

ANNUAL REPORT 2011

The purchase from NRP is exceeding expectations, says Chief Executive Thomas Erséus. [p.4](#)

Active letting work—corporate fruit basket vendor Fruktbudet one of several new tenants. [p.18](#)

Nordic Modular has yielded over 20 per cent annually since its 2007 acquisition. [p.21](#)



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Strategic risk diversification

Certain property companies choose to concentrate their property holdings completely geographically. Others focus their property holdings on selected property types. For Kungsleden, diversification is a way to achieve the company's objective of maximising the property portfolio's risk-adjusted returns.

Read more about Kungsleden's risk diversification on page 10.



One of Sweden's Best workplaces

Kungsleden came 2nd of the medium-sized companies and was best among property companies in the Great Place to Work survey 2012. Over the past three years, Kungsleden has progressively moved up from fourth to second place. A good workplace and shared beliefs and values are key components when hiring new employees.

Read more about what our employees think of their workplace on page 22.



Corporate social responsibility

For a few years now, Kungsleden has been in partnership with youth work charity Fryshuset. It is important for Kungsleden's people to contribute to its activities and support young people, which creates the prospects for the warm and creative society that everybody wants to, and can, be part of.

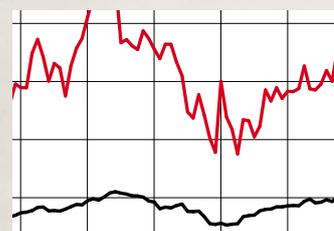
Read more about Kungsleden's CSR on page 48.



Professional conduct

Professional conduct is a prerequisite for doing good business. Kungsleden's ambition is that all parties involved should feel they are the winners in a business transaction. Being businesslike is one of Kungsleden's strategic success factors.

Read more about why Kungsleden can be an attractive investment on page 52.



It is the people that make up Kungsleden, not the bricks, concrete or glass. That is why we'd rather publish pictures of our people than our properties. Owning and managing properties with satisfied customers is Kungsleden's main mission.

Jonas Brade works as a Controller at Kungsleden, and his primary duty is to prepare the Consolidated Accounts and work on the Annual Report. Working as a model on our cover is just a sideline. In this image, Jonas is at the centre of the action close to Stockholm Central Station, where Kungsleden's new head office is located. You are very welcome to visit us at Vasagatan 7.

The year in brief

1 became **2**

After Hemsö's independence, one organisation became two

SEK **3.6** bn

Our largest acquisition

21%

Increased operating profit

Results in brief

- Net sales increased by 25 per cent to SEK 2,882 (2,304) m and gross profit increased by 21 per cent to SEK 1,877 (1,545) m mainly due to a larger property portfolio.
- Profit before tax amounted to SEK 828 (1,186) m. Profit after tax was SEK 638 (841) m, or SEK 4.70 (6.20) per share. Largely, the profit decrease is due to negative unrealised value changes on financial instruments.
- Cash flow from operations was SEK 666 (510) m.
- Profit for calculating dividends for 2011 was SEK 703 (530) m, or SEK 5.20 (3.90) per share. This is SEK 53 m higher than the estimate reported at year-end.
- At year-end, the portfolio consisted of 636 (592) properties with a book value of SEK 26,122 (21,501) m, including joint venture Hemsö's holding of 312 properties.
- The Board of Directors is proposing a dividend of SEK 2.60 (2.00) per share.

Significant events

- 60 (64) properties were purchased for SEK 4,798 (2,356) m. Kungsleden also sold 20 (63) properties for SEK 1,224 (2,929) m generating a profit of SEK 56 (33) m. These sales affected profit for calculating dividends by SEK 114 (54) m.
- The largest transaction was the acquisition of 36 properties from Nordic & Russia Properties (NRP) for SEK 3.6 billion.
- Through active portfolio enhancement involving the purchase of high-yielding properties and the sale of low-yielding properties, property yields, measured as earnings capacity, increased from 6.4 per cent to 7.2 per cent.
- Purchases of well-let properties, Kungsleden's own new lettings and sales of development properties in Slagsta, south of Stockholm, contributed to occupancy increasing to 91.6 (90.3) per cent.
- The initial investment in Nordic Modular made in 2007 was fully repaid in the fourth quarter.
- At the beginning of the year, 50:50 joint venture Hemsö became an independent company with its own management, organisation and offices.
- Kungsleden secured third place of medium-sized organisations in Sweden in the Great Place to Work survey 2011.

PROFIT FOR CALCULATING DIVIDENDS

SEK m	2011	2010
Gross profit	1,877	1,545
Sales and administration costs	-319	-260
Net financial position	-868	-749
Profit from property management	690	536
Realised items		
Trade net on sale	56	33
Realised value changes, properties	66	21
Deduction for deferred tax on sale	-8	-
Realised value changes, financial instruments	-66	-8
Realised items	48	46
Taxes payable	-35	-52
Profit for calculating dividends	703	530

Kungsleden—facilitating opportunities

Kungsleden is a property company that always welcome new business opportunities—regardless of the type of property or its geographic location. Our main mission is to own and manage properties with satisfied customers. Our focus is high and stable returns for the long term, with risk diversification as a key ingredient.

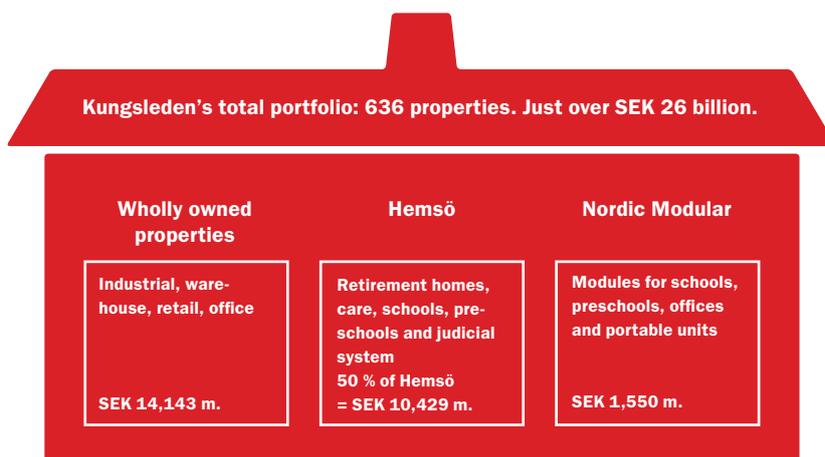
HOW WE DIFFERENTIATE

Facilitating opportunities describes the way we want to stand out in the property sector. What our customers emphasise is all about our entrepreneurship. That we are present, innovative and easy to deal with.

With 636 properties in 143 Swedish Municipalities, as well as offices nationwide, Kungsleden is present geographically and in its actions. Kungsleden has been one of the main sponsors of youth charity Fryshuset since 2010. Contributing to an operation that supports young people is another way for us to show our presence in wider society.

Facilitating opportunities also means we are at the leading edge and try to see things from new perspectives. This might be anything from being innovative in our way of doing business, finding solutions to tenant needs, or researching letting opportunities via social media.

Kungsleden having a strong entrepreneurial spirit with decision making delegated throughout the organisation promotes commitment and drive. It often simplifies our partnership with our tenants and enables good solutions to be implemented quickly.



OUR PROPERTIES

Our property portfolio consists of commercial properties, public properties and modular buildings. At year-end 2011, our 636 properties had total leasable area of 3,328,000 sq.m., and rental revenues of SEK 2,737 m. Property values were SEK 26,122 m. The property portfolio is well diversified nationwide, but concentrated on the three major city regions of Stockholm, Gothenburg and Öresund, and Västerås, west of Stockholm.

At year-end 2011, commercial properties represented 49 per cent of prop-

erty values. Most properties are industrial/warehouse properties, offices or retail properties. The property portfolio is continuously enhanced through investments, ongoing management and through purchases and sales.

The majority of the public holding is within Hemsö Fastighets AB, which is an independent company, 50:50 owned by Kungsleden and AP3 (The Swedish Third Pension Insurance Fund). This includes properties for retirement homes, care and schools, i.e. publicly funded activities. At year-end 2011, public properties made up 45 per cent of property values



Let Thomas Erséus tell you how Kungsleden facilitates opportunities in his own words. Go to kungsleden.se/omoss. (In Swedish only)



In late fall 2011 we launched an brand campaign called "Jakten på 0" in wich we illustrate how we simplify and improve things for our customers and their operations. For example energy savings and customization to meet client's future needs. To view the videos, go to www.kungsleden.se/jaktenpao. (In Swedish only)

Modular buildings represented 6 per cent of the value of the property holding. This portfolio is in Nordic Modular Group, which is a Nordic leader in regards to the production, sale and letting of modular buildings. Modules enable greater flexibility than properties on static foundations because they can be joined together in order to create schools, day-care centres or offices, and downsized or extended as required.

OUR CUSTOMERS

Our success is based on committed employees, satisfied customers and the ability to close good deals.

Kungsleden's customers represent a broad selection of the Swedish business community and public services. Our tenants range from small enterprises to large corporations, although school students and pensioners also occupy and live in our premises. Our largest tenant is ABB Fastighets AB, which represents 12 per cent of total rental revenue.

Read more about some of our customer partnerships and what our tenants say about us as the property company that facilitates opportunities.

Rebuilding a regional office for northern European financial services group Nordea, page 16.

Special adaptations when corporate fruit basket vendor Fruktbudet grew out of its premises, page 18.

Kungsleden's properties are located in 143 Swedish municipalities.



Active management and good property transactions create value growth

When summarising 2011, I can conclude that it was a good year for Kungsleden. Managing our property portfolio well is the foundation of creating stable cash flows and value growth. Our work on customer care and lettings was successful. We purchased SEK 4.8 bn of properties, which are yielding over 10 per cent, while the properties we sold for SEK 1.2 bn, yielded 5 per cent. For the third consecutive year, Kungsleden was rated one of Sweden's best workplaces in the Great Place to Work survey.

SOLID PORTFOLIO GROWTH

Net sales for the year increased by 25 per cent to SEK 2,882 m. 82 per cent consisted of rental revenues from the property portfolio, with the remaining revenues being rent for our modular buildings of SEK 244 m, and modular sales of SEK 288 m. The high sales increase is mainly due to our portfolio growing through property purchases.

Of sales and administration costs totalling SEK 319 m, SEK 75 m was sourced from Hemsö, SEK 61 m from Nordic Modular and the remaining SEK 183 m from the rest of Kungsleden.

Unrealised value changes on properties were SEK 690 m, or 3 per cent of book value, primarily related to Hemsö and the NRP portfolio, purchase that we completed in the year. In net terms, unrealised value changes were SEK 81 m, which also includes SEK -609 m from financial instruments. In total, portfolio book value increased by over SEK 4.6 billion to SEK 26.1 billion.

ACTIVE MANAGEMENT

Our property management organisation did a great job during the year. With a clear focus on vacancies, successes included letting a large warehouse property outside Malmö to three different tenants, and we also let 15,000 sq.m. in Slagsta, south of Stockholm, in a property that was later sold.

Economic occupancy was unchanged in like-for-like holding terms. Actual results in the year improved by 1.3 percentage points to 91.6 per cent as a result of purchases and sales in the year. My impression is that businesses are generally more vigilant regarding their need for premises now with experiences of the previous financial crisis in 2008–2009 still fresh in mind.

Just before year-end, we signed a 10-year Green Lease on over 14,000 sq.m. with Westinghouse Electric Sweden AB. The Green Lease involves a partnership between Kungsleden and Westinghouse in order to reduce environmental impact through lower energy consumption. I think this type of environmental partnership will become more common.

EXCEED OUR ESTIMATE

Activity on the transaction market tapered off by the end of the year, for reasons including a gloomier credit market. After an optimistic start to the year, uncertainty increased again before the summer as a result of the debt crisis, primarily in southern Europe.

Despite financial turbulence, we were very active on the business transaction market. We purchased a total of 60 properties for SEK 4.8 billion and sold 20 properties for SEK 1.2 billion. The yield on purchased properties was approximately 10.2 per cent, while sold properties were yielding 5.0 per cent.

At the end of the year we also succeeded in selling a fairly high number of properties despite a somewhat weaker market. In combination with better-than-expected results from recently acquired properties, this contributed to us exceed our estimated profit for calculating dividends by SEK 53 m, with a total of SEK 703 m. We also increased our average property yield measured as earnings capacity, from 6.4 to 7.2 per cent.

NRP A STRONG ADDITION TO OUR PROPERTY PORTFOLIO

Our largest property purchase was NRP, with 36 properties for SEK 3.6 billion, completed on 31 March 2011. This portfolio consists of office and industrial properties and features stable yields and tenants, as well as

a low vacancy rate. The portfolio is dominated by offices in Västerås, the largest tenant being ABB, with some 50 per cent of rental value. We estimate that these properties will contribute a total of approximately SEK 200 m annually to Kungsleden's profit for calculating dividends.

Hemsö also had a solid growth in 2011, which will also benefit Kungsleden through its 50 per cent ownership. Hemsö's social services properties are spread nationwide in Sweden, but concentrated on major regional cities. Social services such as care, geriatric services and education are provided in these properties. Hemsö was a net buyer of properties of SEK 1.2 billion in 2011.

I am really satisfied with how our investment in Nordic Modular has progressed. This does not just apply to 2011, but also over time. By the fourth quarter of 2011, capital transfers to Kungsleden exceeded the initial investment we made in 2007. During our holding term, average return on equity has been well over 20 per cent annually.

50 per cent of property book values were located in the three major city regions of Stockholm, Gothenburg and Öresund, as well as Västerås. At year-end, we owned properties in 143 municipalities, half of the book value in municipalities with populations of less than 100,000. Our experience is that with stable businesspartners, long contracts and competitive rent levels, properties in smaller locations are associated with lower risk than properties in major cities where fluctuations are often greater. Our high-quality portfolio and good geographical risk diversification ensures high and stable cash flows, and that we can achieve our goal of high risk-adjusted returns.



AN ATTRACTIVE WORKPLACE

For the third consecutive year, Kungsleden was recognised as one of Sweden's best workplaces in a survey conducted by the Great Place to Work Institute. Kungsleden ranked second in the medium-sized companies category, and first among property companies. To be rated as one of Sweden's best workplaces enhances pride internally, and obviously, encourages our people to perform better. Kungsleden being perceived as an attractive workplace is an important consideration when we hire new employees.

PERSPECTIVE

Property management is, and will remain, the base of our business. Steady cash flows are central to our value creation. In 2012, as previously, we will continue to focus on customer care, working in dedicated teams on business development and on our existing portfolio, for reasons including reducing vacancies in a small number of properties.

We will also be working on portfolio enhancement, and we have the ambition of actively seeking new business opportunities. Compared to other countries, Sweden has a fairly strong economy. I have some optimism regarding the transaction market for 2012, even if

volumes do prove lower than in 2011. Progress on the credit markets is harder to predict. Of the SEK 8.5 billion of Kungsleden's utilised credits to be re-financed in 2012, new financing for half has already been arranged.

The Board of Directors proposes that the dividend is increased by 30 per cent on the previous year to SEK 2.60 per share. Our estimate of profit for calculating dividends for 2012 is SEK 600 m.

Thomas Erséus
Chief Executive

Stockholm, Sweden, March 2012

Business concept, goals and strategy

Kungsleden's strategy rests on a sound management business with low historical risk, plus active portfolio enhancement to create shareholder value. The profit or loss from property sales depends on market sentiment, and accordingly, may fluctuate. Over a business cycle, about two-thirds of profits are generated from property management, and the remainder from portfolio enhancements.

VISION

Through good entrepreneurship and high skills levels, Kungsleden will become Sweden's most profitable and successful property company.

BUSINESS CONCEPT

Kungsleden will own and manage properties with high and stable long-term returns.

Property Management—the goal of property management is satisfied customers, and to increase the yield on properties through active management work.

Portfolio enhancement—Kungsleden endeavours to increase the risk-adjusted returns of the property portfolio, i.e. the expected returns in relation to risk. The strategy to achieve this is to purchase properties with high geographical diversity, and by diversifying by different property types, that achieve a good balance between risk and return. Through its presence on the transaction market, the company also exploits good selling opportunities available. This may be a local buyer prepared to take on a property at a higher value than Kungsleden considers it worth.

The required return on equity takes precedence over portfolio growth, which gives a freer field of activity to work on.

STRATEGY



The fundamental strategy is sound management business with low historical risk, supplemented by active portfolio enhancement to create shareholder value. The illustration reflects that some two-thirds of profits are normally sourced from property management, and the remainder from portfolio enhancement.

FINANCIAL GOALS

RETURN ON EQUITY

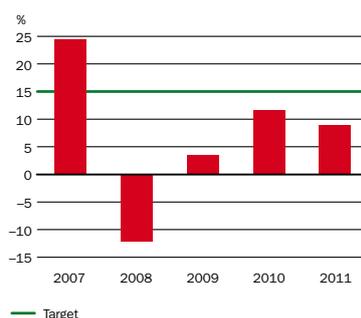
Target

Return on equity should be a minimum of 15 per cent

Description

Net profit after tax in relation to average equity. Average equity is calculated as the total of opening and closing balances divided by two.

Achievement



The actual outcome of 9 (12) per cent was below the target of 15 per cent. Returns over the last five and ten years have been an average of 7 and 20 per cent. Recent years have featured significant turmoil on the financial markets, as was also the case in 2011. Unrealised value changes on financial instruments of SEK -609 m made it difficult to achieve this target.

INTEREST COVERAGE RATIO

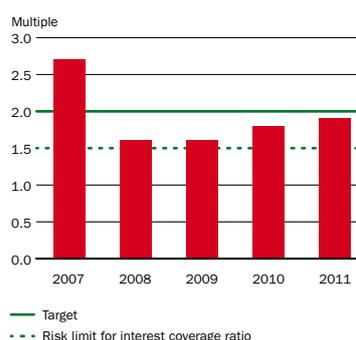
Target

The interest coverage ratio should be a minimum multiple of two.

Description

Profit before tax less realised value changes and net financial position, in relation to net financial position.

Achievement



An interest coverage ratio of 1.9 (1.8) times is below the target of 2. However, the interest coverage ratio is above the risk limit of a multiple of 1.5. With basically fixed interest rates, an interest coverage ratio of 1.9 is good from a risk perspective.



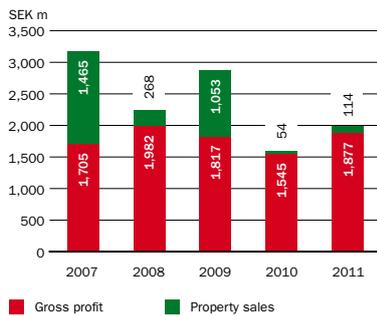
FINANCIAL GOALS

The Board of Directors has decided that return on equity should be at least 15 per cent. Over the past five years, in 2007–2011, return on equity was 7 per cent, and over the past 10 years, 20 per cent. The latter half of this ten-year period featured turmoil in the financial

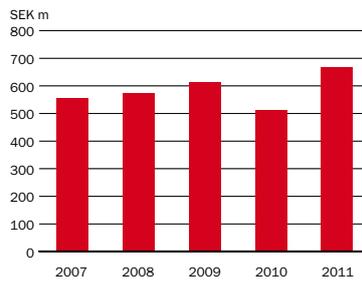
system. A loss in 2008 reduces the average for the period. In late 2008, interest rates fell sharply, which resulted in the value of financial instruments decreasing, reducing profits.

The ambition is for cash flow from operations to always remain high and stable.

UNDERLYING PROFIT



CASH FLOW



Business model

Kungsleden's business model is designed to continuously improve the property portfolio's risk-adjusted return to obtain the optimal balance between return and risk. This is primarily achieved through customer-focused management work, and through active portfolio enhancement. Increasing risk-adjusted returns requires active management work and ongoing evaluations of potential purchases, simultaneous with a limited risk level being secured in the existing holding.

Owning and managing properties with high and stable long-term returns is the base of Kungsleden's business. This means continuous development work on the assets and liabilities sides of our Balance Sheet.

Our properties make up the asset side, and the objective here is to enhance the portfolio by increasing property returns and limiting the risk. This is achieved, for example, by adapting properties to customer needs, optimising operating net, and in certain cases, through sales.

In addition, our property management organisation works continuously on our tenant mix, rent levels, and on ensuring that each property has the appropriate cost base. Close collaboration and good relationships with tenants are prerequisites of satisfied customers. This is facilitated by Kungsleden possessing local offices around the country.

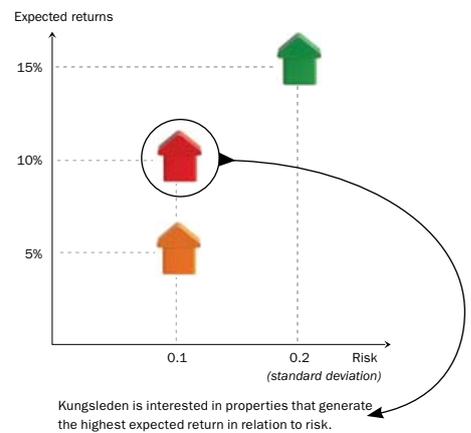
A MODEL FOR DECISION-MAKING

Active portfolio enhancement can result in purchases and sales of properties with the aim of increasing the risk-adjusted returns of the portfolio, i.e. its expected returns in relation to risk. If a good price is obtained, a larger or smaller share of the holding can be sold and the funds re-invested in other properties.

Making appropriate business transaction decisions sets challenges for being able to value a property at any given transaction opportunity. Kungsleden's internally developed model generates a continuous stream of decision-support data, property by property. If a potential property complements the portfolio through its combined return and risk profile, a purchase is initiated. In the same manner, a sales process is initiated in those cases where a property no longer contributes to maximising that portfolio's risk-adjusted returns.

Kungsleden does not limit its evaluation of potential purchases and sales to one or several geographical markets, nor to certain types of property. However, the focus is limited to the Swedish property market.

THREE POTENTIAL PURCHASES



GETTING THE GOODIES—THE RIGHT PROPERTIES ON THE MARKET

Maximising portfolio risk-adjusted return means Kungsleden systematically evaluating different possibilities. An evaluation sets potential purchases and existing holdings on an equal level, where the property's yield is compared with its cost of capital. Properties are



Industrial



Warehouse



Office



Retail

then set against each other to determine how the portfolio's risk-adjusted returns could be improved through changes to composition and/or management actions.

What are considered good properties for Kungsleden may not be the appropriate properties for other players. Kungsleden often goes its own way to get the goodies. When, for example, a lot of players are looking for the same kind of property, prices rise, with lower yields resulting. One example here is office properties in Stockholm. In such a situation, Kungsleden prefers to be a seller, to then buy properties subject to lower demand, with higher yields.

STRATEGIC RISK DIVERSIFICATION

Certain property companies choose to concentrate the property holdings wholly based on geographic location. Others focus their property holding on selected property types. For Kungsleden, diversification is a way to achieve the company's objective of maximising the property portfolio's risk-adjusted return.

Through our broad geographical diversity, location-specific risk is reduced. By having many different types

of property, property-specific risk, i.e. changes in an individual property type and risk affecting the returns of the whole portfolio, are also reduced.

The majority of Kungsleden's properties are in growth regions, and where fluctuations in growth are generally more limited. Stockholm is an example of a high growth location, but where rent levels, for example, vary widely over time. Kungsleden does not rule out purchases of properties in smaller locations, which are usually at a higher property yield. But such purchases are always preceded by thorough analysis, with the property's condition, contract term and rent level being key criteria. If the original rent is low, the chances of a new letting increase if the previous tenant decides to relocate. The price of a property in this type of location is often fairly low, and moreover, if the tenant is solid, the calculated risk is low in relation to the returns received. With a well-diversified property portfolio, aggregate risk

BUSINESS CONDITIONS FOR PROPERTY OWNERSHIP AND MANAGEMENT

- Stable cash flows—long leases.
- Active property management—good customer relations, work on tenant mix and the environment, for example.
- Value enhancement—responsiveness to better business conditions for the customer and Kungsleden.
- High property yield—high operating net in relation to property value.
- Low market risk—low vacancy level.
- Ensure the diversification of properties in terms of geography and type.

BUSINESS CONDITIONS FOR PROPERTY SALES

- Unsure stability—risk of deteriorated cash flow.
- Alternative investments—when another property can generate equal returns for a lower risk or higher returns for the same risk.
- Low risk-adjusted returns—when Kungsleden would not purchase at the current valuation.
- Increased market risk—when the risk of a decrease in value rises. This may be in changes to economic conditions, tenant profitability and the demand for properties.
- Threatened diversification—when one property or property type has an excessive impact on the portfolio.



For Kungsleden, diversification is a way of achieving the company's objective of maximising the risk-adjusted terms of the property portfolio.



(In Swedish only)

OUR FOUNDATION OF VALUES AND PROFESSIONAL CONDUCT

The values of a company are a key success factor. Kungsleden's values rest on entrepreneurship and substantial individual responsibility. These values are:

Innovation

Experience of properties, transactions and customer needs, combined with the entrepreneurial culture helps Kungsleden to identify opportunities. This helps create value for our customers and shareholders.

Presence

Kungsleden is highly active on the property market and is in close contact with its customers. Through a local presence and responsiveness to tenants, Kungsleden can identify and develop business opportunities to benefit customers and shareholders.

Facilitating

Kungsleden does not complicate things unnecessarily, but is straightforward and simple in how it operates. Our corporate culture is characterized by a sense of participation that offers our people room to act.

reduces. Creating a portfolio with relatively high-yielding properties, where returns are received for assuming a risk that is lower on the portfolio level, is crucial part of Kungsleden's business model. See also the schematic illustrations below.

FINANCE

Kungsleden does not state its limit for purchases. Instead, the scope of its liabilities side is set against the risk on the asset side. Its financial room to act increases or reduces over time depending on the state of the economy and quality level of the portfolio, i.e. the

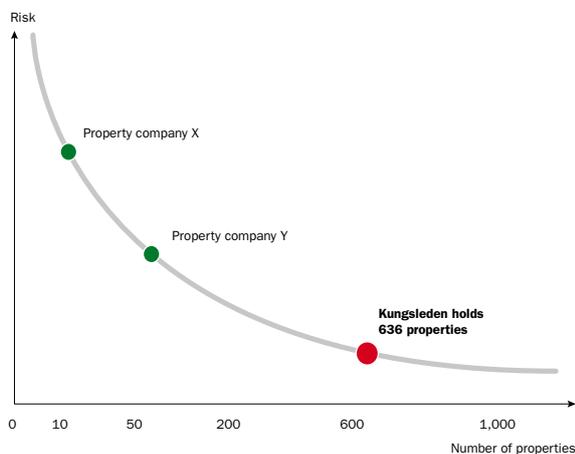
robustness of its tenants, the length of lease contracts, and thus the stability of cash flows. Over the past four years, the loan to value ratio has varied between 65 and 73 per cent. At the end of 2011, it was 66 per cent. The loan to value ratio for secured loans, i.e. excluding bond loans, was 60 per cent.

In tandem with the uncertainty prevailing during the financial crisis in 2008, Kungsleden arranged much of its funding through financial instruments, known as swaps, to reduce interest risk and secure cash flows. They mature progressively through the coming years, and if advance cancellation is consid-

ered advantageous, Kungsleden may do so going forward. Now, the intention is to cancel the swaps if considered advantageous, or allow them to mature over time without entering any new corresponding agreements—all other things being equal. A restructuring of the derivative portfolio in 2011 resulted in a lower average interest rate.

