	1,120	
2010			3,474	2,596
>2010	193	4.71	202	202
Total	4,374	3.23	5,245	4,374
Derivatives	14			
Total incl derivatives	4,383			

Counterparty risk

Counterparty risk is the risk that a counterparty will be unable to meet its delivery or payment obligations. In Wihlborgs' financial activities counterparty risk arises primarily when the company invests surplus liquidity, enters into an interest rate swap or obtains long-term credit commitments. To reduce counterparty risk, Wihlborgs' financial policy states that the company should only enter into agreements with banks or equivalent credit institutions with a rating of A or higher from both Moody's and Standard & Poor's. Risks relating to trade debtors are reduced through customary credit assessments of prospective tenants prior to acceptance. Similarly, the company also assesses the creditworthiness of any promissory note receivables arising from the sale of properties and/or businesses.

Currency risk

Currency risk refers to the risk that Wihlborgs' profit and loss account and balance sheet will be negatively affected by a change in exchange rates. Wihlborgs owns properties in Denmark and Germany. To avoid currency risk, these properties have largely been financed in Danish kronor and euro, respectively. Any changes in exchange rates will thus affect the net profit from either country.

Operational risk

Operational risk in Wihlborgs' financial activities refers to the risk of incurring as a result of inadequate procedures and/or irregularities. Good internal control procedures, appropriate administrative systems, staff training and access to reliable valuation and risk models constitute a good foundation for reducing operational risks. Wihlborgs' finance function continuously monitors the company's administrative security and control.

Notes

Unless otherwise specified, amounts are stated in SEK millions.
The figures for the Group 2004 Notes 3–16 are pro forma.

NOTE 1 – EMPLOYEES AND SALARY EXPENSES, ETC.

Average no. of employees	2005	of which men	2004	of which men
Parent company	46	30	-	-
Subsidiaries	25	19	-	-
Group, total	71	49	-	-

Salaries, other compensation and social-security contributions

	Salaries and other compens. 2005	Social- security contributions 2005	Salaries and other compens. 2004	Social- security contributions 2004
Parent company	21	11	-	-
of which pension expenses		3	-	-
Subsidiaries	9	4	-	-
of which pension expenses		1	-	-
Group, total	30	15	-	-
of which pension expenses, total		4	-	-

Sick leave January-December 2005

Total sick leave as a percentage of total ordinary working time	1.30
of which, share of long-term sick leave (continuous leave of 60 days or more)	-
Sick leave, women	1.82
Sick leave, men	1.05
Sick leave, employees <30 years	0.80
Sick leave, employees 30–49 years	1.02
Sick leave, employees >49 years	1.55

Breakdown by sex and senior executives

	Board of Directors 2005	2004	Senior executives 2005	2004
Men	7	7	3	-
Women	1	1	2	-
Total	8	8	5	-

Compensation of senior executives

Principles

The Chairman and other Directors are paid a total fee of SEK 750,000 in accordance with the decision of the AGM.

Compensation of the Chief Executive Officer and other senior executives comprises basic salary, other benefits and pension. Other senior executives refers to the Finance Director, Property Director, Public Relations Director and Executive Assistant to the CEO, who along with the CEO comprised Group management in 2005. For the current composition of Group management, see page 31.

No variable or share-related compensation is paid to Group management. Wihlborgs has a profit-sharing foundation that covers all employees of the Company except the CEO. This means that all employees, except the CEO, receive shares in Wihlborgs based on the profit for the year.

Compensation and other benefits in 2005, SEK '000

	Basic salary /fee	Variable compens.	Other benefits	Pension	Total
Chairman of the Board	150				150
Chief Executive Officer	1,671			558	2,229
Other senior executives	2,707		156	819	3,682

Other benefits refer to company cars.

Pension expenses refer to the expense recognised in the profit and loss account for the year.

The retirement age for the Chief Executive Officer is 65 years. Expenses relating to the Chief Executive Officer's pension refers to a premium of 35 per cent of the CEO's pensionable salary during his period of employment.

For other senior executives the ITP occupational pension plan applies and the retirement age is 65 years.

Severance pay

A mutual period of notice of six months applies for the Chief Executive Officer.

In case of termination by Wihlborgs the CEO is entitled to severance pay equivalent to 18 months' salary. Severance pay is offset by other income. No severance pay is due in case of termination by the CEO.

A mutual notice period of two to six months applies between the company and other senior executives. In case of termination by the company the senior executive is entitled to severance pay of up to 18 months' salary. Severance pay is offset by other income. No severance pay is due in case of termination by the senior executive.

Basis of preparation

The compensation of the Chief Executive Officer for the financial year 2005 was decided by the Board of Directors. The compensation of other senior executives was decided by the CEO.

The following fees have been paid to the company's auditors:

Fees and expenses, SEK '000

	Group 2005	2004	Parent Company 2005	2004
Deloitte AB				
audit assignments 1)	1,050	-	1,050	-
other assignments	371	-	371	-
Aaen & Co Statsauktoriserade Revisorer A/S	100	-	-	-

1) Audit assignments refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's management of the company, other tasks incumbent upon the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the carrying-out of such other tasks. All other work is classified as other assignments.

NOTE 2 – PRO FORMA ACCOUNTING

In order to create a clearer picture of Wihlborgs' performance, pro forma figures for the period 2004 are presented. The pro forma statements do not include acquisitions or sales during the pro forma period. The pro forma figures show the outcome for properties owned by Wihlborgs on 31 March 2005 as if they had been owned as of 1 January 2004. The pro forma statements have prepared in accordance with the principles of the International Financial Reporting Standards (IFRS).

The pro forma profit and loss accounts for 2004 are based on historical figures for the property portfolio owned by the Group on 31 March 2005. In all material respects rental income, operating and maintenance expenses, property tax and ground rents have been based on actual outcomes. For new properties and properties acquired from non-Group companies in 2004 access to historical figures may be limited. If actual outcomes for the twelve-month period are unavailable, the figures have been adjusted in relation to estimated outcomes for 2005 for rental income and property expenses. Expenses for central administration comprise calculated central administration expenses for 2005 in the new Group. Estimated expenses are based on the assumption that the company will operate as an independent listed company.

Changes in value comprise the difference in the carrying amounts of the properties between the years 2003 and 2004, adjusted for investments made in 2004.

■ NOTE 2 – CONT.

The carrying amounts are based on estimates of market value at year-end in the respective years.

Interest expenses have been based on Wihlborgs' maturity structure of interest rates as at 31 March 2005. It has been assumed that the maturity structure of interest rates remained constant in 2004 and that current quarterly market interest rates for the corresponding fixed-rate term plus an interest rate margin constituted the annual interest expense for the company's interest-bearing debt during the year. Interest income has been calculated on the basis of Wihlborgs' interest-bearing assets as at 31 March 2005, taking into

account that monies owed by Faberge have been fully settled by cash payment.