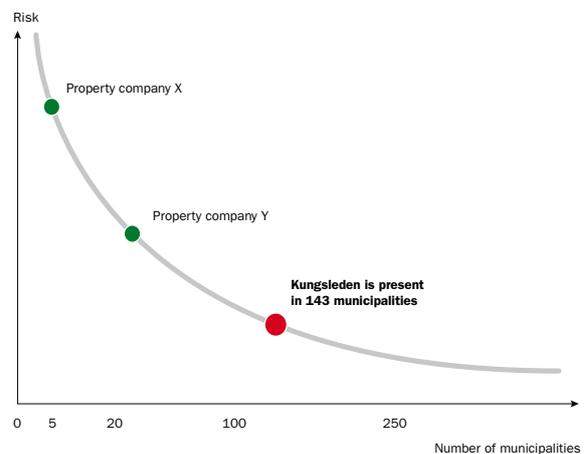
Kungsleden's funding consists of bank loans and bond loans. Eventually, it is likely that the share of bank loans will reduce in favour of other funding alternatives.

BENEFITS OF RISK DIVERSIFICATION THROUGH A LARGE NUMBER OF PROPERTIES AND PROPERTY TYPES



As a result of Kungsleden's portfolio consisting of many properties and types of property, the portfolio features low risk linked to any specific property or type of property.

THE BENEFITS OF RISK DIVERSIFICATION THROUGH A PROPERTY HOLDING IN A LARGE NUMBER OF MUNICIPALITIES



As a result of Kungsleden's properties being located across the country, the property portfolio is exposed to a lower share of area-specific risk than many other property companies.

High, but stagnating, growth in 2011

The lettings market for industrial and warehouse properties features generally homogeneous pricing, with small variations in rents and vacancy levels. For retail properties, the overall lettings market stagnated in the year. The progress of office rents in the major city regions of Gothenburg and Malmö show far less variation than in Stockholm, consistent with the trend prevailing over the past ten years. Transaction activity reduced slightly in 2011 on 2010, mainly as a result of reduced activity in the fourth quarter.

GOOD GROWTH IN 2011

Swedish GDP grew by 3.9 per cent in 2011, which can be considered a high number in a long-term perspective. In an international context, it is also a high growth number in comparison with most other Western economies.

In 2011, inflation (annual average) was some 2.3 per cent. The repo interest rate was progressively increased in the first half-year, to then remain at 2.00 per cent, and then cut by 0.25 percentage points in December. These levels are still relatively low.

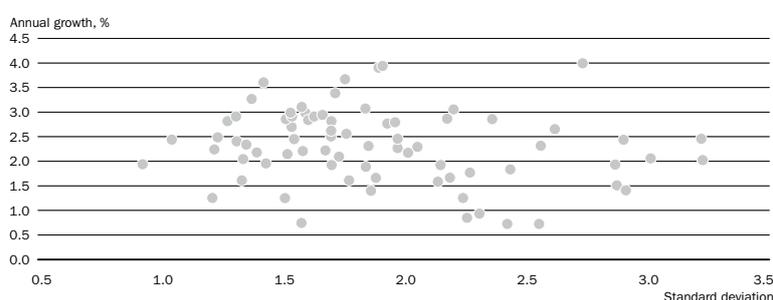
Total salaries in Sweden grew by 2 per cent in 2011, a significantly lower rate of increase than in 2010. However, estimated real disposable income increased by 3.2 per cent in 2011, which is a significantly higher rate than in the previous year.

GDP growth is forecast to slow down in 2012, with several experts warning of near-zero growth for the year. After gradual interest rate increases in 2010 and 2011, interest rate cuts are once again expected in 2012. The recovery of the labour market is expected to slow down, with largely unchanged or marginally lower employment levels expected in 2012.

REGIONAL GROWTH IN SWEDEN

Sweden is divided into 75 local labour markets (functional regions) featuring a high degree of autonomy in terms of labour and commuting. In the long term, growth is concentrated on medium-sized and larger regions, simultaneous with the regions gradually becoming fewer in number. The higher growth rate in the larger regions is mainly explained by the economies of scale offered by larger regions compared to smaller ones.

SWEDEN'S 75 LOCAL LABOUR MARKETS—GROWTH AND RISK



Sweden can be divided into 75 local labour markets, each of which are functional regions in terms of housing, work and commuting. The diagram illustrates how local labour markets have developed, expressed as the average annual percentage growth measured as total pay in 1995–2010. Risk is expressed in the form of standard deviation, i.e. an average annual deviation from average growth.

The structure of long-term regional growth—compared to economic growth—is an important basis for comparison between the attractions of different regions as markets for investment and new businesses. In the above diagrams, the general interaction between the size of the region and growth is illustrated in the above diagram. As the diagram indicates, generally, a minimum population of some 100,000 is necessary for a region to maintain long-term growth.

In the above diagram, Sweden's 75 local labour markets are positioned on the basis of long-term growth and risk. Growth is expressed as total average annual growth of total pay and risk expressed as standard deviation, i.e. the average variation in growth rates. Positioning on the diagram states the relationship between growth and risk in each of the local labour markets. The diagram indicates that the country's medium-sized and larger regions generally have a more favourable growth and risk relationship than is the case in the country's smaller regions.

GROWTH IN MEDIUM-SIZED AND LARGE REGIONS

Economic growth is fundamentally a regional phenomenon, where Swedish GDP growth is the total of growth in the country's various regions. A good measurement of regional economic growth is to continuously monitor the growth of total pay. Analysing total pay growth in 2011 illustrates that all major cities and several of the country's medium-sized regions progressed positively in the year.

Total pay in the Stockholm region grew by nearly 2 per cent in 2011. The Gothenburg region achieved significantly higher growth at 3.7 per cent, while the total pay in the Malmö region increased by 2.5 per cent. The medium-sized regions also had an increase in total pay, albeit at a modest rate. Overall, total pay increased by 1.6 per cent in the country's medium-sized regions.

GOOD, BUT DECLINING, EMPLOYMENT GROWTH

Employment growth in the Stockholm region increased by 3.0 per cent in 2011, while the Gothenburg and Malmö regions had unchanged employment levels in the year.

For Sweden as a whole, total employment increased by 1.5 per cent in 2011.

A STABLE LETTINGS MARKET FOR INDUSTRIAL/WAREHOUSE

The primary factors affecting rent levels on the lettings market for industrial and warehouse properties are the supply of premises in each sub-market and the individual property's competitiveness in its sub-market. Accordingly, there are no simple and universal correlations between the business cycle and the lettings market for industrial and warehouse premises. The market generally features homogeneous pricing, with small changes to rent and vacancy levels over time.

STABLE RENT LEVELS FOR OFFICES IN SMALLER LOCATIONS

Generally, employment in office-intensive sectors, known as office employment, and changes in the supply of office premises, are the two most important factors for being able to explain the progress of the lettings market for office premises at a regional level.

Overall, office employment in the country increase by 3.3 per cent in 2011. In the Stockholm region, an

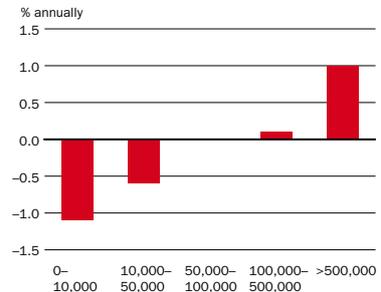
increase in employment in office-intensive sectors of around the 3 per cent level was achieved in the year. In the Gothenburg region, office employment increased sharply in 2011, by just over 6 per cent. An increase of just under 4 per cent was recorded in the Malmö region.

Viewed over time, fluctuations on the lettings market for office premises is most evident in the central districts of Stockholm, simultaneous with the country's other sub-markets having far more stable rent levels. One key explanation is that supply in the central districts of Stockholm is hard to adjust due to the limited supply of exploitable land.

Average rent levels for new contracts in central Stockholm excluding CBD (central business district) and its outskirts has not fluctuated widely ever since 2003. In the same period, CBD rents were more varied, in absolute and relative terms. Rental growth in the other major city regions of the country, Gothenburg and Malmö, exhibits far less rent fluctuations than Stockholm, even in central districts.

Whether long-term rent growth is positive or negative in a specific region is ultimately dependent on that region's long-term growth, especially in terms of employment in office-intensive sectors. The smaller a region is, the more dependent its lettings market on the progress of individual sectors, and on occasion, even individual companies.

YEARLY POPULATION GROWTH ON LOCAL LABOUR MARKETS, 1995-2011

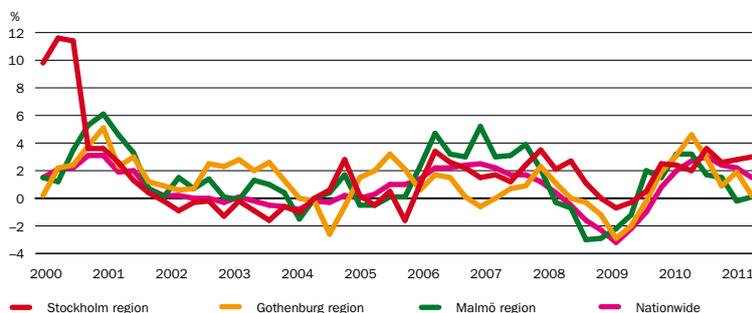


GROWING DIFFERENCES BETWEEN RETAIL PROPERTIES

Retail sales growth was irregular in 2011. For the first time in many years, downturns were apparent in retail sales, in monthly comparisons with the previous year. Despite the disposable income of the country's households increasing in the year, there are signs of nascent uncertainty starting among the country's consumers. One partial explanation to reduced retail sales may be that the savings quotient has increased sharply in recent years, and that mortgage interest rates have started to rise, even if they remain at comparatively low levels. Increased uncertainty regarding continued progress on the labour market is also apparent, which has an effect on households' willingness to consume.

Overall, the lettings market for retail premises was stagnant in the year, albeit without any dramatic impact on rent or vacancy levels. The attractions of specific retail properties—and thus rent terms—fluctuate widely, and are largely dependent on prevailing competition in each sub-market. The competitiveness of each property in its specific sub-market is decisive to sales growth, and thus also, its rent growth. In the year, there was a generally increasing discrepancy between the progress of more and less successful retail properties.

CHANGE IN TOTAL EMPLOYMENT



Change in total employment until the fourth quarter of 2011 inclusive on the corresponding quarter of the previous year.

STABLE DEMAND FOR PUBLIC PROPERTIES

Compared to commercial properties, rents on public properties are more cost-based than market dependent. As a rule, demand for properties with public operations is more stable over time than those for commercial usage. Accordingly, cyclical fluctuations do not have the same impact on public properties as on commercial properties.

Revenue streams in public properties are generally more stable than is the case for commercial properties. This is explained partly by less dependency on the economy for public operations, and that the contract terms of leases on public property are usually longer than those customary when letting commercial properties.

In recent years, interest in public properties has increased among different participants on the market, and this has become especially evident in the past five to ten years as the market has become still more liquid. This could be explained by market risk appetite generally reducing, implying greater interest in public properties with secure cash flows and long-term contracts. All other things being equal, more competition over these properties means that required property yields reduce. Indications from participants on the market suggest that this view is accurate. Investors are seeking more secure investments, which has put pressure on required property yields. However, different participants indicate that there is a substantial variation in terms of required property yields in the segment, where the pressure is most intense in retirement homes. Required property yields also vary across the country depending on counterparty and contract term.

RELATIVELY HIGH TRANSACTION VOLUMES

Transaction activity reduced somewhat in 2011 compared to 2010, mainly as a result of a substantial decrease in transaction activities in the final quarter

of the year. Estimated total transaction volumes in Sweden in 2011 were some SEK 100 billion, down nearly 10 per cent on 2010. This volume should still be considered high compared to other years. Interest from foreign buyers decreased in the year, and domestic players were in a clear majority. Real estate investment trusts, institutions and other property companies with strong finances were common buyer categories. Borrowing costs increased in the year, partly due to increased interest rates, and partly due to higher interest surcharges from lenders. Meanwhile, lenders' requirements for equity shares on acquisition also increased. In the latter part of the year, a hesitant attitude was also apparent from several banks, and accordingly, the execution time for transactions increased. The share of distressed sales was estimated at some 10 per cent of transaction volume in the year, which is consistent with the levels recorded in 2010.

WIDER DIFFERENCES IN YIELDS

Differences in required property yields between high and low-quality properties accentuated further in 2011, mainly due to reduced required yields for the most attractive properties. Properties with long-term stable cash flows, such as rental housing and retail properties with good positioning in their respective sub-markets, attracted interest from many investors.

Demand was primarily in the larger regions, simultaneous with interest in high-yielding and well-functioning properties in somewhat smaller regions also being apparent.

Kungsleden—position on the market

The lettings market for commercial properties made generally positive progress in the year and the same applied to public properties. Demand for modules to let and purchase of newly produced modules increased sharply in the first half-year, but levelled off somewhat subsequently. Kungsleden's rent levels are competitive, for reasons including its properties primarily being in locations with fairly stable rents.

THE MARKET FOR COMMERCIAL PREMISES

After a positive start, activity on the business transaction market levelled off in the second half-year as debt concerns in Europe resurfaced. Although there was certainly some continued underlying buying interest in properties and portfolios for sale, greater difficulties arranging funding contributed to a more hesitant market. Sweden's more well-known players, with strong finances, had the best prospects of closing favorable deals.

The lettings market generally remained positive, especially early in the year, and for Kungsleden's part, very limited bad debt and only a few isolated insolvencies. There was some concern from certain retailers in the retail segment, who were experiencing more difficult conditions. However, this outlook was not consistent, and there were tenants who were not affected to the same degree as others, such as northern European food provider ICA, with its stable operations.

There is an inherent inertia in Kungsleden's portfolio with its long lease contracts, in certain cases with

ten-year terms. At year-end 2011, a small number of tenants did decide to terminate their contracts. Despite this, vacancies were better than at the beginning of the year.

The lettings market for industrial and warehouse properties is mainly dependent on the profile of tenants. Kungsleden has several multinational tenants in this segment, who are not dependent on any single market, such as ABB. For Kungsleden's part, the lettings market for industrial and warehouse properties was stable.

Progress was also stable on the office lettings market. While businesses were doing well enough not to need to downsize headcount to any great extent, they also opted to retain their premises. If Kungsleden can offer the right type of property premises, or make tenant adaptations, it has good prospects for continued positive progress in this segment. For example, industrial premises in Västerås, west of Stockholm, were converted into very attractive office premises, helping achieve a very good letting.

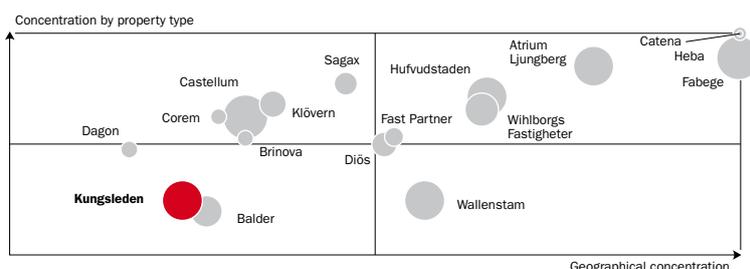
Most of Kungsleden's properties are in growth regions, but where growth

fluctuations are not extreme. The diagram on page 15 illustrates how total pay has increased on average in Sweden's local labour markets. The red spot shows Kungsleden's presence in Sweden in terms of annual growth and risk. Stockholm is an example of a high growth location, but where growth fluctuations are also substantial. Kungsleden's holding on the market is primarily in locations where rent levels are fairly stable, which in itself, is a good basis for stable cash flow.

THE PUBLIC MARKET

Interest in social services properties has increased in recent years, with 2011 being no exception. Even if a slowdown was apparent on the business transaction market in the fourth quarter, it was less severe than in other segments. Reasons included greater competition over this type of property, generally regarded as being one of the safer property investments. Funding was also facilitated by many buyers being supported by strong owners. Hemsö is Sweden's largest private property owner for social services properties. The underlying trend of

KUNGSLEDEN'S POSITION ON THE MARKET



Kungsleden's business model has resulted in a portfolio which features a holding diversified both geographically and by property type, more so than any other portfolio on the Swedish market.

Source: Leimdörfer

municipalities selling properties make capital available to invest in other activities remains an underlying trend. Of Swedish transaction volumes of social services properties of around SEK 10.5 billion in 2011, Hemsö was a net buyer of some 10 per cent.

The lettings market in this segment was stable in the year. Municipalities, county councils, independent schools and the judicial system are the primary tenants.

As a complement to its portfolio in Sweden, Hemsö also owns a property holding in Germany. These properties are fully let to different retirement home operators. The lettings market in this segment was also stable in the year.

Public care providers are demanding more modern premises than previously. Independent schools often occupy alternative education niches, which may apply specific requirements on their properties. Many schools in Sweden were built in the 1950s and 60s, which creates a need for more contemporary premises. Kungsleden endeavours to satisfy tenants' differing needs and offer attractive and contemporary premises for schools, police services, or care, for example.

THE MODULE MARKET

The year started with a sharp increase in demand, primarily in new lettings, but also in the sale of modules. However, from June onwards, the demand for produced modules levelled off, and remained fairly poor through the autumn. The pattern was similar in lettings, and despite some recovery

through the autumn, activity levels remained lower than in the spring.

Net lettings were positive in the year, i.e. Nordic Modular's lettings were greater than the return flow of modules, which meant that the volume of modules was greater at year-end 2011 than at the beginning of the year.

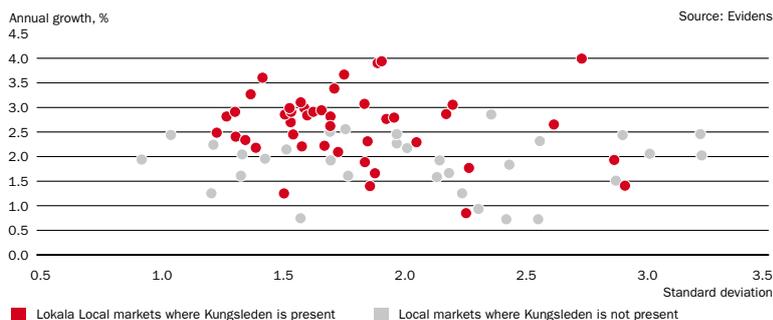
Half of the lettings order intake consisted of school modules, a quarter of pre-schools and the remaining quarter was offices. Enquiries through the spring were dominated by those for offices, but this trend slowed down ahead of the summer in tandem with renewed debt concerns in Europe. Pre-schools dominated the order intake for sale of modules.

Demand in production and lettings is demographically driven by the need for more capacity in schools and pre-schools. The construction industry is another driver, where the need for storage units has increased, in tandem with progress including increased housing production in the first half-year and large-scale construction projects, not least in the Stockholm region.

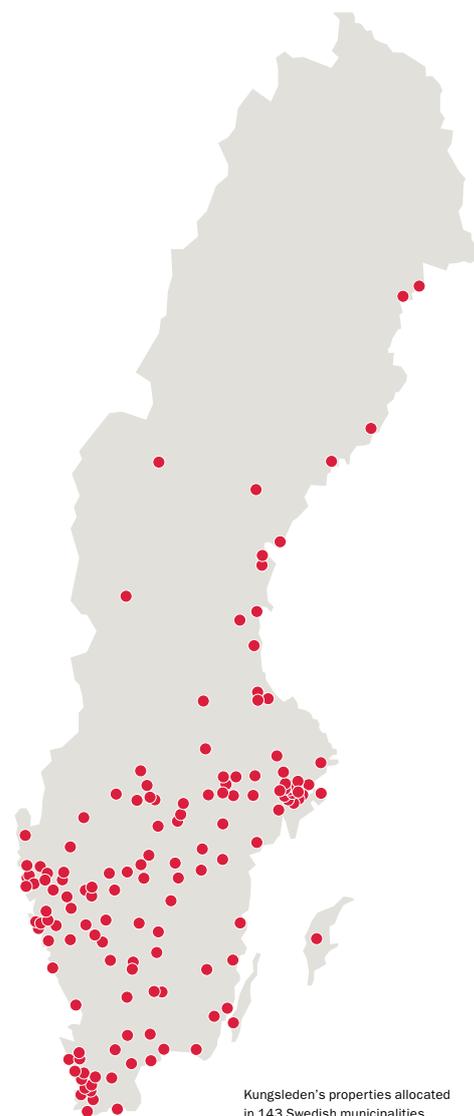
Leasing may be relevant if a customer require high standards on individualised solutions, or if it knows that the usage term will be lengthy right from the start, when initial leases may be signed for five to ten years. Normally, the market for leasing follows module production.

The competitive outlook on the producer market was stable. In lettings, a number of foreign players have joined the market in recent years. However, it would appear as if these players have not succeeded in securing a firm posi-

SVERIGES 75 LOKALA SWEDEN'S 75 LOCAL LABOUR MARKETS—GROWTH AND RISK



Sweden can be divided into 75 local labour markets, each of which are functional regions in terms of housing, work and commuting. The diagram illustrates how local labour markets have developed, expressed as the average annual percentage growth measured as total pay in 1995–2010. Risk is expressed in the form of standard deviation, i.e. an average annual deviation from average growth



tion on the market. Getting into this market requires modules suited to Swedish conditions, and the achievement of a threshold volume.

MUNICIPALITIES ARE A KEY CUSTOMER GROUP

Municipalities are a key customer group in lettings. Municipal finances have improved in recent years, which has been a contributor to demand. Larger industrial corporations, with customers such as Ericsson and Scania, are another key customer group.

Municipalities have also been a major customer group for purchases of produced modules. The big plant hire companies, most of which for historical or other reasons, have links to construction companies, are another major customer group.

Nordic Modular upscaled their market approval in 2011. Previous experience indicates that visibility and addressing the market are worthwhile investments because this has a close link to sales growth in the longer perspective. For example, brand research indicates that Temporent has a high recognition factor.

OPPORTUNITIES IN PRACTICE:

Financial services group Nordea moves back home



Urban Strömqvist, Nordea Bank Manager, at his old—and new—premises in Sollentuna.

During a re-organisation, the Northern European financial services group Nordea needed more office space north of Stockholm. The goal was to co-locate the management of Northern Stockholm Region of Nordea into an advisory services office and key account unit, a business office to cover the whole of the northern Greater Stockholm market, and support functions for these units. A total of some 2,500 sq.m. was needed. Nordea considered a range of alternatives, including the expansion of its business in Täby, a suburb just north of Stockholm.

Nordea already had bank locations and a smaller branch office in a Kungsleden property next to the Sollentuna commuter train station. This property, built in 1990, has some 5,000 sq.m. of commercial space, originally built by Uplands Bank, part of the group that is now Nordea. The bank decided to continue with Kungsleden, which had unoccupied premises on the property, also well located for Nordea's purposes.

The co-location required two new storeys to be put on the property. The project started with a discussion as to who would be responsible for what. Kungsleden was keen to adopt a flexible approach and tailor its solutions to the customer. This resulted in Kungsleden modifying the top storey, while Nordea conducted its own tenant adaptations on the floor below. The ground floor of the bank premises had previously been renovated to better suit private advisory services, focusing on mortgage customers.

Work went well and Nordea was able to move in as of autumn 2011.

"Kungsleden has been willing to collaborate, they have been positive, responsive and one of the best property owners we had a relationship with. Ironically, this building was originally constructed to house the former bank's head office in northern Stockholm, so you could say we've come home," noted Urban Strömqvist, Nordea Bank Manager.

In dialogue with tenants and customers

Kungsleden's commercial property portfolio grew in terms of volume and value in 2011. The share of retail properties in the holding decreased, while the industrial/warehouse share increased year on year. The operating net of the commercial portfolio increased by SEK 406 m, mainly as a result of purchases, reducing vacancies, and a lower cost base in like-for-like holding terms.

The year started with generally more optimism compared to the second half-year. Many tenants took an optimistic view, and were able to expand their operations. Kungsleden was active. Overall, Kungsleden purchased properties with a value equivalent to over SEK 4.2 billion, the absolute majority in the first half-year.

However, market conditions changed during the summer as a result of increasing debt concerns in Europe. The market window shrank for purchasing properties at good yields. Sales of commercial properties worth just over SEK 1.1 billion were completed in the

second half-year. Kungsleden works continuously towards ensuring its exposure to individual customers, markets and segments is balanced.

In parallel with property transactions and screening potential purchases and sales, much of the year was devoted to tenant care in those properties purchased in the year.

"Being present in different ways is important, being present nationwide, and seeing our customers. Obviously, we're pleased to have a number of tenants who are doing well, including Bygghem and ICA, that are not only large players, but also offer different types of

discount products or goods that are also needed in recessions," commented Eskil Lindnér, Divisional Manager.

MAKING THE IMPOSSIBLE POSSIBLE

The largest purchase in the year was NRP, which consisted of 36 office and industrial premises, two of which are in Poland and one in Germany. This acquisition can be considered as an example of Kungsleden's business model. The NRP portfolio was fairly heterogeneous, with a wide range of rent and lease contracts. Many players may perceive this type of portfolio as problematic. However, the company's



ambition is to make what appears impossible possible. The year largely featured work on integrating the NRP properties into Kungsleden's portfolio, which went as planned.

Another example of Kungsleden's attitude is its work on a small number properties with difficulties in the portfolio. There are becoming development projects, with solutions often based on creativity, focus, sufficient resources and the insight that there is always a solution if you look hard enough. If required, external competences are also brought in. This attitude based on Kungsleden's corporate culture, that nothing is impossible. One good example is five properties in Norra Botkyrka, near Stockholm, which were sold late in the year after a successful development project.

THE CHARACTER OF THE HOLDING

Kungsleden's holding of commercial properties consists of new-builds and well maintained older properties, with typically, an attractive location. Properties should be flexible in the sense that their usage should be adaptable if an existing tenant decides to relocate.

A fruitful partnership



Fredrik Fröborg, Regional Manager of Frukktbudet, and Malin Sloan, Assistant Technical Manager of Kungsleden.

Frukktbudet, the Fruit Courier, Sweden's largest and longest-established vendor of fruit baskets, had outgrown its premises in Skåne, southern Sweden. It needed a bigger office, more room for production and warehousing, and more space for its staff. The new property needed features including a high ceiling, no pillars and lots of chiller space. Frukktbudet ships nearly 40 tons of fruit from its Skåne base every week. Frukktbudet also needed plenty of room outside for its van fleet.

Frukktbudet contacted Kungsleden in 2010 after seeing an advertisement. Kungsleden had a large industrial property in Arlöv, north east of Malmö, with unoccupied space. The building was a property from the 1960s–70s, whose oldest parts were from the 19th century. Some of its basic features were a high ceiling, no pillars and good geographical location, although a large-scale conversion would be required. Kungsleden was prepared to take the full cost, if Frukktbudet was interested.

Kungsleden supported Frukktbudet in the conversion process by supplying formal contacts, tendering, recommending contractors through the company's contact network and proposing structural solutions through Kungsleden property technicians which were then adopted for the full conversion process.

"The adaptations were fairly substantial, with old electrical cables and other installations that needed removal. We needed new walls and loading space, while garage doors had to be removed or replaced. We held scheduled construction meetings every 14 days and maintained a good dialogue throughout. Kungsleden was really flexible and responsive to change and extensions. We really got a lot rebuilt," commented Fredrik Fröborg, Frukktbudet's Regional Manager.

One bonus was that Kungsleden was able to donate a cooling plant to the property, which meant that Frukktbudet was able to avoid some investments. Frukktbudet moved into its new premises in March 2011. More tenants have moved in since then and more are on the way.

Hemsö

Hemsö has been 50:50 owned by Kungsliden and AP3 (The Swedish Third Pension Insurance Fund) since 2009. From 2011 onwards, this property company is a completely independent company, with the same focus as previously, on public properties. Hemsö conducted a number of purchases in the year, which increased portfolio value by about SEK 1.2 billion, or 6 per cent. Hemsö has been consolidated into the Kungsliden group according to the equity method, effective 1 January 2012.

Hemsö's holding consists of public properties. Publicly funded operations for the general public such as geriatric care, schools and healthcare, as well as other public services, are conducted in these properties. Properties for other public operations are primarily properties for the judicial system as well as a number of larger properties with public sector tenants like the Swedish Civil Aviation Administration and SMHI, the Swedish Meteorological and Hydrological Institute.