In the pro forma statements tax has been broken down into current and deferred tax. Current tax has been calculated on the basis of the taxable profit for the year, which includes tax depreciation of 2.5 per cent of the basis for tax depreciation as at 31 December 2004, which has been adjusted for investments made during the pro forma period. Deferred tax is the difference between 28 per cent and the reported pro forma profit after financial items and current tax. The total reported pro forma tax expense is 28 per cent of the profit after financial items.

■ NOTE 3 – SEGMENTS

The Group's business is geographically divided into market areas, which also constitute the primary segment for reporting and accounting purposes. The business is also broken down by property category. This breakdown constitutes the Group's secondary segment. Income, expenses and investments relating to 2004 have been taken from the pro forma statements. Borrowings and financial expenses have been broken down by market area based on each area's share of the total value of the properties.

Primary segment

Market areas

	Malmö		Helsingborg		Rest of Öresund		Unattributed		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Rental income	390	375	248	240	98	94	-	-	736	709
Property expenses	-124	-122	-85	-84	-30	-31	-	-	-239	-237
Net operating income	266	253	163	156	68	63	0	0	497	472
Central administration	-	-	-	-	-	-	-26	-24	-26	-24
Gain/loss from sale of properties	2	0	7	0	0	0	-	-	9	0
Change in value of properties	105	225	109	-18	104	-24	-	-	318	183
Operating profit/loss	373	478	279	138	172	39	-26	-24	798	631
Financial income	-	-	-	-	-	-	15	16	15	16
Financial expenses	-88	-100	-48	-55	-28	-29	-	-	-164	-184
Profit/loss before tax	285	378	231	83	144	10	-11	-8	649	463
Tax on profit for the year	-79	-106	-63	-23	-40	-3	3	2	-179	-130
Net profit/loss	206	272	168	60	104	7	-8	-6	470	333
Properties	4,207	3,964	2,323	2,208	1,360	1,140	-	-	7,890	7,312
Other assets	-	-	-	-	-	-	283	555	283	555
Total assets	4,207	3,964	2,323	2,208	1,360	1,140	283	555	8,173	7,867
Loans	2,340	2,639	1,292	1,470	756	759	-	-	4,388	4,868
Other liabilities	-	-	-	-	-	-	943	679	943	679
Total liabilities	2,340	2,639	1,292	1,470	756	759	943	679	5,331	5,547
Acquisition of properties for the year	80	-	57	-	127	-	-	-	264	0
Other investments in properties	155	119	87	27	44	15	-	-	286	161

Secondary segment

Property category

	Office/Retail		Industrial/Warehouse		Total	
	2005	2004	2005	2004	2005	2004
Rental income	499	481	237	228	736	709
Carrying amount of properties	5,863	5,406	2,027	1,906	7,890	7,312
Investments and acquisition of properties	360	121	190	40	550	161

NOTE 4 – RENTAL INCOME

	Group		Parent company	
	2005	2004	2005	2004
Gross rental income	824	798	-	-
Cost, unlet	-88	-89	-	-
	736	709	0	0

Rental income includes rent and charges passed on to tenants for heating, electricity, water, sewage and property tax as well as deductions for rent discounts for which accruals have been made during the term of the respective contracts.

NOTE 5 – PROPERTY EXPENSES

	Group		Parent company	
	2005	2004	2005	2004
Heating, electricity, water and sewage	79	78	-	-
Operating expenses	47	44	-	-
Repairs and maintenance	48	51	-	-
Property tax	25	28	-	-
Ground rent	4	4	-	-
Property administration	36	32	-	-
	239	237	0	0

NOTE 6 – DEPRECIATION

In accordance with IAS 40, investment properties are reported at fair value, which means that no depreciation is recognised for the property portfolio.

	Group		Parent company	
	2005	2004	2005	2004
Equipment				
Property management	0	0	0	-
Central administration and marketing	1	1	1	-
	1	1	1	0

NOTE 7 – CENTRAL ADMINISTRATION AND MARKETING

Refers to Group management expenses, expenses attributable to the public nature of the company and other expenses connected with the company type. Property-related administration is not included, as it is treated as a property expense. Expenses for central administration and marketing includes depreciation on central equipment of 1 (1) in the Group and 1 in the parent company.

NOTE 8 – GAIN/LOSS FROM SALE OF INVESTMENT PROPERTIES

	Group		Parent company	
	2005	2004	2005	2004
Sale proceeds	337	-	-	-
Carrying amount and expenditure	-328	-	-	-
	9	0	0	0

The gain/loss from sales of properties is the difference between the sale proceeds and the carrying amount at the last end of quarter adjusted for investments and expenses. The carrying amount of each property is adjusted every quarter for changes in market value.

NOTE 9 – CHANGE IN VALUE OF INVESTMENT PROPERTIES

	Group		Parent company	
	2005	2004	2005	2004
Change in value of investment properties	318	183	-	-
	318	183	0	0

NOTE 9 – CONT.

To be able to determine the change in value for each period, the market value of the properties is assessed at the end of each quarter. Internal valuations are made for 31 March, 30 June and 30 September. An external valuation is made for 31 December. Malmöbryggan Fastighetsekonomi AB and Savills Sweden AB have valued all of Wihlborgs' Swedish properties as at 31 December 2005. The market value of each property was assessed individually. Our Danish properties have been valued by DTZ.

NOTE 10 – OTHER OPERATING INCOME AND EXPENSES

	2005	2004
Parent company		
Other operating income	61	-
Other operating expenses	-61	-
	0	0

Refers to expenses passed on by the parent company to other Group companies, primarily property administration, property management and share of central administration.

NOTE 11 – PROFIT/LOSS FROM INTERESTS IN GROUP COMPANIES

	2005	2004
Parent company		
Dividends on interests	76	-
	76	0

NOTE 12 – PROFIT/LOSS FROM INTERESTS IN JOINT VENTURES

	Group		Parent company	
	2005	2004	2005	2004
Share in profit/loss	1	-	-	-
Additional expense sold interests	-	-	-3	-
	1	0	-3	0

NOTE 13 – PROFIT/LOSS FROM OTHER SECURITIES AND ASSETS THAT ARE FIXED ASSETS

	Group		Parent company	
	2005	2004	2005	2004
Interest income, Group companies	-	-	111	-
Interest income, other	6	9	1	-
	6	9	112	0

NOTE 14 – INTEREST EXPENSES AND SIMILAR ITEMS

	Group		Parent company	
	2005	2004	2005	2004
Interest expenses, Group companies	-	-	15	-
Interest expenses, other	168	184	122	-
	168	184	137	0

NOTE 15 – CHANGE IN VALUE OF DERIVATIVES

Interest rate derivatives are a financial instrument which under IAS 39 should be recognised at fair value in the balance sheet. Changes in the value of interest rate derivatives are recognised in the item Change in value of derivatives in the profit and loss account. In accordance with the transition rules, the standard for financial instruments (IAS 39) has been applied as of 2005 without translating the figures for 2004, which means that the market value of the derivatives portfolio at the beginning of the year, SEK -18 million, less deferred tax of SEK 5 million has been recognised directly in equity. As a result of higher market interest rates, the derivatives portfolio performed strongly in 2005, increasing in value by SEK 4 million. This amount has been recognised in the profit and loss account.

■ NOTE 16 – TAX ON PROFIT FOR THE YEAR

	Group		Parent company	
	2005	2004	2005	2004
Current tax on profit for the year	5	48	2	-
Adjustment for current tax from previous years	-	-	-	-
Total current tax	5	48	2	0
Deferred tax	174	82	-	-
Total tax	179	130	2	0
Nominal tax (28%) on profit after financial items	182	130	22	-
Tax effects of adjustment items				
- Dividends from subsidiaries	-	-	-21	-
- Tax-exempt profit from sale of Group companies	-5	-	-	-
- Other	2	-	1	-
Total tax excl current tax from previous years	179	130	2	0
Adjustment for current tax from previous years	-	-	-	-
Total tax	179	130	2	0

In the parent company tax income of SEK 2 million attributable to Group contributions paid has been credited directly to equity.

■ NOTE 17 – PROPERTIES

Under IFRS/IAS, a property company's property portfolio can be broken down in the following way:

Investment properties:

Properties held for the purpose of earning rental income or for capital appreciation or a combination of the two. IAS 40 – Investment Properties is applied.

Operating properties:

Properties used in the company's business for the production of goods and services or for administrative purposes. IAS 16 – Property, Plant and Equipment is applied.

Properties held as inventory:

Properties that have been acquired and are intended to be sold at a future date or that are being redeveloped and are intended to be sold upon completion of the work. IAS 2 – Inventories is applied.

Project properties:

Properties that are being redeveloped for future use as investment properties. IAS 16 applies until the redevelopment has been completed. The property then becomes an investment property. Properties that were classified as investment properties prior to redevelopment retain this classification if the property is intended to be used as an investment property also after the redevelopment.

With one exception, all of Wihlborgs' properties have been classified as investment properties. At year-end, Wihlborgs had one property with a carrying amount of SEK 58 million (54m) that was recognised as a project property. This property was acquired in 2004. The redevelopment, which was initiated at year-end 2005, is scheduled for completion in 2007.

Wihlborgs rents offices in its own properties in Copenhagen, Malmö and Helsingborg. In every case the rental value of Wihlborgs' own rentals is less than 20 per cent of the properties' total rental value, and these properties have herefore not been classified as operating properties.

Wihlborgs does not own any properties that have been acquired or redeveloped with the intention of selling the property soon thereafter, and no properties have therefore been classified as properties held as inventory.

	Group		Parent company	
	2005	2004	2005	2004
Investment properties	7,832	7,258	-	-
Project properties	58	54	-	-
Total	7,890	7,312	0	0

Investment properties have been recognised at market value and project properties have been recognised at accrued acquisition value adjusted for depreciation and impairment. The market value of the project property is SEK 66

■ NOTE 17 – CONT.

million (54m). Malmöbryggan Fastighetsekonomi AB and Savills Sweden AB have valued all of Wihlborgs' Swedish properties as at 31 December 2005. The market value of each property was assessed individually. Our Danish properties were valued by DTZ.

■ NOTE 18 – INVESTMENT PROPERTIES

	Group		Parent company	
	2005	2004	2005	2004
Opening acquisition value	7,830	-	-	-
Property acquisitions	267	7,830	-	-
Investments in existing properties	282	-	-	-
Sales and disposals	-337	-	-	-
Currency translation	38	-	-	-
Closing accrued acquisition values	8,080	7,830	0	0
Opening change in value	-572	-	-	-
Acquisitions via companies	-3	-572	-	-
Sales and disposals	9	-	-	-
Change in value for the year	318	-	-	-
Closing accumulated change in value	-248	-572	0	0

Carrying amount	7,832	7,258	0	0
of which buildings	6,271	5,976	-	-
of which ground installations	120	61	-	-
of which land	1,004	1,001	-	-
of which property fixtures	330	22	-	-
of which current construction	107	198	-	-
Carrying amount	7,832	7,258	0	0

Assessed value of Swedish properties	3,145	3,259	-	-
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Out of the properties' carrying amounts, SEK 32 million (30m) is estimated to refer to capitalised borrowing costs. The interest rate used to calculate the capitalised borrowing cost is the average interest rate of the loan portfolio. As at 31 December 2005, the interest rate was 3.23 per cent (3.76%).

■ NOTE 19 – PROJECT PROPERTIES

	Group		Parent company	
	2005	2004	2005	2004
Opening acquisition value	54	-	-	-
Property acquisitions	-	54	-	-
Investments in existing properties	4	-	-	-
Carrying amount	58	54	0	0
of which land	50	50	-	-
of which current construction	8	4	-	-
Carrying amount	58	54	0	0

The project property is taxed jointly with properties that are reported as investment properties.

■ NOTE 20 – EQUIPMENT

	Group		Parent company	
	2005	2004	2005	2004
Opening acquisition value	54	-	4	-
Investments	1	54	1	4
Sales and disposals	-25	-	-	-
Closing accrued acquisition values	30	54	5	4
Opening depreciation	-47	-	-	-
Acquisitions via companies	-	-47	-	-
Sales and disposals	25	-	-	-
Depreciation charge for the year	-1	-	-1	-
Accumulated depreciation	-23	-47	-1	0
Carrying amount	7	7	4	4

■ NOTE 21 – INTERESTS IN GROUP COMPANIES

Parent company	2005	2004
Opening acquisition value	855	0
Acquisitions	30	855
Shareholder contributions made	87	-
Carrying amount	972	855