This holding is well diversified geographically, albeit with some concentration on larger regional cities. Hemsö is based in Stockholm, has regional offices in Gothenburg and Malmö, and 17 local branches and operational offices around the country.

The largest tenants are Västra Götaland County Council, training provider Academedia and care provider Attendo.

The first half-year featured an establishment of Hemsö's independent organisation and hiring key staff as senior

managers. As part of developing the company, Hemsö relocated its head office to its own premises in spring 2011. The company has since operated as a fully independent entity.

HIGH ACQUISITION ACTIVITY

The second half-year featured high activity in business transactions, when all the company's purchases were conducted. A total of 17 properties were acquired for nearly SEK 1,217 m. The purchased properties housed senior high and other schools, pre-schools and retirement homes.

Hemsö's goals correspond to those the operation had when it was managed by Kungsliden's former Public division. It focuses on owning, managing and devel-

oping premises for social services. Hemsö should satisfy tenant expectations and fulfil the needs for smoothly functioning and expedient premises. The estimated size of the public property market in Sweden is around 90,000,000 sq.m., of which Hemsö's market share is some 1.7 per cent. Accordingly, Hemsö has a substantial growth potential.

Kungsliden exercises its influence through Hemsö's Board of Directors. At present, its Board has seven members, three of which represent Kungsliden and three represent AP3. One member is non-affiliated. Håkan Bryngelson, previously CEO of property company Vasakronan, and Chairman of Kungsliden's Board, is its Chairman.

Kungsliden and AP3 have signed a five-year shareholders' agreement that expires in 2014. Jointly with AP3, Kungsliden is continuing to develop and strengthen Hemsö's already secure positioning on the public properties market.

A SEK 21 BILLION PROPERTY PORTFOLIO

As of 31 December, the holding consisted of 312 properties with a book value of SEK 20,858 m and area of 1,519,000 sq.m. At year-end, these properties generated annual rental revenues of SEK 1,776 m and an operating net of SEK 1,283 m. The Swedish property holding was located in 88 municipalities, of which 56 per cent of book value in municipalities with populations of less than 100,000. About 40 per cent of property book values were located in the major three city regions of Stockholm, Gothenburg and Öresund.

HEMSÖ



Apart from the holding in Sweden, Hemsö owns 17 retirement homes in Germany. These properties were acquired from Kungsleden at the end of 2010 and completion was in April 2011. The majority of these properties are located in the Ruhr region and Frankfurt. Gross leasable area is 75,000 sq.m. and total rental value is EUR 11 m, or some SEK 98 m.

HEMSÖ'S HISTORY

Kungsleden started accumulating its holding of public properties in 2001, and by year-end 2008, it represented all of 58 per cent of portfolio book values. Just before year-end 2008, Kungsleden entered an agreement to sell 50 per cent to AP3, and Hemsö was formed in May 2009.

HEMSÖ REPORTING

Until the end of 2011, Hemsö was consolidated into the Kungsleden group using the proportional method. This means that half of all Hemsö's assets, liabilities, revenues and expenses were reported item by item in Kungsleden's

consolidated accounts. For example, SEK 10,429 m of Kungsleden's total property values of SEK 26,122 m in 2011 relate to those properties held by Hemsö.

From 1 January 2012 onwards, Hemsö is being consolidated into the Kungsleden group based on the equity method instead. This has been conducted after the forthcoming IFRS 11 Joint Arrangements only permitting the equity method for consolidating joint ventures.

This change of method means that half of Hemsö's profit or loss is presented on the row Profit/loss from participations in joint ventures in the Income Statement. In the statement of financial position, half of the value of Hemsö's equity will be reported as an asset on the row Participations in joint ventures, according to IFRS. The amount of equity, net profit or loss and profit for calculating dividends will not be affected by the change of accounting method. However, items including property book values and loans will be lower due to the de-recognition of the Hemsö

amounts, reducing total assets and increasing the equity/assets ratio.

More information about how Hemsö affects Kungsleden's financial statements and Kungsleden's results for 2011 based on the different methods are stated in Note 34 and at www.kungsleden.se/consolidation-of-hemso.

THE VALUE OF THE HOLDING IN HEMSÖ

Hemsö's equity as of 31 December 2011 was SEK 2,169 m, of which Kungsleden's share was 50 per cent, or SEK 1,084 m. This value has been produced based on the accounting rules of IFRS. The value of the company may differ from the IFRS-calculated equity. Among other things, the IFRS equity has been charged with SEK 1,502 m in deferred tax on properties, while a measurement of shares in property companies in a transaction usually assigns the value of the deferred tax liability at 5–10 per cent of temporary differences. A measurement of the deferred tax liability for properties at 10 per cent of Hemsö's temporary differences as of 31 December 2011 increases the value of the Hemsö group by some SEK 1,000 m compared to equity according to IFRS.

An enterprise valuation after the transaction may also measure the property portfolio at another value. The total of individual properties' book value in Hemsö corresponds to an average property yield of 6.2 per cent as of 31 December. A divergent value of the property portfolio affects the value of the company by approximately +/- SEK 300 m per 0.1 percentage points variation in property yields (after adjusting for deferred tax on the difference).

Read more at www.hemso.se
(In Swedish only)

INCOME STATEMENT

SEK m	2011	2010
Rental revenues	1,671	1,396
Property costs	-469	-407
Gross profit	1,202	989
Trading net	-1	15
Sales and administration costs	-150	-90
Net financial position	-619	-262
Unrealised value changes		
Investment properties	898	464
Financial estimates	-235	-
Profit before tax	1,095	1,116
Tax	-269	-186
Net profit	826	930

STATEMENT OF FINANCIAL POSITION

SEK m	2011 31 Dec	2010 31 Dec
Assets		
Properties	20,858	18,518
Receivables, etc.	444	422
Cash and cash equivalents	264	353
Total assets	21,566	19,293
Equity and liabilities		
Equity	2,169	1,570
Liabilities to owners	3,000	3,000
Interest-bearing liabilities	13,445	11,085
Deferred tax	1,502	1,253
Non interest-bearing liabilities	1,450	2,385
Total equities and liabilities	21,566	19,293

EARNINGS CAPACITY BY TYPE

	Retirement Homes Sweden	Retirement Homes Germany	School	Care	Other Public	Total
No. of properties	109	17	74	92	20	312
Leasable area, 000 sq.m.	513	76	439	290	201	1,519
Book value, SEK m	8,329	1,290	5,863	2,851	2,525	20,858
Rental value, SEK m	661	98	525	314	232	1,830
Rental revenues, SEK m	649	98	507	297	225	1,776
Operating net, SEK m	464	93	372	186	168	1,283
Economic occupancy, %	98.2	100.0	96.8	94.5	96.8	97.1
Property yield, %	5.6	7.2	6.3	6.5	6.7	6.2
Operating surplus margin, %	71.4	95.1	73.3	62.7	75.0	72.2

BOARD MEMBERS OF HEMSÖ FASTIGHETS AB

Member	Representing
Håkan Bryngelson (Chairman)	Kungsleden
Magnus Meyer	Kungsleden
Thomas Erséus	Kungsleden
Claes de Neergaard	AP3
Kerstin Hessius	AP3
Bengt Hellström	AP3
David Mindus	Non-affiliated

Nordic Modular

Nordic Modular is a Nordic leader in the letting of premises in modular buildings, as well as the production and sale of modules. Flexible and cost-efficient modular buildings are a complement to Kungsleden's offering, mainly in the public sector. This operation is run through three subsidiaries; Temporent, Flexator and Nordic Modular Leasing.

Temporent develops and lets temporary premises in modular buildings. These modular systems are specially designed for offices, schools and pre-schools.

The main customers are municipalities and large corporations. The main market is Sweden, but also have some operations in Norway and Denmark.

Flexator produces and sells modular buildings based on standard construction systems. Applications cover everything from storage units to high-quality mobile buildings for offices, retirement homes, schools and pre-schools. The main customers are municipalities, county councils and large corporations. Flexator produces the modular buildings that Temporent lets.

Flexator's customers can also lease modules via Nordic Modular Leasing as an alternative to purchase. Customers can purchase modular buildings after the end of lease contracts. The main customers are municipalities.

THE NEED FOR MODULES IS CONTROLLED BY DEMOGRAPHICS

Some 75 per cent of modular buildings are leased by municipalities and county councils. Largely, needs for premises are dependent on demographic factors

like relocation streams and changes to birth rates. On the business side, demand is primarily determined by the business cycle.

The head office is in Upplands Väsby, north of Stockholm, with offices in Lund, Umeå, Oslo and Copenhagen, and production plants in Anneberg outside Nässjö, Gråbo outside Gothenburg and Eslöv (all Sweden).

STRONG PROFIT CONTRIBUTOR

For 2011, Nordic Modular's rental revenues were SEK 244 (241) m with a gross profit of SEK 195 (194) m. Occupancy decreased early in the year, but then increased, to 77 per cent (77) by year-end. Occupancy is expected to keep increasing in early 2012. The profits from modular lettings are high compared to lettings of commercial and public properties. In 2011, modular lettings represented 12 per cent of Kungsleden's total gross profit, while simultaneously, this operation only represented 6 per cent of property value.

The property yield after standard rate depreciation of SEK -86 m amounted to 7.0 per cent as of year-end. Value impairment due to use is greater for let modules than for properties on static

foundations. Useful lives are 15-20 years if relocated, but if not relocated, are basically the same as a conventionally built property. Standard rate depreciation was not charged to the Income Statement or profit for calculating dividends prepared in accordance with IFRS. However, the Income Statement was charged with unrealised value changes of SEK -60 m corresponding to the reinvestments made in the modular holding. At year-end, the holding amounted to 232,000 sq.m., which was largely unchanged in the year.

SOLID SALES INCREASE

Sales of modules including changes to inventories increased significantly in 2011, to SEK 288 (184) m, with gross profit of SEK 30 (24) m. Nordic Modular continuously adapts its workforce to economic conditions. The order book at the Gråbo plant was fairly good at year-end 2011, in seasonal terms. However, the plant at Anneberg had a low order book, and accordingly, 24 employees were issued with redundancy notices in early-2012.

A PROFITABLE INVESTMENT

Kungsleden's 2007 investment in Nordic Modular Group has been profitable. The annual return on equity has averaged well over 20 per cent since the 2007 acquisition. Capital transfers to Kungsleden exceed invested capital, simultaneous with Nordic Modular self-financing re-investment, not only for a retained modular holding, but also an increase of 33 per cent. These investments were primarily made through purchases from Nordic Modular's own plants.

For more information and contacts, see www.nordicmodular.com.



Kungsleden—the workplace

We spend a lot of our waking hours at work. As the property company that facilitates opportunities, we want to ensure we have a workplace where people are content and can develop. The decision mainly is delegated throughout the organisation, which creates exciting challenges, while simultaneously promotes drive and fresh ideas.

CORPORATE CULTURE AND VALUES

As a workplace, Kungsleden features a high level of employee commitment with egalitarianism and mutual trust between people. Our people's commitment, courage and willingness to take responsibility are key ingredients of Kungsleden's long-term success. We often work in teams, where camaraderie, skills and participation are important.

At Kungsleden, it is self-evident that everyone contributes to a positive corporate climate. Every year, Kungsleden conducts an employee survey to get an indication of how the organization is feeling and some background on what's working well and what could be improved. Our employee satisfaction survey for 2011, which 95 per cent of all staff responded to, describes employees' fulfillment at work and loyalty, and is published as a fulfillment at work index. In 2011, Kungsleden achieved a fulfillment at work index of 81, which can be set against the Swedish business average of 66. The survey was conducted in partnership with Ennova.

A happiness at work index consists of satisfaction and motivation. Satisfaction is an expression of how satisfied people are with their work and how people value their workplace in relation to an ideal. Motivation is largely about how motivated employees feel at work and how they look forward to meeting up at work. The survey also deals with questions such as development, leadership, collaboration, attitudes and day-to-day work. Employees rate their answers on a 1 to 10 scale, which then produces an index. A few key segments are stated in the table to the right.

This year's measurement differs from the previous year's, so the results are not fully comparable. The employee index in 2010 was 73 per cent.

In the Great Place to Work survey 2012, Kungsleden came second out of the medium-sized companies and were named best out of the property companies. Kungsleden came in third place for medium-sized companies. Being rated as one of Sweden's best workplaces spreads pride internally and encourages the company to be even better. At Universum Awards 2012, Kungsleden was awarded Newcomer of the Year. This award recognises the company that has been most successful in enhancing its ability to attract students in a short time and has taken a goal-oriented approach to working with its employer brand. A good workplace and shared values are also important components when hiring new employees. Kungsleden's values rest on a firm foundation of entrepreneurship, and are defined as:

Innovation—experience of properties, business transactions and customer needs, combined with an entrepreneurial culture helps Kungsleden to identify opportunities. This helps create value for our customers and shareholders.

Presence—Kungsleden is highly active on the property market and is in constant contact with its customers. Through a local presence and responsiveness to tenants, Kungsleden's employees can identify and develop business opportunities to benefit customers and shareholders

Facilitating—Kungsleden does not complicate things unnecessarily, but is straightforward and simple in how the operate. Our corporate culture is characterized by a sense of participation that offers our people flexibility.

OPPORTUNITY TO DEVELOP

Kungsleden's organisational structure and business model means that work at Kungsleden is in constant development.

Development can be about learning new things within an existing position, or trying something completely new. Kungsleden has a lot of people that have tried different roles and duties. They may have changed jobs within our property management division, or transferred from a specialist role to a leadership role. Or for example, worked in administration, to then try accounting.

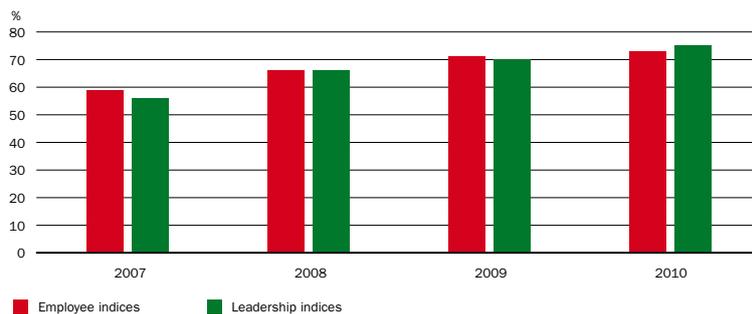
Employee development is a central component of operations, and is reviewed annually at appraisal interviews between staff and their Managers. Managers also get support in their role through workshops focusing on coaching leadership. New managers undergo tailored training packages and are supported by a personal coach. Kungsleden's leadership is measured each year in the form of a leadership index, which is an aggregated index of 11 questions. Kungsleden's leadership index is this year 83. This year's measurement of the leadership index also differs somewhat from the previous

EMPLOYEE SURVEY 2011

Results segment (selected)	Kungsleden	Swedish average
I feel motivated at work	84	71
I always look forward to going to work	81	64
I could imagine myself recommending other people to apply for a job at Kungsleden	91	67
I am proud to tell other people where I work	89	72



EMPLOYEE SATISFACTION AND LEADERSHIP INDICES 2007-2010



Annual employee surveys were conducted in 2007 to 2010 in collaboration with Synovate. Both the employee index and leadership index increased. For the year 2011 survey, see the previous page.

year's, and accordingly, the results are not fully comparable. The year 2010 leadership index was 75.

Besides stimulating tasks with good developmental prospects, Kungsleden has an ambition of offering performance-related incentive payments. Over the past year, all staff had the opportunity to receive an extra month's salary, half of which was linked to the company's operational results, and the remainder to individual goals. For 2011, most employees received one extra month salary payment related to Kungsleden's target profit for calculating dividends, personal targets, or group targets.

HEALTH

It is common knowledge that good health has a positive effect on sick leave absence and performance at work. Kungsleden encourages physical activity in and outside the workplace by making a contribution to keep-fit for all staff, offering massage facilities and activities that include daily exercise. For example, two of Kungsleden's employees play sports that are somewhat out of the ordinary. You can read interviews with Fredrik, who gets energy from windsurfing in his spare time, and Malin, who plays beach volleyball. Read more on pages 25 and 51.

Kungsleden also offers its staff regular health check-ups. In 2011, Kungsleden had sickness absence of 3 per cent, compared to 2 per cent in 2010. Staff turnover, defined as the number of permanent employees terminating in the year divided by the average number of employees, was 8 per cent. Of staff turnover, 7 per cent represented voluntary resignation and 1 per cent retirement.

EQUAL OPPORTUNITIES

Kungsleden continues to execute an equal opportunities plan to achieve a favourable mix between genders and age groups across the organisation, including a more even gender mix in management positions. At Kungsleden, equal opportunities means everyone has the same values and are treated with respect and dignity regardless of sex, age, origin or class. Kungsleden aims to be a well-functioning workplace where everyone has equal opportunities to succeed and give their best. No-one in the organisation will be exposed to derogatory treatment, i.e. bullying, social exclusion or sexual harassment.

Results of the equal pay audit conducted in the financial year indicate that Kungsleden applies the same remuneration principles for everyone in terms of salary issues and the same terms, conditions and rules apply to women and men.



Kungsleden takes a positive view of parental leave and offers attractive terms. At year-end, 3 (3) Kungsleden employees were on parental leave.

HR STATISTICS

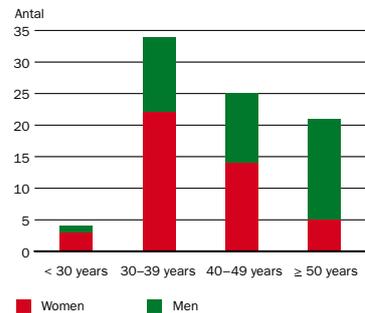
At year-end 2011, the Kungsleden group had a total of 312 (271) full-time employees. 186 (168) of them were employed by Nordic Modular. Half of the 86 (68) employees of Hemsö Fastighets AB are also included. Subsidiaries are operated as independent units with their own central functions.

Of the remaining 83 (69) employees, at year-end, 43 (39) worked in property management and 40 (30) in administration. The percentage of women in administration was somewhat higher than men, while the reverse applied within property management. Overall at year-end, 54 (58) per cent of staff were women

The average age of salaried employees was 44 (43). By gender, the average age was slightly higher among men than women, 44 and 40 respectively. Women were a clear majority in the under-40 age group, while the division between genders for employees over 40 was even. 54 (55) per cent of salaried employees are 40 or older.

Overall, the statistics demonstrate that Kungsleden has a favourable mix of employees of varying age and experience. Approximately two-thirds, or 66 (51) per cent have worked for Kungsleden for four years or more, 22 (43) per cent between one and three years and the remaining 12 (6) per cent for less than one year.

AGE PROFILE – SALARIED EMPLOYEES



Employee interview —Malin Axland



What is your area of responsibility?

I'm a company lawyer and mainly work on property transactions and advisory services for our management organisation. I also deal with other legal issues that arise in the company, which means my job is very diverse.

What's the most enjoyable part of your job?

When I can be a good speaking partner on various issues early on in the process. That's when I can be creative and make a difference, contributing to even better transactions.

What gives you energy at work?

Getting to work with so many really skilled and nice people that are all willing help each other.

What gives you energy in your spare time?

Spending time with my daughter, who's nearly four, gives me loads of energy. I also get energy from training and competing in beach volleyball, which I think is really fun. Sometimes we get into a flow and play amazingly together, and that feeling is unbeatable. Those times stay with me, and then it doesn't matter whether we win or lose.

How do you balance your work and leisure?

I always endeavour to be fully present in what I'm doing, both at work and when I'm at home with my family, because that's when I'm most effective and can really relax and get new energy. Work and leisure interact with each other, and having flexible office-hours so you can make your day work is a big benefit. This summer I hope to spend a day working as a beach volleyball instructor at a children's summer camp run by Fryshuset, a businesspartner of Kungsleden.

How does Kungsleden facilitate opportunities for you?

It's an attitude we have at Kungsleden that anything is possible. Everyone's committed and open to change and new solutions. It's a creative and egalitarian environment, and because a lot of responsibility is delegated, you have a lot of influence.

PROPERTY PORTFOLIO

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The property portfolio

As of 31 December 2011, the property portfolio consists of 636 properties with book value of SEK 26,122 m. The holding is divided into three segments; Commercial Properties, Public Properties and Nordic Modular, where Commercial Properties is the largest segment, representing nearly half of book value.

2011 IN BRIEF

In the year, Kungsleden's property portfolio consisted of 592 properties with a book value of SEK 21,501 m and rental value of SEK 2,343 m. Leasable area was a total of 2,510,000 sq.m.

In the year, Kungsleden purchased 60 properties, the largest transaction being 36 properties purchased from NRP. In total, the value of property purchases was SEK 4,798 m with rental value of SEK 691 m and area of 960,000 sq.m.

20 properties with area of 143,000 sq.m. and rental value of SEK 98 m were sold in the year for SEK 1,224 (179) m.

Four properties were added through a property conversion process.

As of 31 December 2011, Kungsleden's property portfolio consisted of 636 properties with a book value of SEK 26,122 m, rental value of SEK 2,987 m and leasable area of 3,328,000 sq.m.

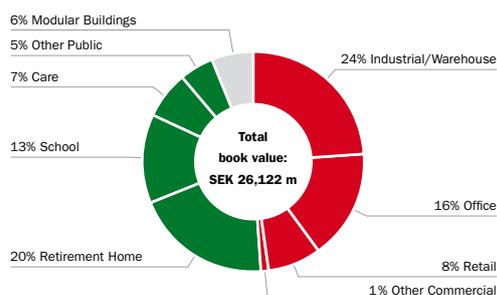
Purchases and sales in the year meant that the Commercial segment increased by 28 properties net, of which 23 properties of the Industrial/Warehouse type and 10 Office, while Retail reduced by 4 and Other Commercial reduced by 1 property. Public Properties increased by 16 properties, of which 3 in Retirement Home, 10 in School, 5 in Care, while Other Public reduced by 2.

Investments in existing properties in the year were SEK 306 m. Primarily, investments are in the conversion and

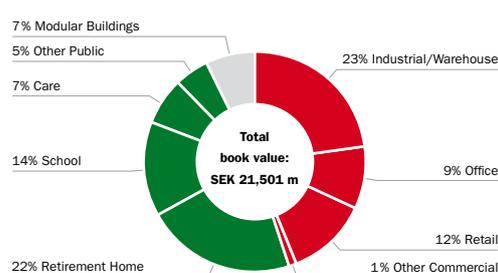
extension of existing properties in consultation with tenants so the customer's operations can be conducted in a better, more efficient way. Investments increase property values through higher rent levels, and often, longer contract terms.

Value changes on properties amounted to SEK 690 m in 2011. The positive value change on properties is the net of new value appraisals and investments made, corresponding to 3 per cent of book value. The value change comes from public properties, where required property yields reduced and commercial properties, where new lettings were arranged and the results from recently purchased properties were better than expected.

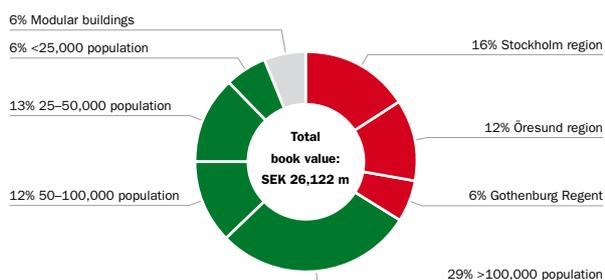
PROPERTY HOLDING BY TYPE, 31 DECEMBER 2011



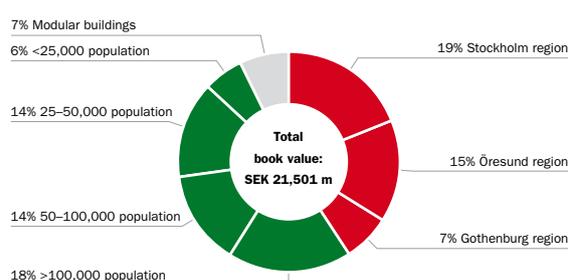
PROPERTY HOLDING BY TYPE, 31 DECEMBER 2010



PROPERTY HOLDING BY SIZE OF LOCATION, 31 DECEMBER 2011



PROPERTY HOLDING BY SIZE OF LOCATION, 31 DECEMBER 2010



Holding

In 2011, Kungsleden's property holding increased by 44 properties net to a total of 636 properties. Book value increased by 21 per cent to SEK 26,122 (21,501) m, while rental value increased 27 per cent to SEK 2,987 (2,343) m. Meanwhile, leasable area grew by 33 per cent to a total of 3,328,000 (2,510,000) sq.m.

COMMERCIAL PROPERTIES

Kungsleden's commercial properties are divided by type according to the main activity conducted in these properties; Industrial/Warehouse, Office, Retail and Other Commercial. The Other Commercial type includes activities such as parking and land where commercial buildings are to be built. A property is considered commercial if the majority of tenant operations are commercially, rather than publicly, funded.

Property purchases and sales in the year meant that Kungsleden significantly increased its portfolio of industrial/warehouse properties, by 23 properties to 126, a 22 per cent increase. The Office type increased by 14 per cent from 72 properties in the previous year to 82 properties. The increase in both

types is explained by the acquisition of 36 properties from NRP, whose portfolio primarily comprises office and industrial properties and features stable yields and stable tenants. Offices in Västerås dominate the portfolio and represent half of rental value. The largest type in the commercial holding is Industrial/Warehouse, which as of 31 December 2011, represented 49 (50) per cent of the value of the commercial holding.

PUBLIC PROPERTIES

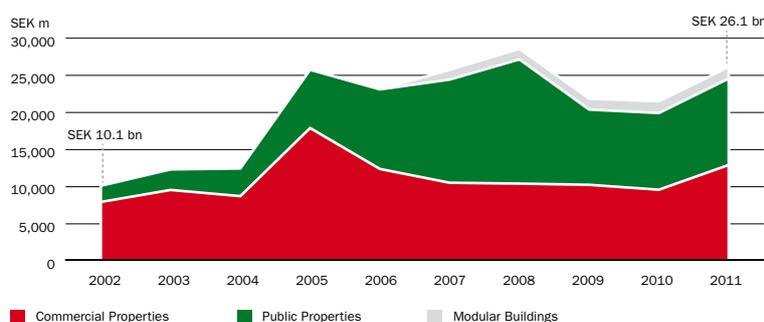
Properties in the Retirement Home, School, Care and Other Public types belong to the Public Property segment, i.e. publicly funded properties. The smaller Other Public type consists of those properties that do not fit in any of the specific types above. Properties of

this type may be housing, police and fire stations, and land.

Kungsleden's public properties are mainly within Hemsö, which is 50 per cent owned by AP3.

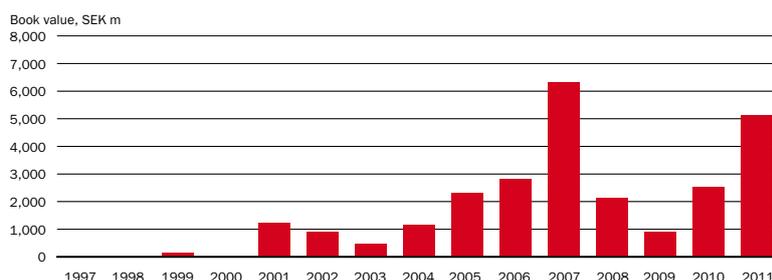
One of the characteristics of public properties is that they have an attractive risk and return level, consistent with Kungsleden's business concept. The properties are often attractively located and have solvent tenants with long lease contracts, and accordingly have good funding prospects. The management of public properties differs from the management of commercial properties to some extent. In the public segment, the number of tenants per unit area is usually less than commercial properties, and accordingly, a larger area can be managed by the same human resources. Simultaneously, lease contracts are longer term, which requires a longer-term perspective. The legal framework regulating care and school operations differs from the legislation on commercial activities in many respects. In turn, this requires specialist competence on the specific legal requirements in place regarding public properties.