Subsidiary Name/Reg. no.	Registered office	Capital share, %	Carrying amount
Bastionen Syd AB			
556072-2042	Malmö	100	90
Exab Utvecklings AB			
556353-2828	Malmö	100	0
Fastighets AB Bronsdolken			
556112-0345	Malmö	100	0
Fastighets AB Hästhagen			
556252-1616	Malmö	100	20
Fastighets AB Kvävet			
556222-8071	Malmö	100	2
Fastighets AB Plinius			
556033-6538	Malmö	100	16
Fastighets AB Stillman			
556082-1752	Malmö	100	38
Hilab Holding Förvaltning AB			
556670-7138	Malmö	100	0
Hilab Malmö AB			
556660-1786	Malmö	100	0
Kolgafour AB			
556627-7843	Malmö	100	7
Lunds Byggmästaregille, AB			
556058-9888	Malmö	100	1
M2 Fastigheter AB			
556101-4332	Malmö	100	555
Malmö Börshus AB			
556115-8543	Malmö	100	40
Utvecklings AB Kranen			
556286-9999	Malmö	100	108
Wihlborg A/S, Danmark			
A/S 190 168	Copenhagen	100	79
Wihlborgs Boplatsgatan 5 AB			
556675-2449	Malmö	100	0
Wihlborgs Borgeby AB			
556675-2639	Malmö	100	0
Wihlborgs Fastigheter i NVS AB			
556271-3924	Malmö	100	3
Wihlborgs Fisker 18 AB			
556675-2357	Malmö	100	0
Wihlborgs Flintan 3 AB			
556675-2647	Malmö	100	0
Wihlborgs Grynbadagatan AB			
556675-2597	Malmö	100	0
Wihlborgs Kvartsen 7 AB			
556675-2373	Malmö	100	0

■ NOTE 21 – CONT.

Subsidiary Name/Reg. no.	Registered office	Capital share, %	Carrying amount
Wihlborgs Måsen 16 AB			
556627-7827	Malmö	100	7
Wihlborgs Måsen 17 AB			
556627-7835	Malmö	100	2
Wihlborgs N.Vallgat. 80-82 AB			
556675-2613	Malmö	100	0
Wihlborgs Priorinnan AB			
556675-2423	Malmö	100	0
Wihlborgs Ritaren 1 AB			
556675-2605	Malmö	100	0
Wihlborgs Svalpan AB			
556675-2399	Malmö	100	0
Wihlborgs Söderarm 11 AB			
556675-2407	Malmö	100	0
Wihlborgs Vikingen 10 AB			
556675-3082	Malmö	100	0
WJ Bygg AB			
556060-0529	Malmö	100	4
			972

The Group comprises 67 companies.

■ NOTE 22 – INTERESTS IN JOINT VENTURES

	Group		Parent company	
	2005	2004	2005	2004
Opening acquisition value	52	-	52	-
Acquisitions and shareholder contributions	-	52	-	52
Share in profit/loss	1	-	-	-
Carrying amount	53	52	52	52
Name/Reg. no.	Registered office	Capital share, %	Carrying amount	
Parent company				
Medeon AB				
556564-5198	Malmö	40.0	4	
Dockan Exploatering AB				
556594-2645	Malmö	33.3	48	
			52	
Subsidiaries				
PeWi Bostadsutveckling HB				
969687-5492	Helsingborg	50.0	1	
			53	

■ NOTE 23 – DEFERRED TAX ASSETS

The asset refers to deferred tax relating to the Group's property holdings in Denmark. It is expected that the amount will be used to reduce taxable profits in the next few years. Note 28 shows what components the deferred tax consists of.

■ NOTE 24 – OTHER LONG-TERM RECEIVABLES

	Group		Parent company	
	2005	2004	2005	2004
Opening acquisition value	140	-	-	-
New receivables	52	140	18	-
Settled receivables	-132	-	-6	-
Total	60	140	12	0

■ NOTE 25 – PREPAYMENTS AND ACCRUED INCOME

	Group		Parent company	
	2005	2004	2005	2004
Rental income	8	9	-	-
Other	5	1	1	-
Total	13	10	1	0

■ NOTE 26 – CASH AND BANK BALANCES

The Group's cash and cash equivalents comprise cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 75 million (78m).

■ NOTE 27 – EQUITY

Accumulated translation differences in the Group amount to SEK 15 million (10m).

No. of registered shares at beginning of year				1,000
Share split 1:10	Reg. date	05-01-14		9,000
New issue	Reg. date	05-01-14		18,684,800
New issue	Reg. date	05-05-10		519,382
No. of registered shares at end of year				19,214,182

All shares carry equal voting rights, one vote per share.
Proposed dividend per share, SEK 7.00.
Nominal value per share, SEK 10.00.

■ NOTE 28 – DEFERRED TAX LIABILITY

	Group		Parent company	
	2005	2004	2005	2004
Deferred tax has been calculated on the basis of:				
Loss carry-forwards	-58	-41	-	-
Difference between carrying amount and tax base in respect of properties	626	464	-	-
Untaxed reserves	47	29	-	-
Net liability	615	452	0	0
Adjustment for deferred tax asset				
Note 23	18	37	-	-
Deferred tax liability	633	489	0	0

Total loss carry-forwards, which have been taken into account in calculating deferred tax, are SEK 207 million (143m).

■ NOTE 29 – OTHER LONG-TERM LIABILITIES

Refers largely to stamp duties that become payable only when a property is sold.

■ NOTE 30 – OVERDRAFT FACILITY

	Group		Parent company	
	2005	2004	2005	2004
Available credit limit	97	93	75	75
Unused share	-75	-78	-75	-75
Unused share	22	15	0	0

■ NOTE 31 – LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent company	
	2005	2004	2005	2004
Maturity up to 1 year from balance sheet date	434	15	-	-
Maturity between 1 and 5 years from balance sheet date	3,716	4,652	3,638	3,393
Maturity later than 5 year from balance sheet date	202	186	-	-
Derivatives	14	-	-	-
	4,366	4,853	3,638	3,393

As the company's committed lines of credit at year-end exceeded loans due during the following year, the full amount of debt relating to overdraft facilities and liabilities to credit institutions has been treated as a long-term liability.

■ NOTE 32 – PREPAYMENTS AND ACCRUED INCOME

	Group		Parent company	
	2005	2004	2005	2004
Advance payment of rents	93	65	-	-
Accrued interest expenses	18	4	15	-
Other	64	20	10	-
	175	89	25	0

■ NOTE 33 – COMMITMENTS AND CONTINGENT LIABILITIES

	Group		Parent company	
	2005	2004	2005	2004
Commitments				
Property mortgages	5,003	4,521	-	-
Promissory notes	-	-	3,853	3,339
	5,003	4,521	3,853	3,339

Contingent liabilities	46	-	20	-
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■ NOTE 34 – GROUP INCORPORATION

The Group was formed through the restructuring of the former parent group (the Faberge Group). As the transactions have been made internally, and not between independent buyers and sellers, the transferred assets and liabilities have been reported at the values recognised in the parent company balance sheet and not at the amounts that were actually paid. From IFRS 3 Business Combinations it is clear that transactions between companies controlled by the same entity are not covered by the recommendation.