THE PROPERTY PORTFOLIO, 2002-2011

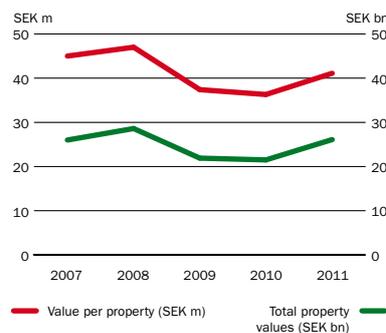


Kungsleden's property portfolio grew from SEK 10.1 billion to SEK 26.1 billion in the period 2002-2011. This corresponds to annual growth of 11 per cent. The largest property type measured in book value is industrial/warehouse.

PURCHASE YEAR OF PROPERTY HOLDING OF SEK 26,122 M



PROPERTY VALUE, TOTAL AND BY PROPERTY



The average value per property decreased from SEK 45 to SEK 41 m in the period 2007-2011.

In 2011, Kungsleden/Hemsö increased the number of properties in the public holding by 16. At the end of the year, public properties in Sweden represented 42 (44) per cent of the total holding book value and 34 (39) per cent of rental value, leading to attractive operating risk and value risk in the group overall. There is also a property portfolio in Germany within the Public segment, which at year-end represented 3 (4) per cent of total portfolio and 2 (3) per cent of rental value.

The German holding consists of 18 properties for retirement homes, one wholly owned property and 17 properties 50 per cent owned via Hemsö. The sale of the German properties from Kungsleden to Hemsö was agreed in 2010, and completion was in April 2011. These properties are mainly concentrated on the Ruhr region and Frankfurt. Over half of these properties were built in 2005 or later and all maintain a very high standard. The portfolio has a book value of SEK 761 m and total area of 56,000 sq.m.

These contracts are very long-term and have an average remaining contract term of 14.2 years. These contracts are either cold rent agreements, where the tenant takes all operating and maintenance costs or "double net" agreements, where Kungsleden takes the cost of maintenance or roofs, foundations and frontages.

The tenants are all stable counterparties, and are all operators that run retirement home operations. Demand for retirement home places is expected to remain high, keeping pace with increasing average age in Germany. The portfolio is managed from Stockholm with local managers on site who deal with daily management issues and contacts with tenants.

312 of the 353 public properties are 50 per cent owned by Kungsleden. They are all included in the number of properties, but only affect 50 per cent of Kungsleden's results of operations and financial position because these properties are part-owned via Hemsö.

The portfolio was accumulated in 2006–2007, when Kungsleden did not see equally attractive growth prospects in Sweden. Then, more retirement homes were purchased or project managed.

NORDIC MODULAR

Nordic Modular consists of Temporent, Flexator and Nordic Modular Leasing. Temporent lets temporary premises in modules, mainly to municipalities and large corporations. Flexator manufactures and sells modular buildings based on standard systems for usage as storage units or offices, retirement homes, schools and pre-schools. Nordic Modular Leasing offers leasing as an alternative to purchase. Customers can purchase modular buildings when lease contracts expire.

Flexator was founded in 1956, while the Nordic Modular Group was formed in 2005 in tandem with venture capital firm 3i acquiring Skanska Modul. Kungsleden acquired Nordic Modular in 2007, and at this time, Nordic Modular incorporated Kungsleden subsidiary

Flexihus Rent. Hyrab Moduluthyrning, which is now part of Temporent, was acquired in 2007.

The head office is in Upplands Väsby, north of Stockholm, with offices in Lund, Umeå, Oslo and Copenhagen, and manufacturing plants in Anneberg, Nässjö and Eslöv (all Sweden). Temporent and Flexator are environmentally and quality certified according to ISO standards.

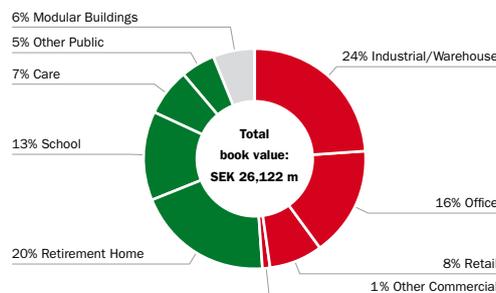
At year-end 2011, modular buildings represented 6 (7) per cent of the total value of the holding, and 11 (13) per cent of rental value.

Read more about Nordic Modular on page 21.

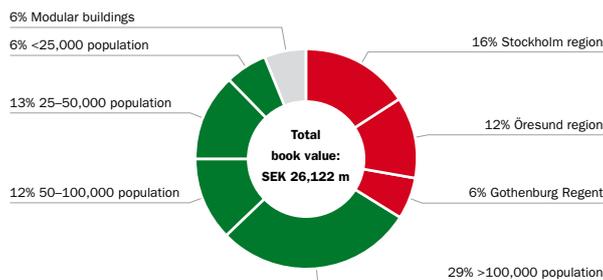
GEOGRAPHY

Kungsleden's property holding can also be divided into major city regions and by size of location. This classification is according to directives from Statistics Sweden, and Kungsleden has chosen the following division: Stockholm region, Gothenburg region, Öresund region, locations with populations of over 100,000, locations with populations

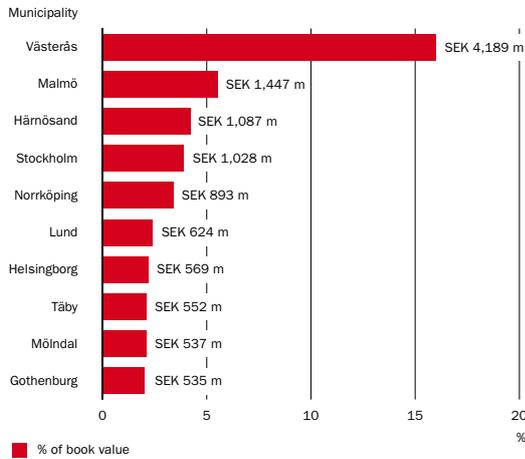
PROPERTY HOLDING BY TYPE, 31 DECEMBER 2011



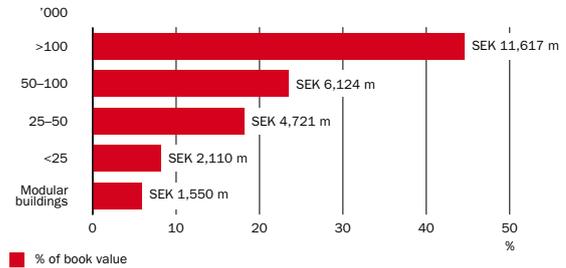
PROPERTY HOLDING BY SIZE OF LOCATION, 31 DECEMBER 2011



THE TEN LARGEST MUNICIPALITIES FOR KUNGSLEDEN



MUNICIPALITIES BY POPULATION



of 50,000–100,000, locations with populations of 25,000–50,000, locations with populations of less than 25,000 and modular buildings. Changes to the property holding’s geographical diversification or concentration are a consequence of Kungsleden’s continuous ambition to achieve the right balance between properties’ risk and return. If pricing on the market changes, business opportunities may arise.

Transactions in the year led to that the total number of properties at year-end, not including modular buildings, increased from 592 to 636. These properties were located in 143 (133) Swedish municipalities, 4 (4) German Federal States and 1 (–) Polish municipality. Thus the property portfolio has good risk diversification in terms of its geographical division and the division between large and small municipalities.

Kungsleden works according to a risk limit policy, whose stipulations include a maximum of 30 per cent of rental revenues

being sourced from properties in municipalities with populations of less than 25,000. At year-end, the level was 8 (8) per cent. Accordingly, a significant share of rental revenues were from properties in larger municipalities. Kungsleden had a property holding worth more than SEK 1 billion in four municipalities: Härnösand, Malmö, Västerås and Stockholm. Kungsleden also had properties worth less than SEK 10 m in 26 (24) municipalities.

The concentration of the Swedish holding on the three major city regions of Stockholm, Öresund and Gothenburg, and Västerås, increased in 2011, and was 50 (45) per cent at year end, measured as these regions’ share of the total book value of the holding. The holding in the Stockholm region reduced to 16 (19) per cent, the Gothenburg region reduced to 6 (7) per cent, the Öresund region reduced to 12 (15) per cent while Västerås increased to 16 (5) per cent.



Kungsleden’s properties are located in 143 Swedish municipalities.

Transactions

The total value of purchases and sales was SEK 6,022 (5,285) m. The largest transaction was the purchase of 36 properties from NRP. In the year, Kungsleden purchased 60 (64) properties with a value of SEK 4,798 (2,356) m and sold 20 (63) properties for SEK 1,224 (2,929) m.

PURCHASED AND SOLD PROPERTIES

All purchases and sales are executed with a clear foundation in Kungsleden's strategy and business model based on the goal of improving the property portfolio's risk-adjusted returns. Property purchases in the year were conducted at a property yield of 10.2 per cent while the property yield of purchased properties was 5.0 per cent. Overall, transactions in the year resulted in a higher property yield in the holding and contributed to a more advantageous relationship between risk and return in the portfolio, and thus improved risk-adjusted returns.

PURCHASES

In the year, Kungsleden purchased 60 properties with a value of SEK 4,798 m and a rental value of SEK 691 m and area of 960,000 sq.m.

Of the properties purchased in the year, 43 properties were in the Commer-

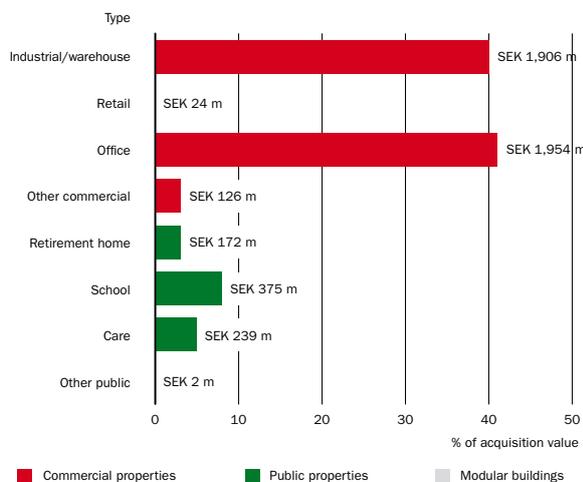


cial Properties segment, 27 of them being of the Industrial/Warehouse type, 13 Office, 1 Retail and 2 Other Commercial. 17 properties are in the Public Properties segment, 4 which are Retirement Home, 8 School, 4 Care and 1 Other Public.

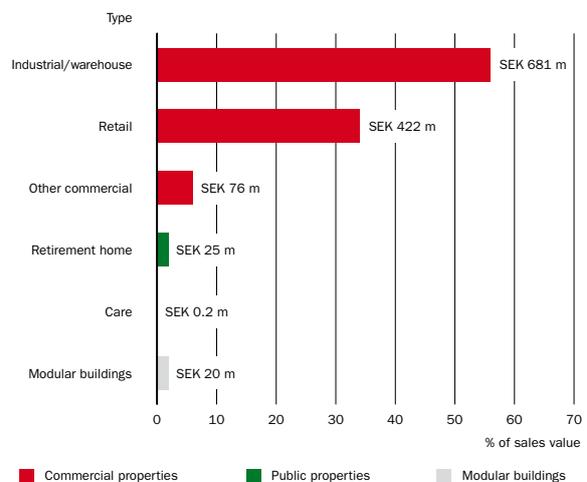
The single largest transaction was the purchase of 36 properties from NRP, which was completed on 31 March

2011. This purchase has an underlying property value of SEK 3.6 billion and gross leasable area of 825,000 sq.m., 93 per cent of which is in Sweden and the remainder in Poland and Germany. Total rental value was SEK 563 m and the purchase price corresponds to a property yield of 10 per cent. The purchased properties are expected to contribute some SEK 200 m to

ACQUISITION VALUE BY TYPE



SALES VALUE BY TYPE



Kungsleden's profit for calculating dividends annually.

NRP's property portfolio consists of office and industrial properties, and features stable returns and tenants. Current vacancy levels are some 5 per cent of total rental value. Offices in Västerås dominate the portfolio and represent half of rental value. The largest tenant is ABB, which represents 50 per cent of rental value, followed by Finnveden AB with some 10 per cent.

ABB's properties are mainly located in Västerås, and have gross leasable area of 39 per cent of the purchased portfolio. The average remaining contract term was six years, set in a master lease agreement that expires on 31 December 2016.

SALES

20 properties with total area of 143,000 sq.m. and rental value of SEK 98 m were sold in the year for SEK 1,224 m. The book value of sold properties was SEK 1,168 m and the acquisition value was SEK 1,102 m. Sales revenues affected profit for calculating dividends by SEK 114 m. SEK 20 m from the previous year's sales was also reported in sales revenue.

Of the properties sold in the year, 18 are in the Commercial Properties segment, of which 4 are Industrial/Warehouse, 3 Office, 5 Retail and 6 Other Commercial. 2 properties are in the Public Properties segment, of which 1 Retirement Home and 1 Care.

The larger sales included:

- Three properties at Slagsta Strand in southern Stockholm sold to Fastighets AB Botvid and held jointly by Gelba Fastigheter AB and STRABAG Projektutveckling AB. The sales price is consistent with book value and exceeded acquisition value by SEK 45 m. This latter amount was included in Kungsleden's profit for calculating dividends. Rental value was SEK 31 m and gross leasable area was 51,000 sq.m.
- One property in Karlskrona was sold to its tenant ABB for SEK 385 m. The sales price exceeded book value by

SEK 20 m and acquisition value by SEK 18 m. This latter amount was included in Kungsleden's profit for calculating dividends. Rental value was SEK 29 m and gross leasable area was 37,000 sq.m.

- Two properties on the outskirts of the Slaktusområde quarter in Johanneshov, south of Stockholm, were sold to S:t Erik Markutveckling, a wholly owned subsidiary of the City of Stockholm. The sales price was at the same level as book value and acquisition value. Rental value was SEK 19 m and gross leasable area was 25,000 sq.m.



Valuation method

In Kungsleden's business, it is important to always maintain a good perception of what each property is worth and what it could be sold for. Our employees are active in the market every day, conducting multiple purchases and sales, which is normally a good basis for accurate valuations.

INTERNAL VALUATION

Kungsleden's property holding, measured at what is termed fair value, had a book value of SEK 26,122 m as of 31 December 2011. Fair value is an accounting term, which for properties, has the same meaning as market value.

Kungsleden has chosen to base its fair value on internally conducted valuations. Internal valuations are conducted continuously as an integrated component of the business process, where an individual appraisal of the value of what each property could be expected to raise through sale is conducted. For each property there is always a business plan. The business plan is updated at least once annually and includes an internal valuation, the most recent external valuation, a standpoint as to whether the property should be sold or held and an action-plan for the measures considered necessary to optimise the property's operating net and value.

After a few poor years with relatively few property transactions due to the financial crisis, property purchases and sales regained momentum in 2010, and interest in transactions remained high in the first half-year 2011. Despite increased uncertainty during the third quarter after turmoil on international debt markets, transaction volumes on the Swedish property market were SEK 22 billion, an increase of 16 per cent on 2010. According to real estate services firm JLL. The auction of Kefren's properties in October revealed great interest in properties in smaller and medium-sized cities, and indicates a liquid market despite debt concerns, with breadth and depth on the buy aside, many local players and good pricing. But as a result of a significant reduction in transaction activity in the final quarter of the year, total transaction activity in 2011 was reduced compared to 2010. However, volume should still be considered high compared to previous years, and also

OPERATING NET AND PROPERTY YIELD IN EACH PROPERTY TYPE¹

SEK m	Book value	Operating net	Property yield, %	Interval in required property yields, %
Industrial/Warehouse	6,318	542	8.6	4.2–13.1
Retail	4,173	321	7.7	4.9–8.8
Office	2,177	167	7.7	4.1–9.6
Other Commercial	265	18	6.7	5.6–7.8
Commercial Property	12,933	1,048	8.1	
Retirement Home	4,387	244	5.6	4.4–8.8
School	3,528	221	6.3	4.0–9.0
Care	1,701	115	6.8	4.6–14.2
Other Public	1,262	84	6.7	5.8–10.1
Public Properties	10,878	664	6.1	
Total	23,811	1,712	7.2	

¹ Excluding retirement homes in Germany and modular buildings.

indicates that the property asset class is an attractive investment alternative in a low interest environment. The high number of transactions on the market resulted in greater reliability in the valuation of the property portfolio.

Kungsleden's internal valuations returned an average property yield of 7.2 (6.4) per cent. Property yield is measured on current earnings capacity, which has implications including development properties having a negative effect on property yields until ongoing investment has generated an operating net for one year. In other words, property yield is not a normalised valuation of Kungsleden's property portfolio. The future cash flows that Kungsleden's business plan indicates provide stable earnings capacity and property yield. Within each property type, cash flow one year ahead returns an average property yield of 7.2 per cent. Retirement Homes have the lowest average property yield of 5.6 per cent, and Industrial/Warehouse have the highest at 8.6 per cent. The above table illustrates average property yields in each property type. The required property yields in the valuations are in the 4.0–14.2 per cent interval.

VALUATION METHOD

Kungsleden applies a valuation method that is basically a similar version of the location-price method. The applied required return has been determined on the basis of Kungsleden's knowledge of transactions conducted on those markets where Kungsleden is active and bidding processes where Kungsleden has participated. These valuations proceed from current earnings capacity, and also consider an assessed long-term sustainable cash flow, by normalising cash flow over the forecast period. Non-market rents are adapted to assessed market rents, when contracts expire or are renegotiated, and divergent operating and maintenance payments are normalised.

Over and above the evaluations that serve as the basis for book value, an evaluation of cash flows is also prepared as a reference for each individual property. This is achieved by calculating the present value of properties' estimated cash flow during the forecast period, and the present value of the market value at the end of the forecast period, known as residual value. The present value calculation is prepared for a forecast period of five years. The fifth



year in the calculation should reflect an assessed long-term sustainable cash flow for the property. Future rent payments are calculated for each property on the basis of current lease contracts. Rent payments for future rent periods, and for vacant premises, are calculated after an individual assessment of each property. The cash flow for operating and maintenance costs is similarly assessed. The cost history of each property is used as a basis for estimating future costs. Age, maintenance status and usage are also considered when evaluating future costs. An inflation assumption of 2 per cent has been applied. When evaluating cash flows, the actual cost of capital for each property is considered. The value of the cash flow for Kungsleden is used as a strategic base of whether properties should be held or sold.

EXTERNAL VALUATION

With the aim of quality-assuring and verifying internal valuations, regular valuations are also conducted by an external, independent party. A complete external valuation is conducted every

third year, including inspection of properties, on a representative selection of properties amounting to 50-70 per cent of the total value of the holding. An update of previous valuations, termed a desktop valuation of properties held at the beginning of the year, are conducted in intervening years. These external valuations are normally conducted in the autumn, with December as the base point. However, a complete valuation is always conducted for new properties and those with special circumstances.

In 2011, with a valuation base in December, Newsec conducted a desktop valuation of all public properties, and DTZ valued all commercial properties held for the full year. The Swedish properties purchased in the year had a full valuation. Overall, this meant that 91 (87) per cent of total book value was externally valued. The external valuation of commercial properties exceeded book value by SEK 155 (-590) m, corresponding to 1 (-2) per cent of total value, while the valuation of public properties was SEK 269 (237) m below book value, or 2 (4) per cent. Accordingly, external valua-

tions are consistent with, and corroborate, internal valuations.

REALISED VALUES

Maintaining an accurate perception of what each property is worth and what it could raise through sale is important in Kungsleden's transaction-intensive business. However, the fair value of a property does not become realized until it is sold. As a component of quality assurance, Kungsleden also conducts ongoing follow-ups of how internal and external valuations relate to realised sales prices. The sales prices obtained in the year exceeded the most recent internal valuations by 4 (3) per cent and the most recent external valuations by 4 (3) per cent. Historically, the prices obtained have been above external and internal valuations.

Sales price can be affected depending on whether the sale is individual or in portfolios. For example, for a number of years, a portfolio premium was consistently applied to executed transactions, although this trend was broken in 2008.

PROPERTY VALUE SUMMARY, 2011

SEK m	Commercial Properties				Public Properties				Valued properties	Not externally valued ¹	All properties
	Industrial/Warehouse	Office	Retail	Other	Retirement Home	School	Care	Other			
Book value	6,299	4,173	2,177	265	4,387	3,498	1,701	1,262	23,762	2,360	26,122
External valuation	6,384	4,257	2,154	274	4,302	3,414	1,671	1,192	23,648		23,648

¹ SEK 761 m of un-valued properties were retirement homes in Germany, SEK 1,550 m were modular buildings and the remaining SEK 49 m was a small number of buildings and land parcels.

Earnings capacity

The property yield on the property portfolio was 7.2 per cent at year-end, compared to 6.4 per cent at the beginning of the year. The most important explanation for the increased property yield is properties purchased in the year. The largest purchase in the year was 36 properties from NRP, which had a property yield of 10 per cent in the year.

EARNINGS CAPACITY

Kungsleden's business model focuses on continuously developing the property portfolio's composition and quality, with the goal of improving risk-adjusted return. In practice, this involves Kungsleden working actively on property management and portfolio enhancement. However, purchases and sales of properties mean that the property holding changes continuously, and thus the Income Statement, which states historical earnings for a specific period, does not offer the best picture of the group's future earnings capacity. By preparing a presentation of the group's earnings capacity, Kungsleden wants to facilitate an evaluation of the group's future revenues and results of operations. Earnings capacity indicates the appearance of the Income Statement as if the property holding as of 31 December 2011 had been held throughout 2011. The aim is to also illustrate how changes in the year have affected different key figures.

For newly purchased properties, the concept of earnings capacity is a combi-

nation of calculating the actual operating net for the most recent 12-month period. For the first six months after completion of a purchase, earnings capacity is the property's operating net according to the acquisition analysis prepared. For months 7 to 11 inclusive, earnings capacity is actual outcomes from completion translated to 12-month equivalents. From month 12 onwards, earnings capacity is equal to actual 12-month outcomes for the relevant property.

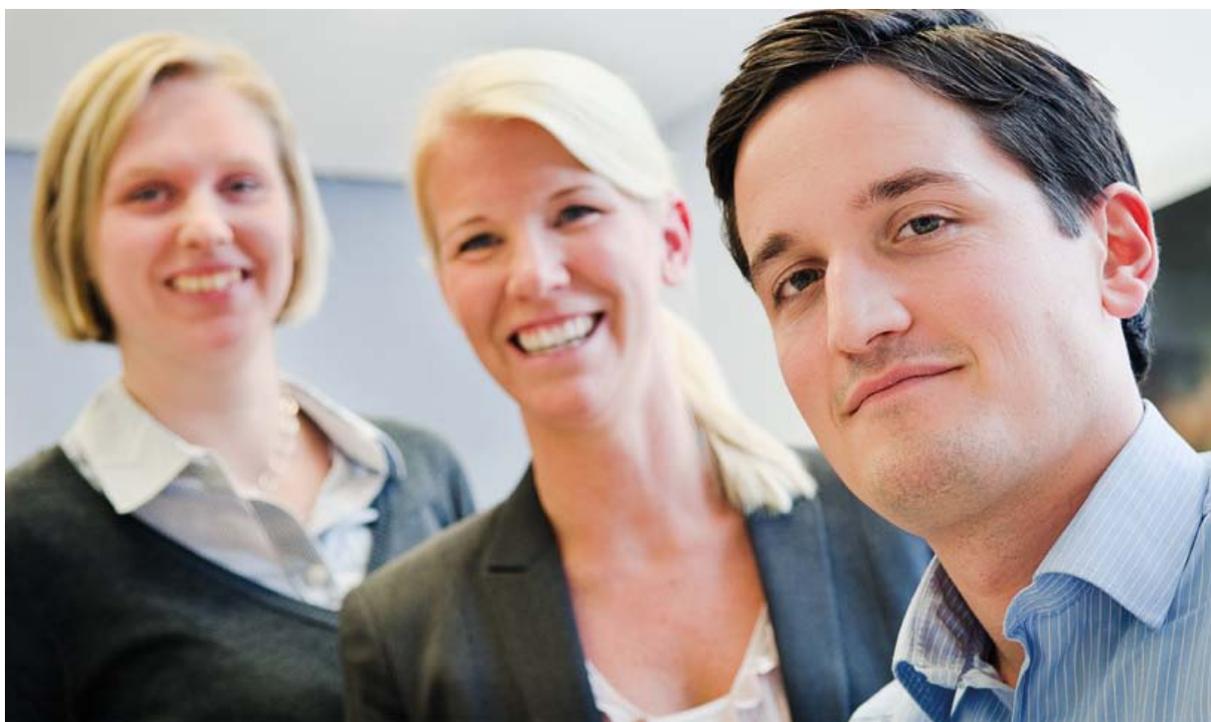
PROPERTY YIELD

Property yield, i.e. operating net in relation to book value, is a central measure for evaluating earnings capacity. Property yield serves as a profitability measure, but also an indicator that Kungsleden is valuing its properties at an appropriate level, given the property portfolio the company is working with. As illustrated by the table on the next page, property yield at the end of 2011 was 7.2 (6.4) per cent. The explanation of the progress of property yield can be divided into three components:

- Property management affects earnings capacity positively if the same properties generate a higher operating net this year than last year
- Property transactions affect earnings capacity positively if sold properties' yields are lower than, and purchased properties' yields are higher than, portfolio average yields
- Positive value changes reduce the yield level of the portfolio

PROPERTY MANAGEMENT

The contribution of property management to the progress of earnings capacity is analysed by comparing properties that have been held for the full year. Rental revenues increased on the previous year, while vacancies were consistent with the previous year, with the majority of vacancies mainly relating to a few properties. The severe winter early in the year resulted in increased property costs in the form of snow clearance, heating and electricity. The contribution of property management to the progress of earnings capacity was positive in the year



because revenue increases exceeded increased property costs, which raised portfolio returns by 0.2 (–0.5) percentage points after value changes and the operating net of SEK 69 m.

PURCHASES AND SALES

Kungsleden's property transactions had a positive effect on the returns from the property portfolio because acquired properties had a higher property yield than the portfolio average, while the sold properties had a lower property yield than the average. Thus, property transactions improved property yield by 0.6 percentage points after value changes. Overall, the purchased properties' yield was 10.2 per cent. The property yield of sold properties was 5.0 per cent. Properties purchased in the year contributed SEK 491 m to operating net, while sold properties reduced operating net by SEK 57 m. Other changes to key figures in the earnings capacity table to right are largely sourced from changes in portfolio composition in the year.

VALUE CHANGES

Value changes are also an explanation to the progress of property yields. In 2011, property yield was negatively affected by 0.2 (–0.1) percentage points as a result of positive value changes of SEK 690 (187) m in the portfolio.