■ NOTE 35 – CHANGE IN OPERATING CAPITAL

	Group		Parent company	
	2005	2004	2005	2004
Change according to balance sheet	100	124	22	-
Operating capital in acquired Group company	-3	-122	-	-
Operating capital in divested Group company	3	-	-	-
Change in income tax liability	-3	-2	-	-
Change in assets and liabilities in respect of interest income, dividends and interest expenses	-8	-	-15	-
	89	0	7	0

■ NOTE 36 – ACQUISITION OF INTERESTS IN GROUP COMPANIES

According to the analyses made in connection with the acquisitions, the value of acquired assets and liabilities in acquired Group companies were as follows:

	2005	2004
Properties	125	5,212
Other tangible fixed assets	-	3
Financial fixed assets	-	177
Current assets	1	29
Cash and bank balances	1	25
Long-term liabilities Group companies	-113	-2,378
Long-term liabilities	-	-1,885
Current liabilities	-4	-151
Purchase price	10	1,032
Plus transfer of seller's receivable	113	0
Purchase price paid	123	1,032
Less cash and cash equivalents in acquired companies	-1	-25
Impact on consolidated cash and cash equivalents	122	1,007

■ NOTE 37 – SALE OF INTERESTS IN GROUP COMPANIES

According to the analyses made in connection with the sales, the value of divested assets and liabilities in divested Group companies were as follows:

	2005	2004
Properties	177	-
Cash and bank balances	2	-
Long-term liabilities Group companies	-128	-
Long-term liabilities	-7	-
Current liabilities	-3	-
Purchase price	41	0
Less issued promissory note	-9	0
Plus transfer of seller's receivable	128	0
Purchase price received	160	0
Less cash and cash equivalents in divested companies	-2	0
Impact on consolidated cash and cash equivalents	158	0

■ NOTE 38 – RELATED-PARTY TRANSACTIONS

Erik Paulsson and his family and company have a controlling influence in Peab AB. In 2005, Wihlborgs received income from lettings activities of SEK 8 million from the Peab Group. Wihlborgs has paid SEK 103 million to the Peab Group for contract work. An agreement has been signed with Peab for the sale of a property for SEK 8 million. The transaction was made on market terms.

Balance sheets and profit and loss accounts are subject to confirmation at the Annual General Meeting on 26 April 2006.

To the best of our knowledge, the annual report has been prepared in accordance with generally accepted accounting principles for listed companies, the information provided complies with actual circumstances and no information of material significance has been omitted that could affect the impression of the company created by the annual report.

Malmö, 20 March 2006

Erik Paulsson
Chairman

Kerstin Fredriksson
Deputy Chairman

Anders Ellsall

Bo Forsén

Anders Jarl
Chief Executive Officer

Sten K Johnson

Johan Qviberg

Lars Sköld

We presented our audit report on 24 March 2006
Deloitte AB

Torbjörn Svensson
Authorised Public Accountant



Audit Report

To the Annual General Meeting of Wihlborgs Fastigheter AB (publ) 556367-0230.

We have examined the annual accounts, consolidated financial statements and accounting records as well as the Board of Directors and Chief Executive Officer's administration of Wihlborgs Fastigheter AB (publ) for the financial year 2005. Responsibility for the accounts and administration of the company and for ensuring that the Swedish Annual Accounts Act is applied in preparing the annual accounts and that the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Annual Accounts Act, are applied in preparing the consolidated financial statements rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, consolidated financial statements and administration based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. This means that we have planned and conducted the audit so as to obtain a high but not absolute assurance that the annual accounts and consolidated financial statements are free of material misstatement. An audit involves examining a selection of evidence supporting the amounts and other disclosures contained in the accounts. An audit also involves assessing the accounting principles and their application by the Board of Directors and Chief Executive Officer, assessing significant estimates made by the Board of Directors and Chief Executive Officer in preparing the annual accounts and consolidated financial statements, and evaluating the overall information presented in the annual accounts and consolidated financial statements.

As a basis for our statement on discharge from liability, we have examined significant decisions, actions and circumstances of the company in order to be able to determine the liability, if any, to the company of any Director or the Chief Executive Officer. We have also examined whether any Director or the Chief Executive Officer has in any other way acted in violation of the Swedish Companies Act, the Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for the statements presented below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide an accurate picture of the company's results and financial position in accordance with generally accepted auditing standards in Sweden. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Annual Accounts Act, and provide an accurate picture of the Group's results and financial position. The Directors' Report accords with the other parts of the annual accounts and consolidated financial statements.

We recommend that the Annual General Meeting adopt the profit and loss accounts and balance sheets of the parent company and Group, allocate the profit of the parent company in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and Chief Executive Officer be discharged from liability for the financial year.

Malmö, 24 March 2006

Deloitte AB
Torbjörn Svensson
Authorised Public Accountant

Corporate Governance Report

Corporate governance

Following a proposal presented in December 2004, Aktiemarknadsbolagens förening and the Stockholm Stock Exchange have agreed to introduce the Swedish Code for Corporate Governance. The Code will apply as of 1 July 2005 for companies on the A List of the Stockholm Stock Exchange and for companies on the O List with a market capitalisation of more than SEK 3 billion. Wihlborgs has therefore applied the Code as of this date. Under the Code, the Board of Directors is required to prepare annual reports on corporate governance and internal control of the company's financial reporting activities.

The shareholders influence the company's governance by participating in and exercising their voting rights at the Annual General Meeting, which is Wihlborgs' highest decision-making body. All shares carry the same voting rights, i.e. a shareholder's voting rights are proportionate to his share of the company's share capital.

The management of and responsibility for the Wihlborgs Group is divided between the Board of Directors and Chief Executive Officer, in accordance with the Swedish Companies Act, other laws and regulations, the listing agreement with the Stockholm Stock Exchange, the Swedish Corporate

Governance Code, and the company's Articles of Association and internal control instruments, such as the rules of procedure for the Board of Directors and the instructions to the Chief Executive Officer.

Wihlborgs' Corporate Governance Report has not been examined by the company's auditors.

The Swedish Corporate Governance Code

The chief purpose of the Code is to contribute to improving standards of corporate governance in Swedish companies in order to ensure that they meet the owners' return requirements for their invested capital. Sweden has previously not had a single corporate governance code such as has existed at the international level, e.g. in the OECD and the EU. Any departures from the rules contained in the Code must be reported and justified according to the principle "comply or explain". The reasons for each departure must be clearly explained.

Wihlborgs has departed from the rules in the following respects:

- No separate audit committee has been appointed. Instead, all members of the Board except the CEO have performed the tasks of the audit committee.

CORPORATE GOVERNANCE



Erik Paulsson

Chairman of the Board
Båstad, born 1942
Elected to the Board in 2004
Main occupation: CEO of Faberge
Other Board assignments: Chairman of SkiStar AB. Director of Nolato AB and Faberge AB.
Shareholding in Wihlborgs: 21,200 shares together with family and via company.
Erik Paulsson also owns shares in Brinova Fastigheter AB.



Anders Elsell

Director
Stockholm, born 1957
Elected to the Board in 2004
Main occupation: Financial analyst/asset manager at Investment AB Öresund.
Other Board assignments: Director of Avanza AB incl. subsidiaries.
Shareholding in Wihlborgs: 3,000 shares.



Kerstin Fredriksson

Deputy Chairman
Burlöv, born 1942
Elected to the Board in 2004
Main occupation: Chairman of the Municipal Executive Board in the Municipality of Burlöv.
Other Board assignments: Chairman of Skånet AB. Councillor of Region Skåne. Director of the Regional Development Agency (Regionala utvecklingsnämnden), SEB local Board of Directors in Arlöv, Sydsvatten AB and SYSAV AB.
Shareholding in Wihlborgs: 100 shares.



Bo Forsén

Director
Vellinge, born 1948
Elected to the Board in 2004
Main occupation: Board assignments.
Other Board assignments: Chairman of Topeja AB, Bewag AB, Norén Fastigheter AB and Nordea Malmö City. Director of Cale AB, Capona AB and Roxel AB.
Shareholding in Wihlborgs: 200 shares.

- No separate remuneration committee has been appointed. Instead, all members of the Board except the CEO have performed the tasks of the remuneration committee. No member of the company's management has been present when these issues have been discussed.
- No ethical guidelines have as yet been adopted. This will take place in 2006.
- There are no plans to provide facilities for shareholders to participate in general meetings via remote link, the reason being that the expense does not correspond to the benefit.

The Board's reason for not establishing an audit committee or remuneration committee is that this is not warranted in view of the size of the company. The issues involved can be discussed in connection with the regular Board meetings.

Articles of Association

Wihlborgs' current Articles of Association were adopted at an extraordinary general meeting held on 12 April 2005. The company's business is to acquire, manage, improve and sell properties primarily in the Öresund region and to conduct such other activities as are compatible therewith. The Board of

Directors shall be based in Malmö. Following the introduction of a new Companies Act, a proposal for new Articles of Association will be presented to the 2006 Annual General Meeting.

2005 Annual General Meeting

Wihlborgs' Annual General Meeting took place on 11 April 2005. Only Fabege AB, the company's sole shareholder, was represented at the meeting, as the AGM took place before the shares of Wihlborgs were distributed to Fabege's shareholders. The minutes of the AGM are available at Wihlborgs' website, www.wihlborgs.se. The main decisions were as follows:

Election of Directors and auditors

The AGM decided that the Board should consist of eight Directors. Anders Ellsall, Bo Forsén, Kerstin Fredriksson, Anders Jarl, Sten K Johnson, Erik Paulsson and Johan Qviberg were re-elected to the Board and Lars Sköld was elected as a new Director.

It was noted that the registered auditing firm Deloitte AB had been appointed as the company's auditors at an extraordinary general meeting on 28 December 2004 with the Authorised Public Account Torbjörn Svensson as chief auditor.



Anders Jarl

Director
Malmö, born 1956
Elected to the Board in 2004
Main occupation: Chief Executive Officer of Wihlborgs.
Other Board assignments: –
Shareholding in Wihlborgs: 12,400 shares together with family and via company.



Johan Qviberg

Director
Stockholm, born 1981
Elected to the Board in 2004
Main occupation: Economics student.
Other Board assignments: Director of Fjällinvest AB.
Shareholding in Wihlborgs: 71,410 shares.



Sten K Johnson

Director
Malmö, born 1945
Elected to the Board in 2004
Main occupation: Chief Executive Officer of Midway Holding AB.
Other Board assignments: Chairman of Midway Holding AB and Skåne-möllan AB.
Shareholding in Wihlborgs: 121,520 shares together with family and via company.



Lars Sköld

Director
Stockholm, born 1950
Elected to the Board in 2005
Main occupation: Self-employed, up to 2004
Managing Director and Chief Executive of Sveaskog AB.
Other Board assignments: Chairman of Ajtte, a Swedish museum of mountain and Sami culture.
Shareholding in Wihlborgs: –

Nomination Committee

It was resolved that the Nomination Committee should consist of representatives of the three largest shareholders of the company at the end of the third quarter of 2005, plus one representative of the smaller shareholders, as represented by the Swedish Shareholders' Association (Aktiespararna). Two of the committee's members are prohibited from sitting on the company's Board. The chairman of the Nomination Committee must be chosen from among those members who are not Directors of the company. No fees are paid to the members of the committee.

Acquisition and transfer of shares owned by the company

The AGM resolved to authorise the Board, during the period up to the next AGM, to buy back and transfer Wihlborgs shares up to a maximum of ten per cent of all outstanding shares.

New issue

The AGM resolved to issue 519,382 new shares to one of Fabege's Group companies. The decision was prompted by the impending distribution of the shares of Wihlborgs to Fabege's shareholders.

The AGM resolved to authorise the Board, during the period up to the next AGM, to decide on the issue of new shares up to a maximum of ten per cent of all outstanding shares.

Establishment of profit-sharing foundation

The AGM decided to establish a profit-sharing foundation for the benefit of Wihlborgs' employees.

The Nomination Committee

The Swedish Corporate Governance Code states that the appointment of the Board of Directors and auditors should be prepared through a structured and transparent process controlled by the owners which provides opportunities for all shareholders to express their views on and make proposals on these issues and which establishes a good foundation for well considered decisions. The nomination committee is the AGM's body for preparing decisions relating to appointments.

Wihlborgs' Nomination Committee has therefore been drawing up proposals for chairman of the AGM, Chairman of the Board, Directors and Directors' fees, and auditors and auditors' fees.

In accordance with the AGM's decision, the names of the

GROUP MANAGEMENT



Anders Jarl

Chief Executive Officer
Malmö, born 1956
Employed by Wihlborgs since 2001.
Shareholding in Wihlborgs: 12,400 shares
together with family and via company.



Thomas Bråhagen

Property Director
Malmö, born 1955
Employed by Wihlborgs since 1990.
Shareholding in Wihlborgs: 7,800 shares
together with family and via company.



Christer Johansson

Finance Director
Svedala, born 1948
Employed by Wihlborgs since 1996.
Shareholding in Wihlborgs: 7,400 shares
via companies.