EARNINGS CAPACITY, SEK M

	2011 31 Dec	SEK/ sq.m.	2010 31 Dec	SEK/ sq.m.
Rental revenue	2,737	822	2,134	850
Operating and maintenance costs	–799	–240	–714	–285
Property tax	–56	–17	–39	–15
Ground rent	–7	–2	–9	–4
Operating net	1,875	563	1,372	546
No. of properties	636		592	
Leasable area, 000 sq.m.	3,328		2,510	
Book value, SEK m	26,122		21,501	
Economic occupancy, %	91.6		91.2	
Property yield, %	7.2		6.4	
Operating surplus margin, %	68.5		64.3	

CHANGES IN THE PERIOD

	2010 31 Dec	Properties held for the full year	Purchased properties	Sold properties	2011 31 Dec
No. of properties	592	4	60	–20	636
Leasable area, 000 sq.m.	2,510	1	960	–143	3,328
Book value, SEK m	21,501	451	5,244	–1,074	26,122
Rental value, SEK m	2,343	32	710	–98	2,987
Rental revenue, SEK m	2,134	9	678	–84	2,737
Operating net, SEK m	1,372	69	491	–57	1,875
Economic occupancy, %	90.3	–0.1	1.8	–0.4	91.6
Property yield, %	6.4	0.2	0.6	–	7.2
Operating surplus margin, %	64.8	2.4	1.5	–0.2	68.5

EARNINGS CAPACITY BY SEGMENT

	Commercial Properties	Public Properties	Modular Buildings	Total
No. of properties	283	353	–	636
Leasable area, 000 sq.m.	2,145	951	232	3,328
Book value, SEK m	12,933	11,639	1,550	26,122
Rental value, SEK m	1,602	1,068	317	2,987
Rental revenue, SEK m	1,461	1,032	244	2,737
Operating net, SEK m	1,048	718	109 ¹	1,875
Economic occupancy, %	91.2	96.7	76.9	91.6
Property yield, %	8.1	6.2	7.0 ¹	7.2
Operating surplus margin, %	71.7	69.6	44.6 ¹	68.5

EARNINGS CAPACITY BY TYPE

	Commercial Properties				Public Properties				Modular Buildings	Total
	Industrial/ Warehouse	Office	Retail	Other	Retirement Home	School	Care	Other		
No. of properties	126	82	59	16	132	99	102	20	–	636
Leasable area, 000 sq.m.	1,280	565	276	24	333	326	191	101	232	3,328
Book value, SEK m	6,318	4,173	2,177	265	5,148	3,528	1,701	1,262	1,550	26,122
Rental value, SEK m	775	567	235	25	408	348	196	116	317	2,987
Rental revenues, SEK m	707	506	224	24	402	331	187	112	244	2,737
Operating net, SEK m	542	321	167	18	298	221	115	84	109 ¹	1,875
Economic occupancy, %	91.2	89.2	95.3	95.3	98.5	95.3	95.5	96.8	76.9	91.6
Property yield, %	8.6	7.7	7.7	6.7	5.8	6.3	6.8	6.7	7.0 ¹	7.2
Operating surplus margin, %	76.7	63.4	74.7	75.0	74.3	66.6	61.6	75.0	44.6 ¹	68.5

1. The operating net for modular buildings has been charged with standard depreciation/value changes of SEK 86 m.

EARNINGS CAPACITY BY POPULATION OF LOCATION

	Stockholm region	Gothenburg region	Öresund region	Other cities by inhabitant, 000				Modular buildings	Total
				>100	50-100	25-50	<25		
No. of properties	93	48	75	134	80	124	82	0	636
Leasable area, 000 sq.m.	309	195	350	891	389	611	351	232	3,328
Book value, SEK m	4,181	1,534	3,171	7,426	3,195	3,399	1,666	1,550	26,122
Rental value, SEK m	380	162	311	843	358	420	196	317	2,987
Rental revenues, SEK m	363	136	278	806	333	391	186	244	2,737
Operating net, SEK m	257	89	203	588	232	258	139	109 ¹	1,875
Economic occupancy, %	95.6	84.0	89.3	95.6	93.1	93.2	94.4	76.9	91.6
Property yield, %	6.2	5.8	6.4	7.9	7.3	7.6	8.4	7.0 ¹	7.2
Operating surplus margin, %	70.9	65.0	73.1	73.0	69.8	65.8	75.1	44.6 ¹	68.5

1 The operating net for modular buildings has been charged with standard depreciation/value changes of SEK 86 m.

EARNINGS CAPACITY, COMMERCIAL PROPERTIES

	Stockholm region	Gothenburg region	Öresund region	Other cities by inhabitant, 000				Total
				>100	50-100	25-50	<25	
Industrial/Warehouse								
No. of properties	12	14	14	25	13	26	22	126
Leasable area, 000 sq.m.	60	126	161	387	80	232	234	1,280
Book value, SEK m	472	790	1,238	1,817	405	991	605	6,318
Rental value, SEK m	51	89	106	282	54	115	78	775
Rental revenues, SEK m	49	68	94	266	44	113	73	707
Operating net, SEK m	36	46	85	183	33	91	68	542
Economic occupancy, %	94.9	75.4	88.7	94.4	80.7	98.3	95.4	91.2
Property yield, %	7.8	5.8	6.9	10.1	8.1	9.2	11.1	8.6
Operating surplus margin, %	75.5	67.6	90.7	68.7	76.1	80.6	90.7	76.7
Office								
No. of properties	16	9	19	18	6	9	5	82
Leasable area, 000 sq.m.	87	26	64	257	43	78	10	565
Book value, SEK m	749	181	606	1,948	321	317	51	4,173
Rental value, SEK m	96	23	73	261	45	61	8	567
Rental revenues, SEK m	87	21	61	242	40	49	6	506
Operating net, SEK m	46	11	38	171	26	26	3	321
Economic occupancy, %	90.6	88.6	83.9	92.9	87.6	81.2	71.3	89.2
Property yield, %	6.1	6.3	6.3	8.7	8.2	8.3	5.6	7.7
Operating surplus margin, %	52.7	54.8	62.2	70.4	66.2	53.0	46.9	63.4
Retail								
No. of properties	8	3	7	11	14	10	6	59
Leasable area, 000 sq.m.	30	7	22	40	55	107	15	276
Book value, SEK m	342	66	125	362	461	669	152	2,177
Rental value, SEK m	34	6	14	38	55	72	16	235
Rental revenues, SEK m	32	6	12	37	53	68	16	224
Operating net, SEK m	25	5	7	27	37	55	11	167
Economic occupancy, %	93.7	97.6	85.2	97.9	95.5	95.6	98.6	95.3
Property yield, %	7.3	6.9	5.8	7.4	8.1	8.2	7.7	7.7
Operating surplus margin, %	77.7	72.3	61.2	72.7	71.2	79.9	73.2	74.7
Other commercial								
No. of properties	3	1	2	2	1	3	4	16
Leasable area, 000 sq.m.	15	-	9	0	-	-	-	24
Book value, SEK m	168	-	86	6	2	3	-	265
Rental value, SEK m	14	-	10	1	-	-	-	25
Rental revenues, SEK m	14	-	9	1	-	-	-	24
Operating net, SEK m	12	-	6	0	-	-	-	18
Economic occupancy, %	100.0	-	88.8	99.9	-	-	-	95.3
Property yield, %	7.2	-	6.5	3.7	-	-	-	6.7
Operating surplus margin, %	90.3	-	60.4	20.4	-	-	-	75.0

EARNINGS CAPACITY, PUBLIC PROPERTIES

	Stockholm region	Gothenburg region	Öresund region	Other cities by inhabitant, 000				Total
				>100	50-100	25-50	<25	
Retirement homes								
No. of properties	21	6	22	52	16	6	9	132
Leasable area, 000 sq.m.	64	13	37	124	54	23	18	333
Book value, SEK m	1,335	216	567	1,988	625	241	176	5,148
Rental value, SEK m	96	17	49	152	53	23	18	408
Rental revenues, SEK m	96	16	45	152	52	23	18	402
Operating net, SEK m	71	11	29	124	37	14	12	298
Economic occupancy, %	99.4	98.3	93.2	99.9	98.9	98.3	94.8	98.5
Property yield, %	5.3	4.7	5.1	6.3	5.9	5.8	6.9	5.8
Operating surplus margin, %	74.2	63.0	63.5	82.2	71.4	62.9	68.8	74.3
School								
No. of properties	19	4	7	17	10	36	6	99
Leasable area, 000 sq.m.	29	10	53	37	65	122	10	326
Book value, SEK m	799	105	503	689	492	801	139	3,528
Rental value, SEK m	57	10	55	54	55	104	13	348
Rental revenues, SEK m	55	9	53	54	52	95	13	331
Operating net, SEK m	48	5	35	43	35	46	9	221
Economic occupancy, %	98.8	92.6	94.6	99.1	94.9	91.8	99.4	95.3
Property yield, %	6.0	5.2	7.0	6.3	6.9	5.7	6.7	6.3
Operating surplus margin, %	86.0	58.6	67.1	80.2	65.0	47.9	74.2	66.6
Care								
No. of properties	14	11	1	4	15	31	26	102
Leasable area, 000 sq.m.	24	13	2	5	44	41	62	191
Book value, SEK m	316	176	17	119	294	252	527	1,701
Rental value, SEK m	32	17	2	10	40	34	61	196
Rental revenues, SEK m	30	16	2	10	39	32	58	187
Operating net, SEK m	19	11	1	8	23	18	35	115
Economic occupancy, %	94.3	99.3	92.6	100.0	98.9	92.2	94.0	95.5
Property yield, %	6.0	6.5	6.7	6.9	7.9	7.0	6.6	6.8
Operating surplus margin, %	62.3	69.6	67.2	81.7	58.8	55.6	60.6	61.6
Other public								
No. of properties	-	-	3	5	5	3	4	20
Leasable area, 000 sq.m.	-	-	2	41	48	8	2	101
Book value, SEK m	-	-	29	497	595	125	16	1,262
Rental value, SEK m	-	-	2	45	56	11	2	116
Rental revenues, SEK m	-	-	2	44	53	11	2	112
Operating net, SEK m	-	-	2	32	41	8	1	84
Economic occupancy, %	-	-	100.0	97.5	95.6	98.6	100.0	96.8
Property yield, %	-	-	6.1	6.3	7.0	6.6	7.7	6.7
Operating surplus margin, %	-	-	79.7	71.3	77.5	75.6	80.7	75.0

EARNINGS CAPACITY, NORDIC MODULAR

	Total
Modular buildings	
No. of properties	-
Leasable area, 000 sq.m.	232
Book value, SEK m	1,550
Rental value, SEK m	317
Rental revenues, SEK m	244
Operating net, SEK m	109 ¹
Economic occupancy, %	76.9
Property yield, %	7.0 ¹
Operating surplus margin, %	44.6 ¹

1 The operating net for modular buildings has been charged with standard depreciation/value changes of SEK 86 m.

Customers and rental revenues

Kungsleden endeavours to secure long lease contracts, which are common for public tenants. In recent years, Kungsleden has also developed its property portfolio to contain more commercial properties with long contracts.

STABLE RENTAL REVENUES

With the aim of gaining an accurate impression of operating risks and revenue stability, rental revenues are continuously analysed on the basis of factors such as premises type, customers and lease contract length. However, changes in Kungsleden's property portfolio mean that lease contract rental revenues are not consistent with earnings capacity at any time, due to factors including future entry of tenants contracts are not yet recorded.

Participants in the public sector, such as central and local government, are highly solvent tenants that often have long lease contracts. This contributes to good stability of rental revenues. Very long-term lease contracts are also common on properties where private sector players conduct publicly funded operations. Through its part-ownership of Hemsö, just over 35 per cent of the total property holding is let to tenants whose operations are publicly funded. Through purchases and sales, Kungsleden has worked successfully to also increase the average contract term in the commercial holding. At year-end, the average remaining contract term on commercial and public properties was 6

and 8 years respectively. In Commercial Properties, the Other Commercial type had the longest average remaining contract term of 8.6 years, while Offices had the shortest at 3.9 years. In the Public segment, Retirement Home had the longest average remaining contract term of 9.0 years, while the Care type was the shortest, at 4.6 years. A complete presentation of remaining contract terms by type is on page 41.

VACANCY LEVELS

Changes in vacancy levels have a direct consequence on rental revenues. At year-end 2011, the vacancy rate in the overall property holding was 8 (10) per cent of rental revenues, or a rent shortfall of SEK 239 (205) m. In 2011, vacancies were stable in the first half-year, to reduce somewhat in the latter part of 2011, primarily as a result of active work on lettings of existing properties.

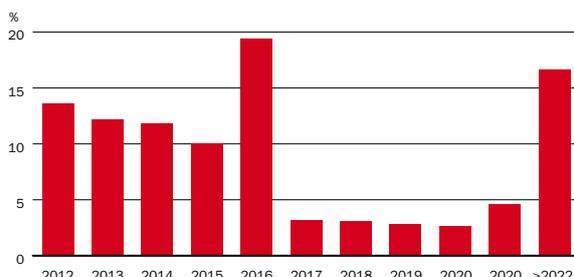
ALLOCATION OF REVENUES

The following diagram illustrates the maturity structure of rental revenues as of 31 December 2011, for years 2012 and beyond. The spread of maturities is favourable. The most lease contracts mature in five years, 2016, or 19 per

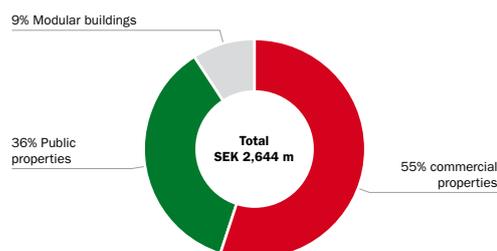
cent of all rental revenues. 17 per cent mature in 2022 or later.

The diversity of lease contracts by social sectors also indicates low operating risk. Kungsleden's customers represent a cross-section of the Swedish business community and public services. Tenants are small enterprises and large corporations, although school students and pensioners also occupy and live in Kungsleden's premises. The diagram below illustrates the allocation of rental revenues by segment. The ten largest tenants in 2011 represented 29 per cent of rental revenues, or SEK 762 m, see table on page 40. The majority of the largest tenants are in the public sector, even after only 50 per cent of rental revenues being considered for these public properties. After the acquisition of NRP properties, companies in the ABB group are the largest tenant, representing 12 per cent of total rental revenues.

RENTAL REVENUE MATURITY STRUCTURE



CONTRACTED ANNUAL RENTS, 31 DECEMBER 2011



GreenBuilding certification of Fräsen 1

In reality, properties and buildings do not create energy savings themselves, but rather, it is the enthusiasts in our company that work constantly on this issue that can make a real difference once they are put together. An active energy savings effort has enabled Technical Manager Thomas Löv to ensure that two of the properties in his area have achieved GreenBuilding certification. Effective actions have reduced energy consumption by more than half over a three-year period in both properties.

What's your secret when it comes to these properties?

There's nothing strange, actually we have made some obvious changes. We exchanged old electric boilers for geothermal heat pumps, which are a far more efficient way to heat properties. We have also optimised the ventilation systems and adjusted the hot water temperature. A lot of small efforts, which together create big savings.

Why has Kungsleden decided to get GreenBuilding certification for its buildings?

GreenBuilding is a system that suits existing, older buildings, and that focuses on the most important environmental question; energy consumption during the usage phase. GreenBuilding suits buildings regardless of their location in the country.

What do your tenants think of the building being classified GreenBuilding?

Our tenants are really positive about buildings being GreenBuilding classified, and it's also positive from a branding perspective for the company's outward trademark.



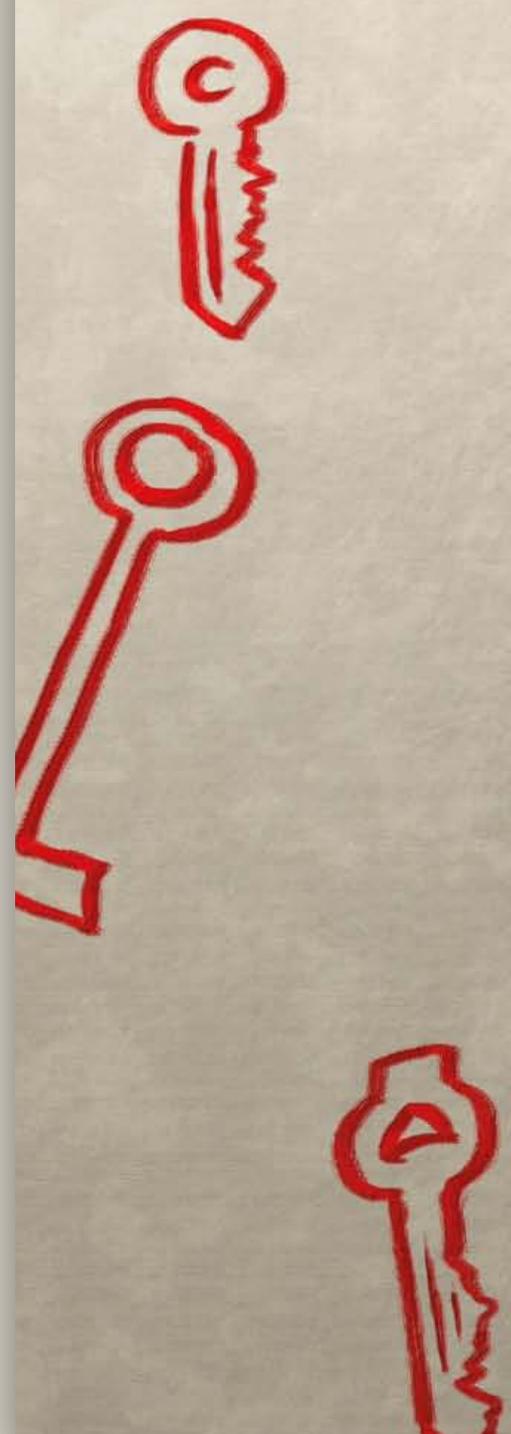
Green building is an EU initiative designed to accelerate energy rationalisation in the construction and property sector. Buildings that use 25% less energy than previously or compared to the new building standards specified in the Swedish National Housing Board's regulations, can gain GreenBuilding certification. In Sweden, GreenBuilding has become a strong energy saving brand, and as of May 2011, some 200 buildings have been certified.

Will you be continuing with GreenBuilding certification and energy saving efforts?

Absolutely, this is work that Kungsleden has a constant focus on. Ongoing operational organisation and investments in energy-efficient installations will give us the opportunity to gain GreenBuilding classification for more properties going forward, says Thomas Löv.

RISKS AND OPPORTUNITIES

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Risks and opportunities

Achieving Kungsleden's required return, which is 15 per cent on equity, necessitates taking some risk. There is a variety of tools available for desired risk control to continuously identify, assess and limit risk. Kungsleden works actively on diversifying risk in terms of premises type, geography, contract size and tenant category. The goal is balanced portfolio risk with a limited impact of exogenous factors.

AGGREGATE RISK OVERVIEW

In approximate terms, risks and opportunities can be divided into two segments—changes in cash flow and changes in value. Cash flow is primarily affected by rental revenues, property costs, interest costs, taxes and environmental risks. Kungsleden works actively on diversifying risk and reducing costs in these segments. As a result of Kungsleden reporting its properties and loans/interest derivatives at what is known as fair value, these values are highly dependent on cyclical fluctuations and funding conditions.

Risk and risk minimisation is an integrated component of Kungsleden's business model, which focuses on continuously enhancing the composition and quality of the portfolio, with the aim of improving its risk-adjusted returns. At any time, Kungsleden will endeavour to have the lowest aggregate risk possible. The portfolio is long term with an aver-

age contract term of some six years. Kungsleden limits the risks on its cost side, through means including tenants being billed for a high share of the costs for electricity and heating. Value risk is limited because each property is valued individually, with regular verification by external appraisers. Historically, Kungsleden's valuations have been very close to those prices realised on sale. Kungsleden's extensive transaction experience means that valuation risk is also limited in purchases.

The largest financial risk is access to funding. Kungsleden works actively on different types of funding source to ensure its long-term funding within stated risk mandates. Interest is the largest cost item, and here too, there is an element of risk, depending on the progress of market interest rates. To limit this cash flow risk, interest swaps are primarily utilised. To ensure there is a sufficient margin for interest payments,

Kungsleden also has a lower limit for its interest coverage ratio, which should not be less than a multiple of 1.5.

Risk assessment is a regular yearly process within Kungsleden. Risk assessments are conducted in the form of internal valuations and also include action-plans to reduce risks. Overall, Kungsleden's financial risks should be set against a high-quality portfolio with long contracts and stable counterparties.

RISKS AND OPPORTUNITIES IN CASH FLOW

Rent levels and vacancies are controlled by factors including Swedish economic growth, the rate of production of new properties, changes to infrastructure, employment and demographic factors. Economic growth is expected to result in increased demand for premises, reduced vacancies, increased new production and the potential for increased market rents. Stagnation is expected to result in the opposite circumstances.



LARGEST TENANTS

	Rental revenue, SEK m	Share of rental revenue, %
ABB	309	11.7
Municipality of Härnösand	98	3.7
Västra Götaland County Council	63	2.4
Bring Frigoscandia AB	63	2.4
The Swedish National Fortifications Administration	46	1.7
City of Västerås	42	1.6
Attendo	37	1.4
ICA	36	1.3
V-TAB	34	1.3
Municipality of Norrköping	34	1.3
Total	762	28.8



Rental revenues

Rental revenues and vacancies are dependent on Swedish economic growth, but not least, on the local markets where Kungsleden is active. The scale of new production on each market also affects rent levels and vacancies. Economic growth results in increased demand for premises with the potential for higher rent levels and lower vacancies, while declining growth creates the opposite circumstances.

Kungsleden's contract portfolio is fairly long term with an average contract term for the whole portfolio of around six years. Because the contract term is fairly long, changes to market rents on commercial premises in the short term do not have any major effect on rental revenues. This also applies to public properties, which are affected by demographic factors to a far greater degree. Kungsleden works actively on increasing the average contract term of its commercial and public portfolios.

Active risk diversification in terms of premises type, geography, contract size and tenants, mean that Kungsleden has a well-balanced portfolio affected by exogenous factors in different ways and to differing degrees. Potential insolvencies have a direct impact on rental revenues. In 2011, rent losses were SEK 4 m.

Having few and large commercial tenants increases the risk of vacancies and rent losses. Kungsleden's 10 largest tenants represented 29 per cent of rental revenues. Of these, five commercial tenants represented 20 per cent of rental revenues, with the remainder

sourced from public tenants. In several cases, the largest tenants have different operations and subsidiaries in several locations, reducing businesspartner risk. Economic vacancy at the end of 2011 was SEK 239 m, and represents potential in the form of possible new lettings.

Property costs

The largest operating costs consist of costs for electricity, cleaning, heating, water, care and maintenance. The cost of electricity and heating has the largest profit impact. The price of electricity is determined by supply and demand on the open electricity market. Kungsleden has limited this risk by hedging a certain amount of electric power. A high share of the cost of electricity and heating is also billed to tenants. Kungsleden compensates for costs not billed onward to tenants by rent contracts normally being linked to the CPI, and thus indexed. Index clauses mean that rents increase by 75-100 per cent of inflation. Accordingly, Kungsleden's exposure to changes in these costs are limited. Even if this exposure is limited, yearly variations in costs of media and maintenance do have an impact on properties' operating nets.

Kungsleden's properties with ground rent agreements are usually negotiated at intervals of 10-20 years. Ground rents are currently calculated so that the municipality receives a reasonable real return on the estimated value of land. The possibility that the computation base of rents will change in future renegotiations cannot be ruled out.

AVERAGE REMAINING CONTRACT TERM

Type	Year
Industrial/Warehouse	5.9
Retail	4.7
Office	3.9
Other Commercial	8.6
Commercial Properties	5.1
Retirement Home	9.0
School	7.4
Care	4.6
Other Public	6.1
Public Properties	7.4
Modular Buildings	1.6
Total	6.4

Property tax, which is based on the taxable value of properties, is entirely dependent on political decisions. This applies both to the calculation base, the taxable value, and the tax rate. Property taxes are normally billed on to tenants for leased areas, while Kungsleden settles the tax for unlet areas.

Interest costs

Interest costs are the biggest cost item for Kungsleden. A more detailed description of Kungsleden's funding and its risks is provided separately on pages 45-47.

Environmental risks

Properties affect the environment throughout their life-cycles, with the majority of the impact arising during the usage phase. Kungsleden works actively on environmental issues as a strategic

matter, which is a part of the whole organisation's day-to-day work. According to the Swedish Environmental Code, any party conducting an operation that has contributed to pollution takes the liability for subsequent treatment. Unless the party conducting the operation can perform or meet the cost of such subsequent treatment, the party that has purchased the property, and who, on purchase, was aware, or should have discovered, the pollution, is liable. This means that in certain circumstances, claims could be addressed against Kungsleden for decontaminating pollution or returning the property to the state stipulated by the Swedish Environmental Code. No complete investigation of potential pollution in Kungsleden's property holding has been conducted. In tandem with purchases, Kungsleden normally performs an analysis and risk assessment of environmental risks. However, the possibility that there is environmental pollution that may result in costs for Kungsleden cannot be ruled out. Kungsleden was not aware of any material environmental claims that could be addressed towards it as of March 2012.

Active environmental work implies opportunities to attract new customers, reduce energy costs and create a stronger brand.

RISKS AND OPPORTUNITIES IN VALUES

Kungsleden reports its properties and loans/interest derivatives at what is

LEASABLE AREA AND ECONOMIC OCCUPANCY

	Leasable area, 000 sq.m.	Economic occupancy, %
Industrial/Warehouse	1,280	91.2
Office	565	89.2
Retail	276	95.3
Other Commercial	24	95.3
Commercial Properties	2,145	91.2
Retirement Home	333	98.5
School	326	95.3
Care	191	95.5
Other Public	101	96.8
Public Properties	951	96.7
Modular Buildings	232	76.9
Total	3,328	91.6

SENSITIVITY ANALYSIS, PROPERTIES

	-10%	-5%	0%	+5%	+10%
Value change before tax, SEK m	-2,612	-1,306	-	1,306	2,612
Equity/assets ratio, %	22.0	24.7	27.3	27.3	29.7
Loan to value ratio, %	73.7	69.8	66.3	63.1	60.3

SENSITIVITY ANALYSIS, CASH FLOW

	Change	Profit impact, SEK m
Rental revenues	+/-1%	+/-27
Economic vacancy	+/-1 percentage point	+/-30
Property cost	+/-1%	+/-8
Average interest on loan portfolio	+/-1 percentage point	+/-173
Short market interest rates (<6 months)	+/-1 percentage point	+/-13

termed fair value in its Income Statement. This means that the results of operations and financial position are affected by altered valuations.

Property values

Property values, assuming a functional credit market and transaction market, are determined by supply and demand, with pricing primarily dependent on the property's expected profit margin and the buyer's required returns. Increased demand, lower required returns and positive real growth of the profit margin result in increased market value, while declining demand, higher required returns and negative real growth result in reduced market value.

After a few poor years with relatively few property purchases and sales due to the financial crisis, and thus some difficulty in valuing properties, property purchases and sales regained momentum in 2010. Interest in property transactions also remained high during the first half-year 2011. Despite increased uncertainty in the second half-year after turbulence on international debt markets, transaction volumes were fairly good. Overall, this meant greater reliability in the valuation of the property portfolio.

The true market value of a property cannot be determined until sale. Kungsleden's reported market value is based on the internal valuation conducted on each property, which is an individual assessment of the value that could be realised on sale. Accordingly, there should be some consideration to a value interval, which in a functional market is normally +/-5-10 per cent, to

reflect the uncertainty in assumptions and calculations made. In a less liquid market, the value interval may be greater. Value can also be affected if the sale is individual or in a portfolio.

The aggregate risk is limited by active risk diversification by contract length, premises type, geography, tenants and contract size.

The sensitivity analysis above indicates how loan to value ratios are affected given a value change of +/-5 and 10 per cent respectively.

Interest-bearing liabilities

The value of interest-bearing liabilities is affected by market interest rates and the margin lenders additionally apply. A functional credit market is a prerequisite for valuing interest-bearing liabilities. An in-depth review of Kungsleden's interest-bearing liabilities and their risks is stated in a separate section on pages 45-47.

TAX RISKS

New legislation

Changes to corporate and property taxation, such as central government and municipal duties, housing contributions and interest subsidies, may affect the conditions applying to Kungsleden's operations. It is unlikely that duties and subsidies will remain unchanged in the future. There are significant differences in the political parties' view of the scale and incidence of duties and subsidies. The possibility of tax rates changing in the future or that other changes occur in central government and municipal systems that affect property ownership, cannot be ruled out. Changes to tax

legislation, corporation tax and other central government duties may affect Kungsleden's results of operations positively or negatively.

Changed practice

Also, it is fair to state that generally, tax regulation is complex and the interpretations of different courts of prevailing legislation may change. In addition, tax processes regarding the company's taxation are considered in the first instance by the Swedish Tax Agency, which makes an assessment decision. The Swedish Tax Agency's decisions can be subject to appeal at the administrative court level (formerly county administrative court), whose rulings can in turn be appealed at the administrative court of appeal (formerly supreme administrative court). This court's rulings can also be subject to appeal at the supreme administrative court of appeal. Accordingly, this means that the practice of the administrative court of appeal may change at the supreme administrative court, and also that the supreme administrative court can alter its own practice in certain cases.

In addition to the customary procedure, it is also possible to apply for an advance ruling from the Council for Advance Tax Rulings. Thereby, a company can describe an intended transaction, and inquire about the tax consequences of such transaction. The Council for Advance Tax Rulings' decision can be subject to appeal at the supreme administrative court of appeal, which can change the ruling.

It can be noted that the Supreme Administrative Court's tax rulings of 29 May 2009, RÅ 2009 note 86 and RÅ 2009 note 88, related to advance rulings from the Council for Advance Tax Rulings from 2006 that were subject to appeal. Another advance ruling, RÅ 2009 note 87, known as "the Cyprus ruling" was referred to the Council for Advance Tax Rulings for reconsideration. The Council for Advance Tax Rulings issued a new ruling on this case on 2 July 2010. The Council for Advance Tax Rulings' ruling is subject to appeal at the Supreme Administrative Court.

Accordingly, this means that in the first two cases, taxpayers waited more than three years for a ruling, which to

some extent, also appears to change previous practice. In the third case, regarding "the Cyprus ruling" the Supreme Administrative Court had still not issued its ruling at the end of 2011, i.e. six years after the application for an advance ruling. The rules regarding advance rulings state that they should be dealt with promptly. In an international context, three to six years could probably be considered a very long time to have to wait for a definitive ruling on an advance ruling. This creates uncertainty regarding what actually applies in the tax segment, not only for individual taxpayers, but for all taxpayers because the Supreme Administrative Court determines practice in the tax segment.

In this context, it should be noted that normally, the Swedish Tax Agency can re-assess a company's taxation within two years of the financial year, although in some cases, the tax agency can re-assess up to another four years retroactively.

To avoid misunderstanding, it is important to emphasise that Kungsleden was not party to the cases covered by the above rulings. However, after the rulings were reported, Kungsleden conducted an analysis of the transactions that the company was party to and resembled those that were covered by the rulings. These transactions are few in number, conducted in the years 2004–2006. The transactions Kungsleden judges may be affected by the Supreme Administrative Court's rulings have been analysed individually and separately from ongoing tax computations.

Current tax situation

In autumn 2011 and February 2012, the Swedish Tax Agency contended that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to three Kungsleden transactions in the fiscal year 2006 (two companies) and fiscal year 2008 (one company). These transactions involve the impairment of stock shares, which according to Kungsleden's opinion, were conducted in accordance with applicable practice from the Supreme Administrative Court. The Swedish Tax Agency's claim would result in additional tax claims of SEK 420 m for Kungsleden.

In January 2012, the Administrative Court in Stockholm reported its ruling

that rejected deductions for the impairment of stock shares and the application of transitional provisions in the fiscal year 2009. The tax claim resulting from this ruling is SEK 120 m, as previously stated in the Annual Report for 2010 and Interim Reports in 2011. The Administrative Court's ruling will be subject to appeal at the Administrative Court of Appeal. As previously reported, Kungsleden has received rulings from the Stockholm Administrative Court relating to transactions conducted in a similar manner to those covered by what is termed "the Cyprus ruling." The Administrative Court found that the capital gains from the property sales should be re-allocated and a higher share of the gains should be subject to taxation in Sweden. The court's finding based on "the Cyprus Ruling" implies further tax claims on Kungsleden of some SEK 200 m including tax surcharges, as reported in press releases of 7 June and 17 June 2010.

Kungsleden has appealed against these rulings at the Administrative Court of Appeal in Stockholm. However, the Administrative Court of Appeal has issued a stay on all cases on similar questions pending a ruling from the Supreme Administrative Court of Appeal regarding the advance ruling that was subject to appeal from 2006. Kungsleden considers that the Swedish Tax Agency's claim is erroneous and the company's judgment regarding these transactions has not changed, and accordingly, no provisioning has been made for these tax claims. Although these property sales resulted in a low tax charge, it can be noted that the Swedish Tax Agency's own assessment was that it was fully permitted and accepted to sell the properties free of tax as a portfolio, i.e. the freedom from tax in the property sales was neither unexpected nor controversial. The chosen sales methods were selected exclusively for business reasons, not to pay lower tax.

In 2010, the Swedish Tax Agency requested the Administrative Court level to consider whether the Swedish Tax Evasion Act was applicable to three transactions that Kungsleden had conducted. The Swedish Tax Agency claims that the Court should consider re-assess-

ing taxable income, corresponding to a tax claim of approximately SEK 920 m.

In total, the tax claims amount to SEK 1,660 m, and Kungsleden provisioned SEK 325 m for one of the transactions in 2009. It should be noted that regulatory decisions correspond to only SEK 320 m.

If the Swedish Tax Agency's claims prevail, Kungsleden judges that the majority of the re-assessment can be offset against tax loss carry-forwards. Given a potential negative outcome of proceedings, the liquidity effect would not exceed SEK 860 m including tax surcharges and estimated interest. Because Kungsleden has tax loss carry-forwards that have not been capitalised

in its accounting, they could meet a significant portion of the potential negative outcome of proceedings. If the outcome of all these proceedings is negative, the company estimates that this would reduce consolidated equity by approximately SEK 1,660 m including tax surcharges and interest.

Updated assessment

Kungsleden's point of view is that it wishes to comply fully with the laws and practice in place coincident with each tax return. Kungsleden continuously reconciles its own assessments on tax issues with external experts. However, this does not mean that there is no risk that tax courts could assess completed transac-

tions differently to the company. It can also be assumed that the Swedish Tax Agency will initiate proceedings against different companies in the group to increase their assessed income in certain cases.

Kungsleden's assessments and computations will be re-considered at each reporting date. Accordingly, final outcomes may be higher and lower than the current assessment.



Financing and financial risks

Kungsleden bases its business model on properties being financed with equity and external borrowings to attain a good return on invested capital. This also means that operations are exposed to various forms of financial risk. To manage, and to some extent exploit, these risks, the company utilises a Finance Policy, approved by the Board of Directors.

RAISING CAPITAL AND THE COMPOSITION OF CAPITAL

Kungsleden conducts highly capital-intensive operations. Access to capital is a prerequisite for enabling the operation of a successful property business. Total assets on 31 December 2011 were SEK 28,296 m, of which properties were SEK 26,122 m. The total asset mass is funded with equity, interest-bearing liabilities and non interest-bearing liabilities. The division between them depends on factors such as the cost of the different sources of funding, the risk in the property portfolio and the lenders' pricing and risk appetite over time. The most costly form of funding is equity, while borrowed capital is generally cheaper, which means Kungsleden endeavours to attain an optimal mix between these sources to achieve the desired return on equity. Of total asset values as of 31 December 2011:

- equity was 27 per cent
- interest-bearing liabilities were 61 per cent
- non interest-bearing liabilities were 12 per cent.

Equity

The share of equity in relation to total assets, the equity ratio, was 27 (30) per cent. The cost of equity is the same as the return on equity, which consists of profit after tax in relation to average equity. The objective is for return on equity to amount to 15 per cent over time.

Interest-bearing liabilities

Because interest-bearing liabilities are a cheaper source of funding than equity, Kungsleden endeavours to achieve a fairly high share of external borrowings within the limit of the issued risk mandate and finance policy. Interest-bearing liabilities comprised 61 (57) per cent of total funding as of 31 December 2011. Kungsleden judges that low operating risk with high predictability and profits from property management

from long lease contracts, high property yields and diversification in terms of property type and geography makes a relatively high share of interest-bearing liabilities possible. Accordingly, equity is used effectively, creating higher returns than would be possible otherwise, without risk levels being excessive.

Non interest-bearing liabilities

Primarily, non interest-bearing liabilities consist of provisions, negative values on derivatives, accrued costs and deferred income and other liabilities. As of 31 December 2011, non interest-bearing liabilities comprised 12 per cent of total funding. Non interest-bearing liabilities make up the group's working capital with the asset items receivables etc. and basic liquidity.

FINANCIAL RISKS

Financial risks are the risks of fluctuations in the company's profits and cash flow resulting from changes in market interest rates, re-financing and credit risks, and exchange rates. Definition of financial risks:

- Financial risk is defined as the risk of funding not being forthcoming, or only arranged on unfavourable terms.
- Interest risk is defined as the risk of a profit and cash flow effect from a change in market interest rates.
- Liquidity risk is defined as the risk of not having access to cash and cash equivalents or credit facilities to cover payment obligations.
- Credit risk is defined as the risk that a counterparty does not fulfil all or parts of its commitment.
- Currency risk is defined as the translation risk on investments in foreign countries.

The group's Finance Policy for managing financial risks has been prepared by the Board and provides a framework of guidelines and rules, expressed as risk mandates and limits for financing

activities. Responsibility for the group's financial transactions and risks is managed centrally by the group's Finance function.

The overall objectives of the Finance function are:

- To ensure the long and short-term access to capital.
- To adapt Kungsleden's funding strategy according to the company's operations in order for a sustainable and stable capital structure to be achieved and maintained.
- To achieve the optimal net financial position within established limits for risk exposure.

LOANS ARRANGED AND FINANCE RISK

Kungsleden's finance policy stipulates the maximum share of the loan portfolio that may be held by a single lender. The policy also regulates the share of loans that may become due for re-financing within one year. These guidelines, combined with good advance planning, limit Kungsleden's re-financing risk.

The loan portfolio is based on bilateral agreements with banks, a syndicated credit facility and unsecured bond loans. Loan agreements are often signed with maturities of three to five years, which is market practice for property credits. In these agreements, Kungsleden endeavours to secure short fixed interest terms to retain the greatest possible flexibility and to avoid incurring costs for potential advance redemption of fixed loans upon property sales and refinancing. The average conversion term was 1.8 years at year-end.

At the end of the period, the loan portfolio amounted to a nominal SEK 17,326 (13,990) m, an increase after funding properties purchased in the year. SEK 1,599 (999) m of the loan portfolio was unsecured bond loans. The market value of loans and financial instruments was SEK 18,581 (14,706) m. Un-utilised credit facilities amounted to SEK 3,160 (4,254) m.

MATURITY STRUCTURE, FIXED INTEREST PERIODS

As of 31 December 2011	Loans, SEK m	Interest derivatives, SEK m	Average interest derivatives, %	Average interest loan and derivatives, %	Average fixed interest term, years
2012	17,326	200	4.3		
2013		1,100	3.7		
2014		2,400	3.8		
2015		2,700	4.0		
2016		950	3.3		
2017		700	3.7		
2018		3,850	4.1		
2019		1,400	3.1		
2020		1,200	3.4		
2021		800	3.3		
Total	17,326	15,300		4.8	4.7
Market valuation of loans and derivatives	1,255				
Total	18,581				

Kungsleden works continuously on the maturity structure of its credit portfolio. This is achieved through ongoing discussions with existing and potential lenders and by utilizing alternative funding sources available on the capital markets. Currently, there is a trend toward shorter capital tie-ups among credit institutions who prefer short-term loans, which has also meant longer capital tie-ups becoming more costly than previously. This may result in a shorter average capital tie-ups going forward than historically.

Loans of SEK 11,620 m mature in 2012, of which SEK 8,510 m were utilized and SEK 3,160 m un-utilised credit facilities as of 31 December 2011. The majority of the maturing credits are held by Kungsleden and only SEK 1,648 m are credits within the Hemsö group. The current SEK 6,000 m credit facility, of which only about 50 per cent was utilized in recent years, was replaced by a new SEK 4,500 m facility in January 2012, which runs until January 2015. Accordingly, a total of half of maturities in 2012 have been re-arranged. Work on other loan maturities in 2012 is ongoing. Kungsleden expects these loans to be re-arranged on market terms.

FIXED INTEREST TERMS AND INTEREST RISK

Interest risk is managed at an overall group level. The interest fixing strategy is expressed in maturity intervals and divergence intervals. Adjustments between short and long fixed interest terms are made on the basis of the state of the bond market, the company's capacity to cope with negative scenarios

and the current view of risk. The Board determines intervals for the share of loan interest that should be fixed in various maturity intervals annually.

The desired risk level is achieved through interest swaps or interest caps. All the financial instruments utilised must be liquid, and the Finance function must maintain thorough knowledge of such instruments' function, risk and pricing.

One frequently used interest derivative is interest swaps, which mean entering a contract with a predetermined duration, whereby the parties swap interest flows with each other. For example, paying fixed interest and receiving varia-

ble interest in return from an external party. An interest cap implies entering a contract with a predetermined duration and, for a fee, insuring that interest costs do not exceed a predetermined level.

The derivative portfolio amounted to SEK 15,300 (14,450) m in nominal interest swaps. In the year, Kungsleden cancelled a nominal amount of SEK 2,800 m of swaps, to better reflect the volume of its loan portfolio, while Hemsö started interest hedging its loan portfolio at maturities of between one and ten years, which has increased the group's derivative portfolio by SEK 3,650 m. In addition, SEK 2,600 m of nominal amount of

Because the derivative portfolio is largely in balance with the loan portfolio, changes in market interest rates only marginally affect Kungsleden's net financial position, see sensitivity analysis below.

MATURITY STRUCTURE, CREDITS (INC. UN-UTILISED CREDIT FACILITIES)

As of 31 December 2011	Utilised credits	Un-utilised credits	Total credits
2012	8,510	3,110	11,620
2013	2,725	50	2,775
2014	2,573		2,573
2015	999		999
2016	2,044		2,044
2017	-		-
2018	303		303
2019	172		172
Total	17,326	3,160	20,486
Average conversion term, years	1.8		1.5

SENSITIVITY ANALYSIS, INTEREST RATE FLUCTUATIONS

Effect on net financial position, SEK m	31 Dec 2011
Loan portfolio average interest changes +/- 1 percentage point	-/+ 173
Short market interest rates (< six months) change, +/- 1 percentage point	-/+ 13

Effect of unrealised value change/reserve fair value, SEK m	31 dec 2011
Market interest rate change on all maturities, +/-1 percentage point ¹	+ 738/-813

¹ The valuation of interest swaps means that future cash flows are discounted to present value using the current market interest rate for each maturity. To evaluate the interest sensitivity of the portfolio, the calculation has been conducted on the basis of a one percentage point change to market interest rates on all maturities.

existing swaps have been extended by between three and six years to benefit from the low long swap rates. At year-end, the average remaining fixed interest period was 4.7 (4.9) years.

The average interest rate was 4.8 (5.3) per cent as of 31 December. Average interest has reduced since year-end because a number of existing swaps were extended at lower interest rates and some swaps were cancelled in advance in the year. An increased loan volume in the year contributed to reducing the average interest rate marginally because the derivative portfolio's nominal amount was larger than the loan volume at the beginning of the year.

With a derivative portfolio of SEK 15,300 m, interest-bearing liabilities of SEK 17,315 m were largely interest hedged, and accordingly, interest costs were not significantly affected by altered market interest rates.

Interest swaps are valued by discounting future net cash flows to present value using the current market interest rate. The optionality of derivative contracts is valued according to the market's customary valuation model. As of 31 December, the deficit value of loans and financial instruments was SEK -1,255 m against SEK -717 m at the beginning of the year. The increase in the deficit value relates to market interests on long maturities falling in the year, corresponding to SEK -604 m, and being reported as unrealised value changes on financial instruments. In addition, interest derivatives of SEK 66 m were cancelled. Other financial measurements (currency items and share swaps) changed by SEK -5 m, resulting in total unrealised value changes in the Income Statement for 2011 of SEK -609 m. Unrealised value changes do not affect cash flow. If derivatives are not realized before the end of their term, their value over time will diminish to zero.

LIQUIDITY MANAGEMENT AND LIQUIDITY RISK

The scale of liquid financial assets should satisfy the requirement of a good liquidity reserve. Surplus liquidity is primarily used to redeem interest-bearing loans because this generates better returns than if these funds were invested with credit institutions. Overdraft facilities are also in place to enable flexible cash management. At any time, liquidity should correspond to at least three months' known payments, including interest payments and loan re-arrangements.

As of 31 December 2011, cash and cash equivalents were SEK 816 (747) m, and disposable liquidity including un-utilised overdraft facilities and the un-utilised portion of the syndicated loan agreement, was SEK 2,564 (2,049) m, based on the current property portfolio.

CREDIT RISK

Credit risk is defined as the risk that a counterparty does not fulfil all or parts of its obligations. Credit risk exists in derivative agreements, when issuing vendor notes and investing surplus liquidity.

Credit risk also relates to the risk that a counterparty does not make its payments of rent or sales proceeds. Historically, rent losses have been low, and in 2011 were SEK 4 (+1) m, or 0.01 per cent of revenues. Over the last five years, only one vendor note was not paid. This vendor note was not recognized as revenue on sale, and accordingly, no actual loss occurred. Security is normally obtained to mitigate credit risk. The relevant long-term receivables amounted to SEK 444 (288) m as of 31 December. Security for the two significant receivables has been obtained, whose market value is judged to exceed the outstanding receivables. For more information, see Note 22.

CURRENCY RISK

The group's currency exposure consists of translation exposure through property operations, primarily in Germany. Essentially, there is no transaction exposure. According to Kungsleden's finance policy, properties in foreign currencies should be financed in that country's currency. If an investment through equity in foreign currency exceeds SEK 500 m, the Board of Directors consider each year as to whether this capital should be currency hedged. In addition, when sales are decided, at least 50 per cent of the surplus value should be currency hedged, providing this is not re-invested in local currency.

As of 31 December 2011, Kungsleden held SEK 939 m of foreign properties, most of which were financed with euro-denominated loans. Accordingly, no currency derivatives were required to minimize euro exposure. In the current situation, exposure is fairly limited and no currency derivatives were necessary to minimize euro exposure as of 31 December 2011. The effect of translation exposure on other comprehensive income amounted to SEK -3 (84) m in the year.

COMMITMENTS IN LOAN AGREEMENTS

Property, shares or guarantee commitments are usually pledged as collateral for bank loans.

In addition, loan agreements can include covenants on interest coverage ratios and loan to value ratios, which were all satisfied as of 31 December. For 2001, the group's interest coverage ratio was 1.9 times and its loan to value ratio for secure credits was 60 per cent as of 31 December.

THE BOND MARKET 2011

Like all companies, Kungsleden is affected by events on the financial markets. In the first half-year 2011, progress on the Swedish financial markets was stable, with fairly positive lenders and margins gradually reducing. After the summer, conditions altered radically, driven by renewed debt turmoil in Europe, and new, more stringent capital adequacy requirements on Nordic banks. Interbank rates in Sweden (Stibor) increased simultaneous with longer market interest rates falling dramatically in a manner that was hard to predict. The combination of regulation and compensation for banks' increased funding costs resulted in a sharp increase in interest margins in the latter half-year and generally worse access to credit.

The short interest rate, Stibor 90 day, increased from 1.95 per cent to 2.64 per cent in 2011. However, five-year yields fell significantly, and as of 31 December were 1.96 per cent, against 3.20 per cent at the beginning of the year. Uncertainty on the financial markets remains substantial, which means that the progress of short interest rates and interest rates on long maturities is uncertain.

COSTS AND REVENUE

The Income Statement is charged with interest costs and changes in fair value of loans and derivatives.

Interest costs in 2011 were SEK 873 (752) m, with the increase mainly explained by a higher loan volume, as a result of funding acquisitions in the year and newly arranged bond loans having higher interest margins than bank borrowings. Interest income, other financial revenues and other financial costs were SEK 5 (3) m net.

Value changes on loans and financial derivatives were negative as a consequence of falling long yields in the year and amounted to SEK -609 (-430) m.

Corporate social responsibility

Kungsleden's social responsibility addresses customers, suppliers, employees, owners and broader society. Environmental work is a strategic issue and part of day-to-day work in the whole organisation.

ENVIRONMENT AND SUSTAINABILITY

Long-term and goal-oriented work on sustainability means creating value for the company's stakeholders, like owners and customers, and being a good employer.

A few highlights from our environmental work in 2011

- **GreenBuilding**—Kungsleden GreenBuilding certified three properties and filed another application for certification.
- **Green Leases**—Kungsleden initiated an environmental collaboration with tenants and started offering Green Leases, with two Green Leases signed in 2011.
- **Earth hour**—Kungsleden participated in the World Wildlife Fund's (WWF) Earth Hour campaign also in 2011.

Energy-saving measures

Initiatives during the year focused on continuing to reduce energy consumption in properties, and thus decrease greenhouse gas emissions. This goal-oriented and structured energy effort generated energy savings of over 25 per cent in several properties, three of which are now GreenBuilding classified.

The results of Kungsleden's carbon dioxide reduction effort in the past two years secured retained status in the Carbon Disclosure Project in 2011. Kungsleden achieved 68 (68) of a possible 100 points, putting the company among the top property owners in Sweden.

Kungsleden also updated the standards it applies to construction contractors and suppliers regarding their choices of methods and materials for conversion projects.

Green Leases

As a property owner, Kungsleden has good prospects of working for a reduced environmental burden alongside tenants and customers. During the year, several tenants signed Green Leases, involving a deeper partnership on sustainability issues. By signing a Green Lease, Kungsleden tenants contribute to a better environment while also gaining an opportunity to save money through reduced energy consumption.

Employee commitment

In addition to work on collective environmental targets, a series of other activities were conducted such as participation in the WWF Earth Hour and on-going training of property management staff on environmental issues.

SOCIAL AND ETHICAL RESPONSIBILITY

Kungsleden conducts its operations in a business-like manner. Entered agreements are respected and observed. Kungsleden does not tolerate bribery or corruption. No forms of illegal or child labour are accepted in any context.

A self-evident foundation for Kungsleden's ethical guidelines is that the company respects laws and other ordinances, and complies with international standards regulating human rights, labour and the environment. Additionally, discussing business ethics regularly, and clarifying what is unacceptable by example, is important in Kungsleden.

As an employer and property company, Kungsleden observes human rights as defined by the UN. For goods and services, Kungsleden has also defined standards to be applied to its suppliers that must be compatible with:

- The ILO's eight core conventions.
- Article 32 of the UN's Convention on the Rights of the Child.
- The labour law and working environment legislation applicable in countries of manufacture.
- The labour laws, including legislation on minimum wages and social insurance applicable in countries of manufacture.

For more information on how Kungsleden works on CSR, please refer to Kungsleden—the workplace on pages 22–24 and www.kungsleden.se.

SOCIAL COMMITMENT

Kungsleden's social commitment goes a little further than property management and our core business. Kungsleden has chosen to engage in social projects that support young people. Kungsleden's employees can spend one working day a year on voluntary work. In all the social projects that Kungsleden has chosen to commit to, all the young people share the hope and belief that these initiatives will make a difference.

Fryshuset

In early 2010, Kungsleden started a partnership with youth work charity Fryshuset. Kungsleden is keen to contribute to an operation that supports young people and creates the right prospects for a warm and creative society that everyone wants to, and can, be part of.

Fryshuset has the straightforward conviction that encouragement, trust, responsibility and know-how build self-esteem and bring out peoples' inner strength. These values and attitudes are closely consistent with what Kungsleden stands for.



Caldon Thomas receives a check in the amount of SEK 50 000 from Kungsleden for his great work with young people in Örnsköldsvik.

ENVIRONMENTAL WORK IN 2011

Target	Comment	Status as of December 31, 2011
Five GreenBuilding-rated properties before year-end 2011.	Three properties approved, with one sold, and another application filed in December 2011 for review in 2012.	0%  100%
Reduce CO ₂ emissions from energy consumption by 10 per cent by 2012 compared to 2008.	<p><i>Electricity</i> Emissions in 2008: 9,000 tons of CO₂ Emissions in 2011: 372 tons of CO₂</p> <p><i>Heat</i> Emissions in 2008: 11,000 tons of CO₂ Emissions in 2011: 8,000 tons of CO₂</p> <p>The changeover of electricity agreements to hydropower with certification of origin represents the biggest reduction of emissions. Area decreased from 2,893,000 sq.m. to 2,086,000 sq.m. in the period from 2008 to 2011.</p>	
Participate in at least one development/research project for reducing energy consumption in properties.	In 2011, Kungsleden participated in a research project on LED lighting in industrial properties together Bergen and Linköping Universities.	
All company vehicles to be environmentally rated ¹ by 2012.	The share of environmentally rated vehicles was 86 per cent in December 2011 (18 of 21).	
Phase out the use of heating oil before year-end 2011.	Conversion to more environmentally friendly technology is progressing, and the percentage of properties currently heated with fossil fuel is marginal: 8 properties (1 per cent) have oil heating.	
Measure radon levels at all commercial properties and high content to be re-sold before year-end 2011.	Measurements were conducted in the oil heating season 2011/2012. High levels are actioned on a continuous basis.	
Sign Green Leases with at least ten tenants in 2011.	Two Green Leases were signed in the year.	
Increase the usage of video conferencing in our organization.	Several offices were relocated in the year, which created a need for new technology installations. Work on videoconferencing is continuing in 2012.	
Follow-ups on the environmental standards we set on large projects.	Follow-up on one project per region.	

1 According to the Swedish National Road Administration's definition.

THE ENVIRONMENTAL YEAR IN FIGURES:

	2011	2010	2009	2008	2007
Electrical energy consumed (Kungsleden's subscriptions), GWh	111	87	104	89	93
Electricity consumption/sq.m., kWh	38	39	39	28	30
Number of properties with caulking compounds containing PCBs	2	0	6	21	22
Share of properties with oil heating, %	1	3	4	6	7
Share of environmentally-rated company vehicles, %	86	50	33	14	10

Fryshuset has just over 400 employees and runs some 30 different operations in Stockholm, Gothenburg and Malmö. These extend from sport and leisure activities to projects that address current social challenges. Kungsleden owns and manages properties in some 140 municipalities in Sweden. The diversity of Kungsleden's business is closely consistent with Fryshuset's ambitions of nationwide reach.

Kungsleden is donating SEK 2 m per year over three years to Fryshuset's activities. Within these funds, in 2011, Kungsleden donated SEK 50,000 each to 3 projects. These were:

The Peace & Love activity centre and Mecka Cykel (fixing bikes) in Linköping

Youth organization Peace & Love's activities are now a natural part of Allaktivitetshuset activity centre, a youth and training centre in Skäggetorp, one of the more vulnerable parts of the city of Linköping, south west of Stockholm. The activity centre has arranged basketball and soccer tournaments for young people. A Somali association has also been formed in the activity centre, which very quickly became active, and has started a programme of night watch walks in the area.

Non-profit organization Mecka Cykel is also located in Skäggetorp in Linköping. The centre opens two days a week, and has become a popular meeting place where young people learn to collaborate, fix up old bikes, benefit from an adult role model, and also earn

a small sum for the bikes they sell.

There is no financial gain in this project, but rather the gain is the effort and work young people put into repairing the bikes. This shows that anything is possible, even with modest funds.

Mecka Cykel (the Linköping Bicycle and Moped Association) is growing. A collaboration with ABF (the Swedish Workers' Education Association) has been initiated and this association has held courses for both men and women.