Iréne Johansson

Public Relations Director
Malmö, born 1953
Employed by Wihlborgs since 1992.
Shareholding in Wihlborgs: 3,700 shares
via companies.

candidates proposed by the Nomination Committee were announced on 25 October 2005. The Nomination Committee consists of Anders Silverbåge from Brinova Fastigheter AB, Magnus Wärm from AMF-P, Erik Törnberg from Investment AB Öresund and Leif Franzon from the Swedish Shareholders' Association (Aktiespararna). The members representing the three largest owners in the Nomination Committee together represented 21 per cent of the votes of Wihlborgs. Anders Silverbåge was appointed as chairman of the Nomination Committee.

The Nomination Committee has held four minuted meetings and has remained in contact during the periods in between. The Committee has based its work partly on a report on the work of the Board of Directors. It has also met the Chairman of the Board and Chief Executive Officer as well as the company's auditor and has received information about the company's strategy, risk management and control functions.

The Nomination Committee has discussed the size and composition of the Board of Directors in respect of industry experience, expertise and other criteria. It was pointed out that the current Board has proved effective and, in the Committee's view, has a composition and pool of expertise

that is well adapted to the requirements at hand. The Nomination Committee has also discussed the issue of the Directors' independence.

The Nomination Committee's decisions will be announced in the notice of AGM. The company's auditor was appointed for the period up to the 2008 AGM at an extraordinary general meeting in 2004.

The Board of Directors

The task of the Board of Directors is to manage the company's business on behalf of the owners in a way that assures the owners' interest in strong long-term return on capital in the best possible way.

Under Wihlborgs' Articles of Association, the Board of Directors must consist of at least four and no more than eight Directors. Following the AGM in April 2005, Erik Paulsson was appointed as Chairman of the Board and Kerstin Fredriksson as Deputy Chairman. The company's Finance Director, Christer Johansson, has served as the Board's secretary.

Wihlborgs' Board of Directors includes members that have skills and experience in fields that enable them to support, monitor and control the business of a leading property company in Sweden. The Directors have in-depth knowledge of property, the property market, finance and business development.

The Board of Directors meets the requirements for Board composition laid down in the Swedish Corporate Governance Code and the Listing Rules of the Stockholm Stock Exchange. The Chief Executive Officer, Anders Jarl, is to be regarded as dependent on the company. Out of the Directors, Erik Paulsson is to be regarded as dependent on a major shareholder.

In 2005, the Board held 11 meetings, including constituent and telephone meetings. Out of the 11 meetings, six have been ordinary Board meetings. The principal theme of the Board's work in spring 2005 was Wihlborgs' IPO on the Stockholm Stock Exchange on 23 May. The Board worked intensively on issues relating to business ideas, strategies, financial objectives and dividend policy. Following the IPO, the Directors focused on the company's financial reporting. In the autumn, future strategies, budgeting and property acquisitions dominated the agenda.

In autumn 2005, Wihlborgs established a separate interest rate council tasked with monitoring interest rate developments on the market and proposing measures to the Board. The council's responsibilities and tasks are not regulated in the rules of procedure for the Board of Directors.



Catharina Lachmann

Executive Assistant to the CEO
Svedala, born 1955
Employed by Wihlborgs since 1985.
Shareholding in Wihlborgs: –

AUDITORS

Deloitte AB

Chief Auditor

Torbjörn Svensson
Malmö, born 1953
Authorised Public Accountant
Chief auditor of Wihlborgs since 2004.
Previously chief auditor of Fabege since 2001.

In accordance with the decision made at the AGM, fees totalling SEK 750,000 were paid to the Directors, of which SEK 150,000 to the Chairman and SEK 100,000 to each of the other Directors.

Directors, number of meetings and attendance

	Board meetings	Attendance
Erik Paulsson, Chairman	11	11
Kerstin Fredriksson, Deputy Chairman	11	11
Anders Ellsell	11	11
Bo Forsén	11	11
Anders Jarl	11	11
Sten K Johnson	11	11
Johan Qviberg	11	11
Lars Sköld	11	8

Lars Sköld was elected to the Board at the AGM on 11 April and has attended all meetings since his appointment.

Rules of procedure and instructions

The Board of Wihlborgs operates on the basis of a set of procedural rules, which include instructions relating to the division of labour and financial reports. The rules of procedure, which constitute a supplement to the regulations contained in the Swedish Companies Act and Wihlborgs' Articles of Association, are reviewed annually. In 2005, the rules of procedure were adapted to the provisions of the Swedish Corporate Governance Code.

Under the rules, the Board is responsible for ensuring that the CEO meets his obligations. The CEO's performance is assessed annually in relation to the defined long-term and short-term objectives.

Another responsibility is to continuously assess Wihlborgs' handling procedures and administrative guidelines and investments of the company's assets. The Board is responsible for setting and monitoring compliance with targets, key policies and strategic plans for the company and for ensuring that these are revised and updated subsequent to receiving a report from the CEO.

Five ordinary Board meetings should be held each calendar year, in addition to the constituent meeting. At the meetings the Directors transact business relating to financial and economic reports, sales and investments, current market issues and staff issues. Extraordinary meetings may be convened for the purpose of discussing and deciding on issues that cannot be postponed until the next ordinary Board meeting.

Under the procedural rules, it is the duty of the Chairman to monitor Wihlborgs' performance through contacts with the CEO and to ensure that the Directors receive the information they require via the CEO. The Chairman is also required to

consult with the CEO on strategic issues and ensure that the matters under consideration are not handled in a way that violates the provisions of the Swedish Companies Act, the company's Articles of Association or the Swedish Corporate Governance Code.

Auditing

Wihlborgs' auditors are appointed by the AGM for a period of four years. The current auditors were appointed at an extraordinary general meeting in 2004, and the next appointment will therefore take place at the 2008 AGM. The AGM appointed the auditing firm Deloitte AB as the company's auditors with Torbjörn Svensson as chief auditor.

Torbjörn Svensson has chief responsibility for the audit assignment in Wihlborgs. He has no other assignments for companies that are closely related to Wihlborgs' major owners or the CEO. In addition to his audit assignment for Wihlborgs, Torbjörn Svensson's other major audit assignments are: Malmö Aviation AB, Doro AB, Flextronics, Dynapac AB and Skånemejerier.

Torbjörn Svensson personally attends the Board meeting convened for the purpose of the discussing the company's year-end financial statements and submits a report on his final examination of the company's accounts. He also submits information on ongoing auditing work to the Board in its capacity as audit committee.

Information about fees paid to the auditors is provided in Note 1 on page 17.