Game Time i Umeå

Game Time, led by Fernando Flores, has founded a soccer team now playing in Sweden's division six. Training is held in the Ålidhem Hall. Game Time also rents premises in the Gamla Slakteriet quarter, which is owned and managed by Kungsleden, where partnership with another association has commenced. The association is offering basketball and drop-in soccer for children and young people. A soccer tournament was arranged earlier in the year in collaboration with the Municipality and the Athena leisure centre.

Caldon Thomas in Örnsköldsvik

In Örnsköldsvik, in northern Sweden, Caldon Thomas has worked on starting up activities in the public park, Folkets park. He is currently employed one day a week by Folkets park to arrange youth activities through dance. An integration program has started, which attracts some 15 participants each week.

Young Personal Finance

Young Personal Finance is an education project run within the supports of stock traders foundation Aktiefrämjandet. Young Personal Finance is a school information project designed to inspire young people and teachers to learn more about personal finance and savings through informational events, educational material and opinion-building efforts. Kungsleden has decided to support this project, and is donating SEK 1 m per year over four years. These funds will be used to finance the activities of Young Personal Finance.

It's important that the younger generation gets basic knowledge on stock market trading and mutual funds, not just for the individual and society in general, but also for Kungsleden as a listed company. Kungsleden has over 20,000 shareholders, many of them private individuals.

During the academic year 2010/2011, project staff met some 15,700 school students. Students in automotive, social science and individual programs all over the country got an opportunity to find out more about personal finance for free. The objective for the academic year 2011/2012 is to meet over 17,000 students in various education programmes nationwide.

More information on this project is available at www.ungprivatekonomi.se.
(In Swedish only)

ENVIRONMENTAL TARGETS, 2012

1. Environmental certification of one property per region in 2012. (Kungsleden has five internal regions.)
2. Green Leases to be offered to all qualifying customers during leasing discussions.
3. Energy consumption to be reduced by 3 per cent per square metre between 2012 and 2014 (2011 as base year).

Employee interview —Fredrik Sörling



What is your area of responsibility?

I mainly work on our large accounts, proactively with potential future customers as well as with existing tenants. Within Retail properties, I work in a team with managers on a strategic and operational level, for example on a specific shopping centre or location. This is often in dialogue with representatives of the municipality, which is inspiring and expands Kungsleden's contact field.

What's the most enjoyable part of your job?

Being able to contribute views and ideas to develop what we do, and also being part of realizing the ideas.

What gives you energy at work?

The creative environment where everyone sees the opportunities, both colleagues and external stakeholders.

What gives you energy in your spare time?

After almost 30 years, the biggest kick in my life is pulling on my wetsuit and going out in really windy weather on my windsurfing board. Since I don't always think it's windy enough,

there are also other things I love to do. An hour or so playing my electric guitar usually brings peace to my soul. These interests, and being with my family, make me feel good.

How do you balance your work and leisure?

Flexible work-hours and an understanding employer are prerequisites of being a windsurfer. You can't always do it, but it's important to be able to take advantage of what the weather offers you from time to time. And I bring this back into my work, where being able to adapt quickly to new and unforeseen events is important. We work in a fast pace environment, with a lot of things going on at once, and you need to be able to prioritise.

How does Kungsleden facilitate opportunities for you?

We're never standing still, but always trying to find new ways to simplify things for our customers. We're not spectators, but rather we are active on the playing field. This has enabled me to develop in my role, and I hope it's evident in my work.

KUNGSLEDEN AS AN INVESTMENT

Kungsleden as an investment	52
The share	54
Five-year summary	58



Kungsleden as an investment

Good and expedient premises in the right location are a requirement for most operations, commercial or public. Kungsleden is responsive to customer needs and can offer premises in small and large locations nationwide. Kungsleden can attract and retain tenants for the long term, while simultaneously limiting risks. Despite generally poor prospects for Europe in 2012, in relative terms, the Swedish economy is expected to perform better.

THREE REASONS TO INVEST IN KUNGSLEDEN

- The Swedish economy is strong compared to many other European countries. This ensures continued good demand for functional commercial and public premises in attractive locations.
- Diversified tenants and properties, good geographical diversity and long lease contracts results in, the business delivering stable cash flows over a whole business cycle.
- Ongoing portfolio enhancement and risk limitation through the purchase and sale of properties creates an attractive combination of good returns for low risk.

SUCCESS FACTORS

Portfolio quality

In recent years, Kungsleden's portfolio has been refined and properties with higher risk profiles sold off. This means that the quality of the portfolio is higher than ever, which translates into low vacancies and stable cash flows.

Understanding customers

Kungsleden always endeavours to secure good understanding of customer needs and individual circumstances. Accordingly, Kungsleden can serve as a good collaboration partner for new start-ups and ongoing operational development. Its head office and five local offices nationwide help Kungsleden to stay close to its customers.

A professional approach

Professionalism is a prerequisite for doing good business. Kungsleden's ambition is for both parties in a business transaction to feel like they have emerged as winners.

Opportunities oriented

Kungsleden is on the lookout for opportunities in properties, premises and geographical locations. In practice, this means an endeavour to be innovative and easy to deal with. An entrepreneurial spirit is nurtured by decision making delegated throughout the organization—where the customer is.

Taking responsibility

Being responsible means taking the initiative and being committed. For Kungsleden's employees, this may

sometimes mean questioning things, or seizing an opportunity when it arises.

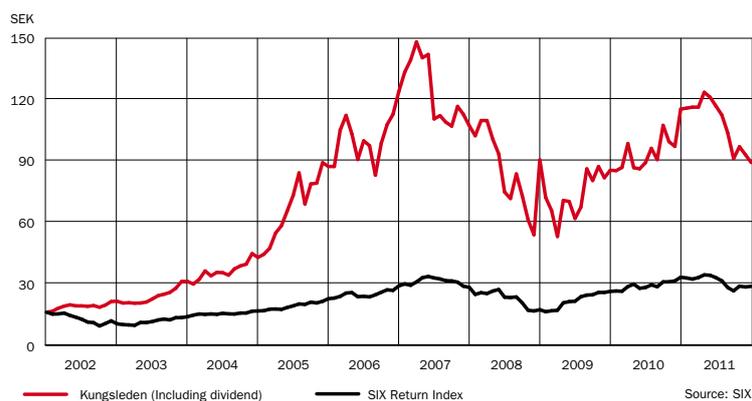
Egalitarianism

Straightforward and honest dialogue can get you a long way. For Kungsleden, what is most important is to find solutions customers are satisfied with.

Fast-acting

Kungsleden has an informal management approach and un-bureaucratic organization. In addition, decision mandates are delegated throughout the organization, which means that decisions can be taken faster and closer to the customer. Overall, this means that Kungsleden and its employees are straightforward and simple in their handling, and can act quickly when required.

TOTAL RETURNS



Read more about Kungsleden's business concept, goals and strategy and its business model on pages 6–10.

Flexible

Kungsleden's business model is flexible, which leaves scope to make investments without being tied to the need to invest in specific types of property or geographical locations. This makes it easier for investments to be channelled to attractive segments to exploit temporary imbalances in demand and supply optimally.

DIVIDEND POLICY

The Board of Directors' ambition is to maintain a stable dividend and high pay-out ratio. The policy means that dividends shall amount to 50 per cent of profit for calculating dividends. Evaluations of the size of the dividend should include consideration of the company's investment need, capital structure and position otherwise.

ESTIMATED PROFIT FOR CALCULATING DIVIDENDS

An assessment of results of operations for the coming year serve as the basis

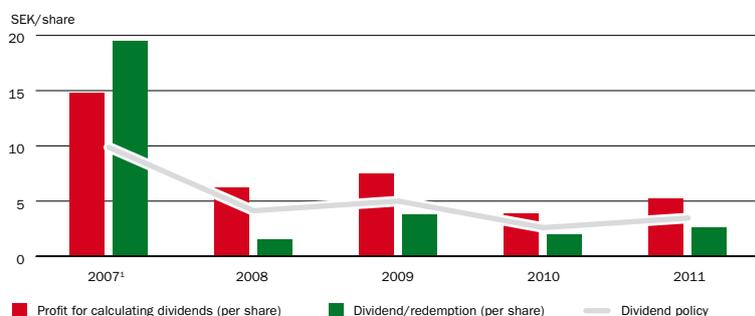
of the estimate. In the process of preparing the estimate, items including the operating net on the property holding and refinancing and administration costs are calculated.

The estimated profit for calculating dividends is monitored continuously through the year to ensure that it is still achievable. The effect from certain factors that have arisen in the year such as purchases and sales of properties, a severe winter or changes in bank lending terms are observed.

PROPOSED DIVIDEND

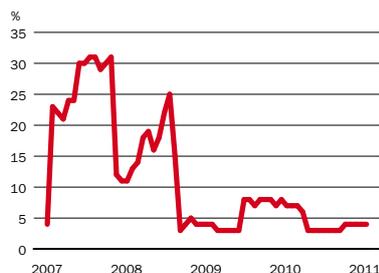
The Board of Directors proposes that the AGM pays out SEK 2.60 per share to shareholders. This proposal corresponds to 50 per cent of profit for calculating dividends and equates to a dividend yield of 5.7 per cent in terms of the closing price at year-end 2011. For more information, see the proposed appropriation of profits on page 103.

PROFIT FOR CALCULATING DIVIDENDS PER SHARE



¹ In addition to the SEK 8.00 dividend in 2007, there was a redemption of SEK 11.50 per share.

DIVIDEND YIELD, DIVIDEND PAID¹, %



¹ The dividend yield for the share is calculated as dividend paid in each year in relation to the current share price.

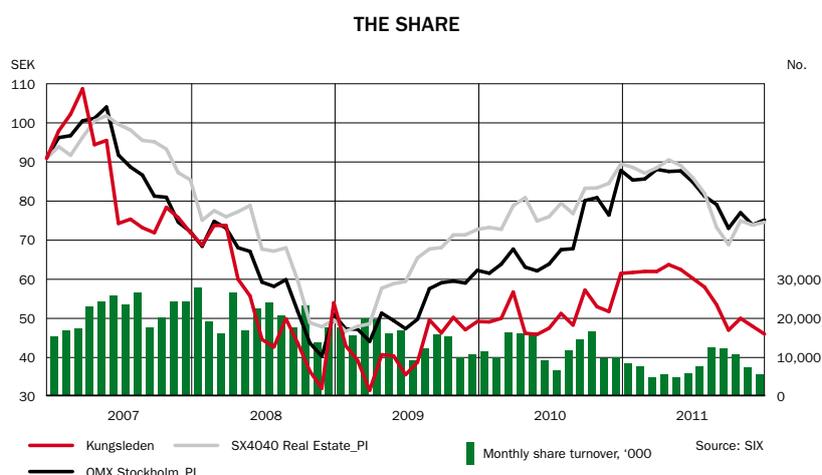
The share

At year-end, Kungsliden had just over 21,000 shareholders, with private investors representing some 40 per cent. At the beginning of the year, the ten largest shareholders controlled 25 per cent of the capital and votes, an increase from 20 per cent. Kungsliden is one of few property companies on NASDAQ OMX Stockholm that does not have dominant owners, and thus basically has a 100 per cent free float. Most of the largest shareholders are Swedish and foreign investment funds.

MARKET CAPITALISATION AND TURNOVER

Kungsliden has been listed on NASDAQ OMX Stockholm since 1999. It is a constituent of OMX Nordic Exchange's Mid Cap list. The closing price on 31 December 2011 was SEK 46.00, equivalent to market capitalisation of SEK 6,279 m. A total of 92 million shares were traded in 2011, equal to 67 per cent of the total number of outstanding shares. The year low was on 14 December at SEK 42.80 and the high was on 28 April at SEK 65.00 respectively. Against the closing price at year-end 2010 of SEK 61.50, the share price fell by 25 per cent. The dividend paid in April 2011 was SEK 2.00, implying a total yield of -22 per cent. In the same period, the OMX Stockholm had a total yield of -14 per cent. Average annual total yield over the last five years has been -4 per cent. In 2011, the OMX Stockholm Real Estate_P1 fell by 15 per cent, while OMX Stockholm_P1 rose by 17 per cent.

The proposed dividend in April 2012 implies a dividend yield of 5.7% based on the share price as of 31 December 2011.



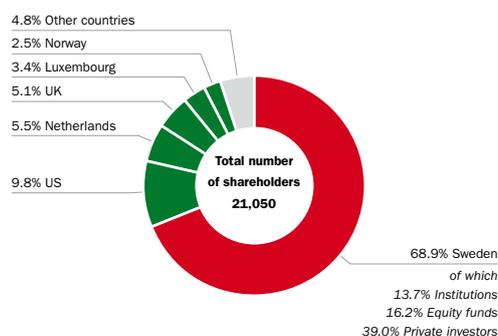
SHARE CAPITAL

At year-end, Kungsliden's share capital was SEK 56,875,860 divided between 136,502,064 shares, each with a quotient value of SEK 0.42. Each share has one vote and confers equal entitlement to the company's assets and profits.

SHAREHOLDERS

Kungsliden had 21,050 shareholders as of 31 December 2011, a 10 per cent decrease on the previous year. At year-end, the ten largest shareholders controlled 25 per cent of the capital and votes, which was an increase from 20 per cent in the previous year. The share of private investors was 39 per cent, equity funds 16 per cent and institutions 14 per cent. 31 per cent of shareholders were foreign, which is a 12 per cent increase on the previous year. No single shareholder had a holding exceeding 5 per cent.

SHAREHOLDERS BY COUNTRY, 31 DECEMBER 2011



SHAREHOLDERS' CONTACTS

Kungsliden's objective is to present fast, accurate and fair information on the progress of operations. During the financial year, Kungsliden publishes one annual report and four interim reports, including an annual financial statement. Changes to the portfolio and other news are published on a continuous basis through the year via press releases on Kungsliden's website. The Chief Executive and Chairman make a detailed presentation of the company's progress at the AGM.



SHARE-RELATED KEY FIGURES

	2011	2010	2009	2008	2007
Share price, SEK	46.00	61.50	49.20	54.00	72.00
Beta value	1.30	1.30	1.30	1.29	1.15
Approved dividend/share redemption (2011: proposed dividend), SEK	2.60	2.00	3.75	1.50	19.50
Total yield, %	-22.0	32.6	-6.1	-13.9	-10.0
Dividend yield, %	5.7	3.3	7.6	2.8	11.1
P/E ratio, multiple	9.8	10.0	27.3	-7.6	4.1
P/CE ratio, multiple	11.9	12.7	7.2	11.7	7.1
Gross profit, SEK	13.80	11.30	13.30	14.40	12.50
Profit/loss after tax, SEK	4.70	6.20	1.80	-7.00	17.60
Profit for calculating dividends, SEK	5.20	3.90	7.50	6.20	14.80
Property book value, SEK	191.40	157.50	160.10	209.30	188.50
Equity, SEK	56.50	53.90	51.90	51.80	66.20
Cash flow from operating activities, SEK	4.90	3.70	4.50	4.20	4.10
Number of shares at year-end	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064
Average number of shares in the year	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064

Operations and their results are presented to participants in the capital markets twice yearly, in tandem with semi-annual reports and annual financial statements. Kungsleden's ambition is also to hold regular capital markets days. Presentations and videos can be viewed on Kungsleden's website. In addition to regular communication, representatives of the company hold a series of individual presentations and conferences with shareholders, analysts and other stakeholders in Sweden and foreign countries.

In addition to these contacts, management's policy is to be readily available to investors and the media to respond to questions and provide additional information.

The company's press releases and financial statements are distributed through Cision, and uploaded to Kungsleden's website in tandem with publication.

Text messages or e-mails can be sent on publication to those users that request this via Kungsleden's website. The website has further information on

Kungsleden on its operations, property holding and business model, as well as financial information and share data.

Financial information is available to order from Kungsleden AB (publ) via www.kungsleden.se, by telephone +46 (0)8 503 052 00 or by e-mail: info@kungsleden.se.

Deputy Chief Executive/Chief Financial Officer Johan Risberg is responsible for Kungsleden's investor relations. His telephone number is +46 (0)8 503 052 06.

SHAREHOLDERS AS OF 31 DECEMBER 2011

Shareholder	No. of shares	% of vote and capital
Nordea Funds	6,541,073	4.8
Pensioenfondsgroep PGGM (NL)	4,686,781	3.4
Länsförsäkringar Funds	4,010,344	2.9
SHB Funds	3,510,947	2.6
Norwegian Government	3,279,538	2.4
Florén Olle and companies	3,129,250	2.3
Danske Invest Funds	3,095,429	2.3
Fourth AP Fund/AP4	2,310,249	1.7
Second AP Fund/AP2	1,837,986	1.3
Swedbank Robur Funds	1,562,746	1.1
Total, ten largest shareholders	33,964,343	24.8
Board and management	381,240	0.3
Foreign shareholders, other	32,675,373	23.9
Other shareholders	69,481,108	51.0
Total	136,502,064	100.0

SHAREHOLDINGS BY SIZE AS OF 31 DECEMBER 2011

Shareholdings	No. of shareholders, %	No. of shareholders	Participating interest, %
1-1,000	64.0	13,483	3.7
1,001-10,000	30.6	6,450	15.6
10,001-20,000	2.5	522	5.5
20,001- 50,000	1.6	327	7.5
50,001-5,000,000	1.3	268	67.7
Total	100.0	21,050	100.0

SHARE CAPITAL HISTORY

Year	Event	Change in no. of shares	Total no. of shares	Quotient value	Increase in share capital, SEK	Accumulated share capital, SEK
1997	Incorporation	1,000	1,000	100	100,000	100,000
1997	Split 20:1	19,000	20,000	5	–	100,000
1997	New issue	230,000	250,000	5	1,150,000	1,250,000
1997	Promissory note with stock options	–	250,000	5	–	1,250,000
1997	New issue	3,750,000	4,000,000	5	18,750,000	20,000,000
1998	New issue	2,400,000	6,400,000	5	12,000,000	32,000,000
1998	Convertible subordinated debenture	–	6,400,000	5	–	32,000,000
1999	Split 2:1	6,400,000	12,800,000	2.50	–	32,000,000
1999	Convertible subordinated debenture	2,758,620	15,558,620	2.50	6,896,550	38,896,550
1999	New issue	3,000,000	18,558,620	2.50	7,500,000	46,396,550
2000	New issue	400,000	18,958,620	2.50	1,000,000	47,396,550
2005	Split 2:1	18,958,620	37,917,240	1.25	–	47,396,550
2005	New issue	7,583,448	45,500,688	1.25	9,479,310	56,875,860
2006	Split 3:1	91,001,376	136,502,064	0.42	–	56,875,860
2007	Split 2:1	136,502,064	273,004,128	0.21	–	56,875,860
2007	Share redemption	–136,502,064	136,502,064	0.21	–28,437,930	28,437,930
2007	Bonus issue	–	136,502,064	0.42	28,437,930	56,875,860

FINANCIAL ANALYSTS

The following financial analysts monitor Kungsleden on a continuous basis.
For contact information, visit our website

Fredrik Cyon
ABG Sundal Collier

Fredrik Skoglund
Deutsche Bank

Robert Woerderman
Kempen

Ruud van Maanen
ABN Amro

Simen Mortensen
DnB Nor

Jonas Andersson
Nordea

Tobias Kaj
Carnegie

Johan Edberg
Erik Penser Fondkommission

Bengt Claesson
SEB/Enskilda

Andreas Dahl
Cheuvreux

Martin Leitgeb
Goldman Sachs

Andreas Daag
Swedbank

Peter Trigarszky
Danske Bank

Albin Sandberg
Handelsbanken

Howard Lesser
UBS

Five-year summary

SUMMARY INCOME STATEMENT

SEK m	2011	2010	2009	2008	2007
Rental revenues	2,594	2,120	2,394	2,529	2,324
Sales revenue, modular buildings	288	184	208	368	288
Net sales	2,882	2,304	2,602	2,897	2,612
Property costs	-747	-599	-624	-621	-653
Production costs, modular buildings	-258	-160	-161	-309	-254
Gross profit	1,877	1,545	1,817	1,967	1,705
Property sales					
Sales revenues, net	1,224	2,929	7,808	1,313	9,475
Book value					
Acquisition cost	-1,102	-2,875	-6,755	-1,045	-8,010
Realised value changes	-66	-21	-1,188	-256	-885
	-1,168	-2,896	-7,944	-1,301	-8,895
Trading net	56	33	-135	12	580
Sales and administration costs	-319	-260	-286	-374	-316
Net financial position	-867	-749	-847	-986	-720
Unrealised value changes					
Investment properties	690	187	-311	-213	1,306
Financial instruments	-609	430	113	-1,590	66
	81	617	-198	-1,803	1,372
Profit/loss before tax	828	1,186	351	-1,184	2,621
Tax	-190	-345	-101	223	-221
Net profit/loss for the year	638	841	250	-961	2,400



SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December, SEK m	2011	2010	2009	2008	2007
ASSETS					
Goodwill	201	201	193	193	197
Properties	26,122	21,501	21,861	28,576	25,737
Receivables, etc.	1,147	2,045	1,465	1,311	6,213
Cash and cash equivalents	816	747	689	642	634
TOTAL ASSETS	28,286	24,494	24,208	30,722	32,781
LIABILITIES AND EQUITY					
Equity	7,719	7,357	7,079	7,065	9,040
Interest-bearing liabilities	17,315	13,949	14,437	20,743	21,068
Non interest-bearing liabilities	3,252	3,188	2,692	2,914	2,673
TOTAL LIABILITIES AND EQUITY	28,286	24,494	24,208	30,722	32,781

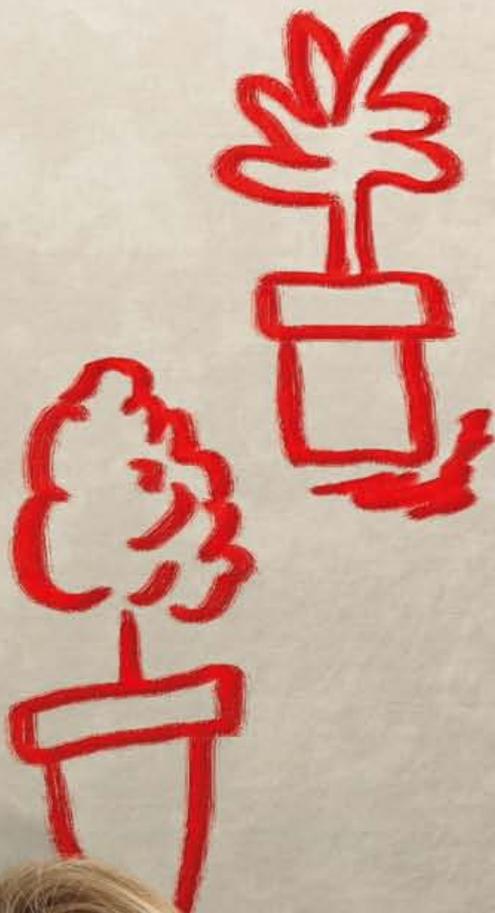
KEY FIGURES

	2011	2010	2009	2008	2007
Property-related					
<i>Earnings capacity</i>					
Property yield, %	7.2	6.4	7.0	6.5	6.4
Economic occupancy, %	91.6	91.2	93.2	95.0	94.4
Operating surplus margin, %	68.5	64.3	68.2	68.2	69.9
<i>Actuals</i>					
Property yield, %	7.8	7.0	7.0	7.0	6.8
Economic occupancy, %	91.2	90.3	93.3	94.3	91.9
Operating surplus margin, %	71.2	71.8	73.9	75.4	73.4
Book value of properties, SEK m	26,122	21,501	21,861	28,576	25,737
Financial					
Profit after tax, SEK m	638	841	250	-962	2,400
Profit for calculating dividends, SEK m	703	530	1,022	840	2,019
Return on total capital, %	6.1	5.4	5.1	5.1	6.9
Return on equity, %	8.5	11.7	3.5	-11.9	25.6
Return on capital employed, %	7.1	6.3	5.8	5.7	7.6
Interest coverage ratio multiple	1.9	1.8	1.6	1.6	2.7
Equity ratio, %	27.3	30.0	29.3	23.0	27.6
Gearing multiple	2.2	1.9	2.0	2.9	2.3
Loan to value ratio, %	66.3	64.9	66.0	72.6	81.9
Adjusted equity, SEK m	7,364	7,084	6,567	6,860	7,948
Cash flow from operating activities, SEK m	666	510	614	572	554
Employees					
No. of employees at year-end	312	271	279	393	384

For share-related key figures, see page 55.
For definitions of key figures, see page 107.

REPORT OF THE DIRECTORS

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OPPORTUNITIES IN PRACTICE:

Skateboard sponsorship at Gastelyckan



Hans-Martin Hansen, Development Manager at the Lund Culture and Leisure Administration, and Kristina Borgström, Assistant Property Manager of Kungsleden, with some skaters at Gastelyckan.

Over the past decade, young skateboarders have built their own skate park in an industrial estate just outside of Lund, in southern Sweden. They've done the construction and maintenance of the skate park themselves, creating a living space for skateboarding, visual arts and music.

Kungsleden purchased properties in the industrial estate, called Gastelyckan, in 2005, including the concrete bed the skaters have built their park on. Kungsleden allowed the skaters to keep using the land, known as "Gaste Skate", providing they kept the area in good condition.

In 2010 Kungsleden was considering building a new office property on the land, and filed the relevant planning application, which caught the attention of the skaters. A campaign was launched in the local press to save Gaste Skate. The Municipality of Lund got in contact with Kungsleden to enquire whether they could find a common solution to keep the skate park.

Kungsleden listened, and decided to lease the land to the Municipality of Lund instead. As

main sponsor of the youth charity Fryshuset, this initiative fits well with the efforts Kungsleden already makes to support youth in Sweden. Gaste Skate's right to utilise the land has now been formalised, which Kungsleden is sponsoring by writing off the rent.

"It's great to see how these young people have built the park themselves and made an interactive meeting place. That's something we really like to support," commented Kristina Borgström, Kungsleden's Property Manager.

Gaste Skate is also sponsored by the Lund Culture and Leisure Administration, that has invested in the park by providing infrastructure like fencing, lighting and toilet facilities.

"We want to encourage this type of youth activity, without getting overly involved. The power of this is that it builds on young people's own commitment. It's also a good example of how businesses can take social responsibility on a local level," commented Hans-Martin Hansen, Development Manager at the Lund Culture and Leisure Administration.

Report of the Directors—corporate governance

Corporate governance is an important instrument in the work on creating and developing long-term shareholder value. Risks are limited by a clear and transparent framework for the division of responsibility, reporting and monitoring.

The Board of Directors can ensure satisfactory control of financial conditions. The Board of Directors can delegate duties within or outside the Board of Directors, but always takes ultimate responsibility for the company's organisation and administration. Because responsibility rests with the Board of Directors, it is liable for continuously verifying that delegation is working well and as desired.

Accordingly, in practice, corporate governance is a matter of creating an effective, predictable and transparent control system. This also implies a clear division of roles and responsibilities between owners, the Board of Directors and management, as well as openness so that stakeholders attain satisfactory insight. Good corporate governance

contributes to stability, the creation of trust, and ultimately, access to capital. In recent years, Kungsliden has taken several important steps towards greater openness and clearer reporting of corporate governance.

Kungsliden has undergone substantial changes in recent years, and the company now has a clearer structure. Commercial Properties remain within Kungsliden, while retirement homes and other public properties in Sweden and Germany have been collected into joint venture Hemsö. These changes also affect the Board of Directors, which is largely new after the Annual General Meeting in April 2011.

During my first year as Chairman of the Board, the work of the Board primarily consisted of a concentration of our

strategy, administration and transaction issues. The Board of Directors also put a major focus on funding issues in the light of the turmoil and changes on the credit market. In addition, the Board of Directors is following and supporting the work on creating a good workplace that features high participation among employees with great satisfaction. This ensures greater efficiency and future prospects of hiring competent personell more easily.

Despite many changes, it is important to remind ourselves that Kungsliden has the same business model as previously, based on a sound management business that is focused on the customer.