Internal control

The Corporate Governance Code states that the Board must submit an annual report on the company's internal control procedures for financial reporting and the efficacy of these procedures. Wihlborgs has found that the company's own control and examination procedures combined with the work of the external auditors are sufficient, and has therefore not deemed it necessary to establish a separate internal control function.

To assure its internal control procedures, Wihlborgs has established a special project organisation with one Board member that will develop a framework for internal control in the course of 2006. COSO (Internal Control – Integrated Framework) will be used as a basis for this framework. In COSO internal control is divided into five components:

- control environment
- risk assessment
- control activities
- information and communication
- monitoring

The purpose is to produce information that the Board can use to arrive at a conclusion on the efficacy of the company's internal control procedures for financial reporting during the year.

Financial reporting

The company's property management and business development organisation reports to Group management each month according to a fixed routine. Centrally, a legal consolidated financial statement is prepared on a quarterly basis using accounting data submitted by subsidiaries according to a defined pattern and schedule.

To ensure uniformity, reporting is made in accordance with centrally defined accounting rules and policies, a handbook of accounting and finance, etc. The submitted financial information is assured through the external auditor, who examines the interim report for the period January-September as well as the year-end financial statement. The examination is made at subsidiary and consolidated level.

Group management

The Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the company and for managing the company's activities in accordance with the guidelines and instructions laid down by the Board.

The rules of procedure for Wihlborgs' Board of Directors includes a set of instructions for the CEO, who is responsible for ensuring that the Board receives the information it requires for its decisions before each Board meeting and is kept up to date in between meetings, and that the financial statements are presented in a way that allows the Board to make a well-informed assessment of the information contained therein. There is also a separate reporting instruction specifying the timetables.

Group management consists of:

Anders Jarl, CEO

Christer Johansson, Finance Director

Thomas Bråhagen, Property Director

Irène Johansson, Public Relations Director

Catharina Lachmann, Executive Assistant to the CEO

Principles for terms of employment of the CEO and

Group management

Under the Corporate Governance Code, the Board is required to propose principles for the compensation and other employment terms of Group management. The Board of Wihlborgs proposes that the compensation and other terms of employment should be competitive and based on market terms. All

members of Group management receive a fixed compensation. Wihlborgs has a profit-sharing foundation that covers all employees of the company except the CEO. Allocations to the foundation are based on return on equity and are subject to a ceiling of one base amount per year and employee.

The retirement age is 65 years for all employees of Group management. Expenses relating to the Chief Executive Officer's pension comprise a premium of 35 per cent of the CEO's pensionable annual salary during his period of employment. For other members of Group management the ITP occupational pension plan or an equivalent plan applies. Termination salary and severance pay combined must not exceed 24 months. Severance pay should be offset by other income.

All Board Directors except the CEO decide on the principles for compensation and terms of employment of Group management and on the CEO's compensation and terms of employment.

Four-year summary

		Pro forma ³⁾	Pro forma ³⁾	Pro forma ³⁾
Financial	2005	2004	2003	2002
Return on equity, %	18.2	15.5	12.3	10.2
Return on total capital, %	10.2	8.5	7.0	6.8
Equity/assets ratio, %	34.8	29.6	26.5	23.8
Interest coverage ratio, times	4.9	3.5	2.5	1.9
Interest coverage ratio, operations, times	2.9	2.5	2.1	1.7
Leverage properties, %	55.6	66.8	71.3	74.9
Debt/equity ratio, times	1.5	2.1	2.5	2.9
Share-related ¹⁾				
Earnings per share before tax, SEK	34.05	24.77	16.61	12.30
Earnings per share, SEK	24.66	17.81	11.96	8.86
Operating earnings per share before tax, SEK	16.68	14.98	12.94	10.56
Operating earnings per share, SEK	12.01	10.81	9.32	7.60
Equity per share, SEK	147.91	123.62	102.91	90.95
Cash flow from operations before change in working capital per share, SEK	16.73	12.41	10.87	9.13
Dividend per share, SEK	7.00 ²⁾	-	-	-
No. of shares at year-end, '000	19,214	18,695	19,214	19,214
Average no. of shares, '000	19,063	18,695	19,214	19,214
Property-related				
No. of properties	197	190	190	190
Carrying amount of properties, SEKm	7,890	7,149	6,805	6,668
Yield, %	6,6	6,6	6,9	7,3
Lettable area, m ²	994,693	963,331	963,331	963,331
Rental income, SEK/m ²	762	736	730	722
Net operating income, SEK/m ²	524	490	490	506
Financial occupancy rate, %	90	89	90	91
Surplus ratio, %	69	67	67	70
Employees				
No. of employees at year-end	68	71	71	71
Average no. of employees	71	71	71	71

1) There are no dilution effects of potential ordinary shares to be taken into account in calculating key ratios.

2) Proposed dividend.

3) Pro forma figures for 2004, 2003 and 2002 are based on the property portfolio as at 31 March 2005. See also Note 2 on page 17.

DEFINITIONS

FINANCIAL

Return on equity

Profit as a percentage of average shareholders' equity.

Return on total capital

Profit before tax plus interest expenses as a percentage of average balance sheet total.

Equity/assets ratio

Shareholders' equity as a percentage of balance sheet total.

Interest coverage ratio

Profit after financial items and reversal of interest expenses, divided by interest expenses.

Interest coverage ratio, operations

Profit after financial items and reversal of interest expenses plus gain or loss from sales of properties and changes in value, divided by interest expenses.

Leverage properties

Interest-bearing liabilities as a percentage of the carrying amount of the properties.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

SHARE-RELATED

Earnings per share

Profit divided by average number of outstanding shares.

Earnings per share before tax

Profit before tax divided by average number of outstanding shares.

Operating earnings per share

Profit after financial items and reversal of gains/losses from the sale of properties and changes in value and 28 per cent tax, divided by average number of outstanding shares.

Operating earnings per share before tax

Profit after financial items and reversal of gains/losses from the sale of properties and changes in value, divided by average number of outstanding shares.

Cash flow from operations before change in working capital per share

Cash flow from operations before change in working capital in relation to average number of shares.

Equity per share

Shareholders' equity at end of period in relation to total number of shares at year-end.

Dividend per share

Refers to proposed dividend for the last financial year, to approved dividends for previous years.

PROPERTY-RELATED

No. of properties

Total number of properties owned by Wihlborgs as at 31 December 2005.

Carrying amount of properties

Carrying amount of the Group's property portfolio at year-end.

Yield

Net operating income as a percentage of the carrying amount of the properties at year-end.

Lettable area

Total area that is available to let.

Rental income per square metre

Annualised rental income divided by lettable area.

Net operating income per square metre

Net operating income divided by lettable area.

Financial occupancy rate

Rental income as a percentage of rental value.

Surplus ratio

Net operating income as a percentage of rental income.



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