Håkan Bryngelson
Chairman of the Board

CORPORATE GOVERNANCE

Kungsliden has the corporate governance of a listed company and satisfies the standards stipulated by sources including the Swedish Companies Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance (the Code) and NASDAQ OMX Stockholm's rules for issuers.

The company applies the corporate governance principles the AGM has decided, and as stated in the Articles of Association and in the instructions for

the Nomination Committee. These documents are available from the company's website, www.kungsliden.se. Over and above these, a series of corporate governance instructions that the Board of Directors has decided are applied, including rules of procedure for the Board of Directors, the Chief Executive's instructions, instructions for financial reporting to the Board, instructions for the Audit and Remuneration Committee, Code of Conduct, Finance and Corporate Communication Policies.

COMPLIANCE WITH THE CODE

The Code should be applied by all Swedish companies whose shares are listed for trading on a regulated marketplace. In accordance with the Code's 'follow or explain' principle, Kungsliden reports all potential instances of non-compliance with the Code, explaining these instances in its annual Corporate Governance Report. In the financial year 2011, Kungsliden did not have any instances of non-compliance with the Code.

NOMINATION COMMITTEE

Composition from September 2011 onwards

Peter Gustafsson, representing Olle Florén and companies, Chairman

Peter van Berlekom, representing Nordea Fonder

Eva Godtfridsdotter-Nilsson, representing Länsförsäkringar Asset Management

Frank Larsson, representing Handelsbanken Fonder

Håkan Bryngelson, Chairman of the Board of Kungsliden

A review of the work of the Nomination Committee is available at Kungsliden's website.

AGM

The AGM (Annual General Meeting) deals with matters ensuing from Kungsleden's Articles of Association and the Swedish Companies Act. Invitations to the AGM are as stipulated by Kungsleden's Articles of Association. The Meeting resolves in accordance with the majority requirements stated in the Swedish Companies Act. No shareholder of Kungsleden owns shares that represent one-tenth or more of the number of votes for all shares in the company directly or indirectly.

The AGM for the financial year 2010 was held on 13 April 2011. AGM resolutions included dividends, election of the Board of Directors and Auditors, remuneration to the Board and Auditors, guidelines for remunerating senior managers and election of a Nomination Committee. The Chairman of the Board and the company's Chief Executive presented operations, the work of the Board of Directors and management and events in 2010. Minutes from the AGM are available from Kungsleden's website.

The AGM for the financial year 2011 will be held on 19 April 2012 at Hotel Rival, Mariatorget 3, Stockholm, Sweden. More information on the AGM is provided in the final section of this Annual Report, and on Kungsleden's website.

The invitation to the AGM will be available in English. Considering the company's ownership and what is financially justifiable, the Board has considered that other material for the Meeting should only be produced in Swedish. For the same reason, no remote participation or simultaneous interpretation of the proceedings of the Meeting will be provided. An audiovisual recording of the Chief Executive's statement and minutes from the Meeting will be available at Kungsleden's website after the Meeting closes.

Nomination Committee

The Nomination Committee submits proposals for the election of the Chairman of the AGM, the Board of Directors and its Chairman, fees and other remuneration to Board members. The Nomination Committee also submits proposals for the election of the Auditors and remuneration for the audit. In its work, the Nomination Committee should protect all shareholders' interests. The Instructions for the work of the Nomination Committee are available from the company's website.

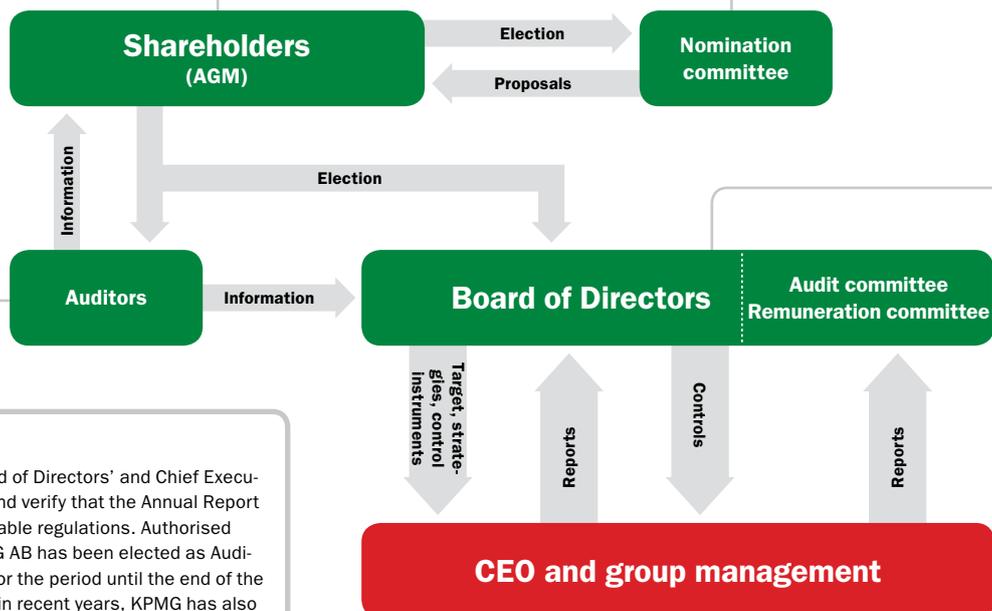
Members of the Nomination Committee are elected at the AGM for a period that extends until the next AGM.

The Nomination Committee should consist of a minimum of three and a maximum of five members. Three of the members should represent those shareholders that are the largest shareholders in terms of the number of votes as of 31 January, and also, that wish to participate in the work of the Nomination Committee, as well as the Chairman of the Board. If there are significant changes of control, the Nomination Committee's composition may be altered to reflect this. At least one of the members should not be affiliated to the company's shareholders in the manner stated in the Code. The Nomination Committee's composition will be published as soon as the Nomination Committee is appointed.

The AGM 2011 elected Peter Gustafson (representing Olle Florén and companies), Peter van Berlekom (representing Nordea Fonder) and Eva Gottfridsdotter-Nilsson (representing Länsförsäkringar Asset Management) as members of the Nomination Committee. Håkan Bryngelson is a member of the Committee in his capacity as Chairman of the Board. Peter Gustafson was appointed Chairman of the Nomination Committee.

In August, Handelsbanken Fonder became a new major shareholder and Frank Larsson (representing Handelsbanken Fonder) was appointed as a new member. Åke Theblin, Kungsleden's General Counsel, served as the Nomination Committee secretary.

Shareholders that wish to submit proposals to the Nomination Committee can do so on the company's website or by sending a letter to the Nomination Committee. The Nomination Committee's proposals and reasoned statements are uploaded to the company's website by no later than the issuance of the invitation to the AGM.



External Auditors

The external Auditors review the Board of Directors' and Chief Executive's administration of Kungsleden and verify that the Annual Report is prepared in accordance with applicable regulations. Authorised Public Accountant Björn Flink of KPMG AB has been elected as Auditor-in-Charge of the parent company for the period until the end of the AGM 2015. Over and above auditing, in recent years, KPMG has also provided other services, mainly tax advice. Fees are payable according to approved account. In 2011, audit fees for the group were SEK 5 (7) m.

Board of Directors

The company's Articles of Association state that the Board of Directors should consist of a minimum of three and a maximum of eight members with a maximum of two deputies. The Board members and potential deputies are appointed by the AGM for the period until the end of the next AGM. Håkan Bryngelson, Joachim Gahm, Lars Holmgren and Biljana Pehrsson were elected as Board members by the AGM 2011 and Thomas Erséus, Kia Orback Pettersson, Magnus Meyer and Charlotta Wikström were re-elected. Former Board members Per-Anders Ovin, Jan Nygren, Jonas Nyrén and Leif Garph declined re-election. No deputies were elected. Per-Anders Ovin was Chairman of the Board up until the AGM 2011. The AGM appointed Håkan Bryngelson Chairman of the Board.

Board composition

The Board consists of eight members. The Board is composed to be able to support management in developing Kungsliden actively and effectively. The Board of Directors should also monitor and control operations. Accordingly, competence and experience of the property sector, finance, business development and capital markets issues are especially important on the Board. According to the Code's definitions, one Board member, Thomas Erséus, is considered as affiliated because he is Chief Executive of the company. Other members are not affiliated to Kungsliden, management or shareholders that directly or indirectly control at least 10 per cent of the shares or votes of the company.

The Board of Directors adopts rules of procedure for their activities each year. These rules of procedure formalise matters including the areas of responsibility of the Board of Directors and Chief Executive, the duties of the Chairman, how and when Board meetings are arranged, agendas for meetings. The Board also adopts instructions for the work carried out in the Remuneration Committee and Audit Committee.

The work of the Board of Directors conforms to the rules of procedure adopted, instructions issued regarding the division of responsibility between the Board of Directors and Chief Executive, and the forms of financial reporting to the Board. The Board must meet a minimum of seven times annually, with each meeting following an approved agenda. Decision support data for each proposal on the agenda is sent to each Board member in advance.

The rules of procedure also stipulate that the Board ensures that Kungsliden's Auditors personally attend at least one Board meeting per year, presenting their observations from their review of the company, and their evaluation of the company's internal controls.

Responsibilities of the Chairman

The Chairman of the Board leads the work of the Board of Directors and should ensure that the Board's decisions are executed. The Chairman also represents the company in ownership-related matters.

The Chairman maintains ongoing dialogue with the Chief Executive and is responsible for other Board members receiving the information and supporting data required to be able to reach well-anchored decisions.

Responsibilities of the Board of Directors

The Board is responsible for the company complying with the Swedish Companies Act, rules for listed companies including the Code and other ordinances and laws, the Articles of Association and internal control instruments. The Board decides on strategies and targets, internal control

instruments, large-scale purchases and sales of properties, other major investments and funding. The Board is responsible for the continuous monitoring of operations; for guidelines, organisational resources and management being expedient and for good internal control. The Board is also responsible for appraising executive management and planning for leadership succession.

The Board works to ensure the high and consistent quality of financial reporting, through means including instructions for financial reporting to the Board and corporate communications policy and by considering potential observations, recommendations or proposals from Auditors or the Audit Committee.

The Annual Report and all interim reports are considered and approved by the Board. The Board has delegated the quality-assurance of commercial presentations and press releases to management.

The work of the Board in 2011

In 2011, the Board met on 12 occasions. Per capsulam meetings were also held on 11 occasions to deal with purchase, sale and funding issues. Attendance at each Board meeting is stated in the table on page 65. The Board considered issues including Kungsliden's strategy, targets, business plan, market, external reporting, property purchases and sales, investments in existing properties, arranging loans and other funding issues, preparing sales mandates and the principles governing incentive payments. The Deputy Chief Executive and the General Counsel, also the Board Secretary, also attended Board meetings.

Board committees

The Board has inaugurated two internal committees, a Remuneration Committee and an Audit Committee, responsible for consulting on issues in each respective segment. The Board of Directors appoints their members internally.

Remuneration Committee

The Remuneration Committee submits proposals to the Board regarding the Chief Executive's employment terms, the terms for the group management and principle issues relating to pensions, salaries, fees, benefits and severance pay. This Committee works from the guidelines for remunerating senior managers resolved by the AGM.

The Remuneration Committee elected at the Board meeting following election has the following members: Håkan Bryngelson (Chairman), Joachim Gahm and Charlotta Wikström. In 2011, the Committee met on three occasions.

Audit Committee

The purpose of the Audit Committee is to provide a dedicated forum for accounting and audit issues. The Committee works on items including Kungsliden's internal control and governance systems and quality-assuring financial reporting to the public. The Audit Committee also supports the Nomination Committee in its work on proposing the election of Auditors, and for proposing audit fees.

The Audit Committee elected at the Board meeting following election has the following members: Kia Orback Pettersson (Chairman), Lars Holmgren, Magnus Meyer and Biljana Pehrsson. The Committee held four meetings in 2011. Kungsliden's Chief Financial Officer, Financial Manager, Financial Controller, Tax Lawyer and Auditor attended meetings.

Group management

Group management consists of Kungsliden's Chief Executive, Deputy Chief Executive/CFO, Divisional Managers, Business Development Manager, HR and Corporate Communications Manager and General Counsel. They are each responsible for their areas of responsibility within Kungsliden, and consult on matters for the Board jointly with the Chief Executive. Group management takes decisions on operating activities that fall within their mandate. Group management structures and ensures that the company has a skilled organisation.

Chief Executive

Kungsliden's Chief Executive is responsible for the practical management and co-ordination of operating activities. The Chief Executive does his work on the basis of instructions adopted by the Board each year. These formalise matters including the Chief Executive being responsible for the company's administration, reporting to the Board and matters requiring a decision by, or reporting to, the Board, such as adopting interim reports and annual reports, decisions on major purchases, sales, investments and allocations of capital, and arranging major loans or guarantees above a threshold level. These instructions also cover the approval of remuneration and employment terms for senior managers.

APPRAISAL OF PERFORMANCE OF THE BOARD

Each year, the Board undertakes an appraisal of its working methods and processes. This appraisal is intended to ensure well-functioning processes for collating information, reporting, analysis, planning and decision-making. The appraisal is also intended to ensure that the Board has the necessary competence. The results of this evaluation are reported to the Nomination Committee and constitute the supporting data for work on nominations.

REMUNERATION TO THE BOARD

Fees are payable to the Board as resolved by the AGM. No fees are paid to members employed by Kungsleden. Over and above Directors' fees from Kungsleden, Håkan Bryngelson also receives Directors' fees of SEK 350,000 from Hemsö Fastighets AB, where he is Chairman of the Board, and Magnus Meyer receives SEK 150,000 of Directors' fees from Hemsö Fastighets AB, where he is a Board member.

REMUNERATION TO SENIOR MANAGERS

Each year, the AGM adopts guidelines for remuneration and other employment terms for senior managers. According to these guidelines, which were approved by the AGM 2011, Kungsleden should offer the remuneration levels and employment terms necessary to be able to hire and retain management with high skills levels and the capacity to achieve established targets. Remuneration structures should motivate group management to do their utmost to protect shareholders' interests.

Accordingly, remuneration structures should be on market terms, straightforward, long-term and measurable. Normally, remuneration to group management should include a fixed and incentive payment component. The incentive payment component should reward improvements clearly related to targets in straightforward and transparent structures, and with a predetermined ceiling.

The basic salary of group management should be on market terms and based on competence, responsibility and performance. Normally, management's incentive payments should not exceed 12 months' salary and be related to the achievement of forecasts and targets for levels of the company's

and each segment's results of operations and growth.

Long-term incentive schemes in the company should primarily relate to the share price and involve senior managers of the company that have a material impact on factors including the results of the company's operations, financial position and growth, and the achievement of predetermined targets. Incentive schemes should ensure long-term commitment to the company's progress and be implemented on market terms. There was no long-term incentive scheme for 2011.

The scale of remuneration payable for 2011 is stated in Notes 7 and 8. These notes also offer information on the terms of incentive payments and the stock option plan for 2007.

Proposed guidelines for remuneration and other employment terms that will be proposed to the AGM 2012 largely correspond to those adopted by the AGM 2011, with the difference that the proposal states that incentive payments should normally be in the interval of 40-75 per cent of basic salary, compared to the existing guidelines that state that incentive payments should normally not exceed 100 per cent of basic salary. The maximum cost of remuneration that may be payable

FEES APPROVED BY THE AGM 2011

SEK	Chairman	Member
Member	525,000	220,000
Board of Directors	30,000	30,000
Remuneration Committee	60,000	30,000
Audit Committee		



Standing: Magnus Meyer, Thomas Erséus, Bijana Pehrsson, Charlotta Wikström, Lars Holmgren, Joachim Gahn
Sitting: Håkan Bryngelson, Kia Orback Pettersson

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2011

	Board of Directors		Remuneration committee		Audit committee
Håkan Bryngelson ¹	0	15/16	0	2/2	
Per-Anders Ovin ²		7/7		1/1	
Joachim Gahm ¹	X	16/16	X	2/2	
Leif Garph ³		7/7			1/1
Lars Holmgren ¹	X	16/16			X 2/3
Magnus Meyer	X	22/23			X 4/4
Jan Nygren ³		7/7		1/1	
Jonas Nyrén ³		7/7			
Biljana Persson ¹	X	16/16			X 2/3
Kia Orback Pettersson	X	22/23			0 4/4
Charlotta Wikström	X	23/23	X	3/3	
Thomas Erséus	X	22/23			

0 – Chairman of Board/Committee

X – Member of Board/Committee 31 December 2011

¹ Elected at AGM 2011
² Chairman until AGM 2011
³ Member until AGM 2011



BOARD OF DIRECTORS

Håkan Bryngelson. Chairman of the Board. Born in 1948, B.Sc. (Eng.) Elected to the Board in 2011. Main employment: Self-employed. Chairman of the Boards of Almega and Almega Tjänsteförbunden, Tengbomgruppen AB, Hemsö Fastighets AB and Deputy Chairman of the Confederation of Swedish Enterprise. Kungsliden shareholding: 10,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Thomas Erséus. Board member and Chief Executive. Elected to the Board in 2007. See page 66. Affiliation: in his capacity as Chief Executive, this member is considered affiliated to the company.

Joachim Gahm. Board member. Born in 1964, B.Sc. (Econ.) Elected to the Board in 2011. Main employment: Partner of Sustainable Growth Capital SGC AB. Board member of Arise Windpower AB. Kungsliden shareholding: 2,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Lars Holmgren. Board member. Born in 1952, graduate in chemistry and industrial management. Elected to the Board in 2011. Main employment: self-employed. Board member of Svensk Markservice AB. Kungsliden shareholding: 1,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Magnus Meyer. Board member. Born in 1967, B.Sc. (Eng.) and Licentiate of Technology. Elected to the Board in 2008. Main employment: CEO of Tengbomgruppen AB. Other assignments: Board member of Hemsö Fastighets AB, Kinnarps AB, Tengbomgruppen AB and Culmen AB. Kungsliden shareholding: 5,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Kia Orback Pettersson. Board member. Born in 1959, B.Sc. (Econ.) Elected to the Board in 2010. Main employment: Partner of Konceptverkstaden. Chairman of NAI Svefa AB, Forsen Projekt AB and Ponderus Invest AB. Board member of Jernhusen AB, JM AB, Tengbomgruppen AB, Garbergs Reklambyrå AB and Springtime AB. Kungsliden shareholding: 1,700. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Biljana Pehrsson. Board member. Born in 1970, B.Sc. (Eng.) Elected to the Board in 2011. Main employment: Deputy Chief Executive of East Capital Private Equity. Board member of Vasallen AB. Kungsliden shareholding: 2,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

Charlotta Wikström. Board member. Born in 1958, B.Sc. (Econ.) Elected to the Board in 2009. Main employment: Senior Partner of Stardust Consulting AB. Other assignments: Board member of Telge Energi AB and Forsen Projekt AB. Kungsliden shareholding: 10,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

The above information is for shareholdings as of 31 December 2011, and includes holdings through companies and related parties.

MANAGEMENT

Thomas Erséus. Chief Executive. Born in 1963, B.Sc. (Eng.) in Civil Engineering from Chalmers University of Technology, Gothenburg. Kungsliden employee since 2006. Other assignments: Board member of Hemsö Fastighets AB, Bravida AB, Chalmersfastigheter AB and DSVM AB. Previous experience: President and CEO of WSP Europe AB, CEO of AB Jacobson & Widmark. Kungsliden shareholding: 90,000.

Cecilia Gannedahl. HR & Corporate Communications Manager. Born in 1962, B.Sc. (Econ.) from the University of Linköping. Kungsliden employee since 2007. Previous experience: Chief Executive of GCI Stockholm AB, Marketing/ Business Area Manager, Roche AB. Other assignments: Board member of Kvadrat AB. Kungsliden shareholding: 1,600.

Per Johansson. Divisional Manager, Nordic Modular. Born in 1959, B.Sc. (Eng.) Civil Engineering, from the Royal Institute of Technology, Stockholm. Kungsliden employee since 2007. Previous experience: Chief Executive of Spokesman AB and of Skanska Modul AB. Kungsliden shareholding: 5,000.

Eskil Lindnér. Divisional Manager, Commercial Properties. Born in 1959, B.Sc. (Eng.) in Civil Engineering from the university of Technology, Lund. Kungsliden employee since 1999, has been in current position since 2006. Previous experience: Property Manager, JM AB, Property Manager, Nordbanken Fastigheter AB. Kungsliden shareholding: 24,440.

Johan Risberg. Deputy Chief Executive/ Chief Financial officer. Born in 1961, B.Sc. (Econ.) from the Stockholm School of Economics. Kungsliden employee since 1996, in current position since 1998. Previous experience: Group Controller, Securum AB, CFO/Business Controller, Convector Fastighets AB. Kungsliden shareholding: 208,000.

Yiva Sarby Westman. Head of Business Development. Born in 1973, B.Sc. (Eng.), land surveying, focusing on real estate economics, from the Royal Institute of Technology, Stockholm. Kungsliden employee since 2009. Previous experience: Deputy Chief Executive of Newsec Investment AB, Property Development Manager at NCC Property Development AB. Kungsliden shareholding: 0.

Åke Theblin. General Counsel and Board Secretary. Born in 1961, LL.B. from the university of Stockholm. Kungsliden employee since 2001. Previous experience: General Counsel, AP Fastigheter AB, Advokat Hellström Advokatbyrå AB. Kungsliden shareholding: 20,500.

The above information is for shareholdings as of 31 December 2011, and includes holdings through companies and related parties.

according to the guidelines that will be proposed to the AGM will be SEK 36 m, including social security contributions, pensions and employer's contributions, and if maximum incentive payments become due.

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal controls are important to ensure that the targets and strategies set produce the desired results, that laws and regulations are complied with and the risk of undesirable events and misstatements in reporting are minimised.

The organisation of internal controls over financial reporting is described below.

Control environment

The Board of Directors has overall responsibility for the company's internal

controls. The Chief Executive has ongoing responsibility for maintaining and establishing internal governance and controls. Kungsliden's internal controls rest on the control environment the Board and management operate from on a continuous basis, but also the decision-paths, authorisations and areas of responsibility communicated within the organisation.

Risk assessment

Having a clear view of the risks of the misstatements that may arise in external reporting, and that an organisation and processes are in place to manage these risks, is an important component of internal controls. Kungsliden works continuously and actively on charting, assessing and



Standing: Eskil Lindnér, Cecilia Gannedahl, Yiva Sarby Westman, Thomas Erséus, Per Johansson
Sitting: Johan Risberg, Åke Theblin

managing the risks a company is exposed to in its financial reporting. Kungsleden is a process-oriented company and integrates risk assessment routines in its business processes.

A judgement of the risk of misstatement in financial reporting is conducted each year for each line of the Income Statement, Statement of Financial Position and Cash Flow Statement. For those items that are significant and/or are subject to increased risk of misstatement, there are processes in place to minimise this risk. These processes do not only apply to actual accounting processes but also encompass activities including operational control and business planning processes, as well as IT systems. The tool for operational monitoring that

has been prepared is an example of a governance document. Such documents are used partly for consultations ahead of purchases and sales of properties, partly for the overall updates of operations and supporting data for valuations.

The risks in funding and operations otherwise and management of these risks are reviewed on pages 40–47.

Control activities

Kungsleden has designed internal controls so that control activities are conducted as a routine matter at an overall level, or alternatively, are of a more process-oriented nature. Examples of overall controls include ongoing profit analysis based on the operational and legal group structure, and by analysing key figures. Formal

reconciliations, certification and similar controls are examples of routine or process-oriented controls that are intended to prevent, discover and rectify misstatements and variances. The control activities have been designed to manage the significant risks regarding financial reporting.

Information and communication

The Board receives continuous financial reporting, and each scheduled Board meeting considers the group's financial position. The company's Auditor personally reports his observations from his review and assessment of internal controls once yearly.

All potentially share price-sensitive information is reported to the market via press releases. The company has ensured that this information reaches the market simultaneously. The Chief Executive and Chief Financial officer are the appointed spokespeople on financial matters.

Kungsleden has a policy that guarantees that its staff can contact a third party to report actions or other anomalies that imply breaches or suspected breaches of laws or other guidelines and regulations anonymously and without consequences.

Monitoring

In recent years, Kungsleden has appointed an external party to verify how its most significant financial reporting processes are applied in practice. This applies mainly to accounting and reporting work, the execution of property transactions and preparation of business plans. The outcome of comparisons based on the prepared processes are compiled in a report and presented for the Audit Committee.

On assignment from the Board, management is also running a project to document internal controls of financial reporting in the company.

Kungsleden has no internal audit function. Internal controls are considered satisfactory and expedient for an organisation of Kungsleden's size, and accordingly, the Board and management do not see any need for an internal audit function.



Report of the Directors—operations

Kungsleden is a property company that views a property's returns as more important than its type or geographical location. Its business model focuses on continually enhancing the composition and quality of its property portfolio, with the objective of improving portfolio risk-adjusted returns. In practice, this involves working actively on managing and enhancing properties, while simultaneously searching for transaction opportunities, which can involve purchases and sales.

KUNGSLEDEN'S OPERATIONS

Operations are divided into three segments, with each segment responsible for the management and letting of its property holding. Commercial Properties concentrates mainly on the Industrial/Warehouse, Office and Retail property types. Public Properties, which mainly consists of 50 per cent ownership of the company Hemsö Fastighets AB, is divided between the Retirement Home, School and Care types, where Retirement Homes are also owned in Germany. The third segment, Nordic Modular, produces, sells and lets premises in modular buildings.

Kungsleden has been quoted on Nasdaq OMX Stockholm since 1999.

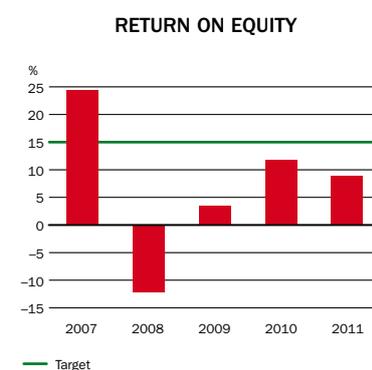
FINANCIAL TARGETS

The group's financial targets are to achieve a minimum return on equity of 15 per cent and a minimum interest coverage ratio of two. Return on equity was below target in 2011 at 9 per cent (12). Average returns on equity over the past five and ten years have been 7 and 20 per cent respectively. The interest coverage ratio in 2011 was a multiple of 1.9 (1.8) which is just below target.

SUMMARY OF PROGRESS IN THE YEAR

Through active portfolio enhancement with the purchase of high-yielding properties and the sale of low-yielding properties, the property yield, measured as earnings capacity, increased from 6.4 per cent to 7.2 per cent. The purchase of 36 properties with an underlying property value of SEK 3.6 bn from NRP was a strong contributor.

Work on creating an independent Hemsö was completed in March 2011 through Hemsö and Kungsleden relocating to new premises on Linnégatan and Vasagatan respectively in Stockholm. Two fully independent organisations

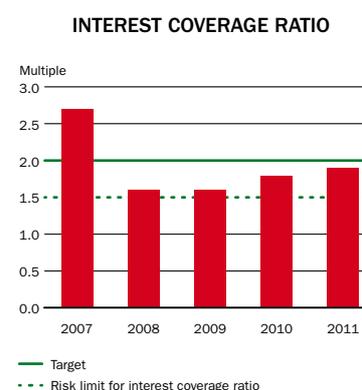


have enabled still more focus on developing operations.

Gross profit for the year increased by 21 per cent to SEK 1,877 (1,545) and as a result of a larger property holding and positive progress of the property holding. Profit for the year after tax was SEK 638 (841) m. This lower figure is primarily due to unrealised value changes on financial instruments, which were SEK -609 (430) m, due to falling market interest rates.

REVENUES AND PROFITS

Net sales increased by 25 per cent in the year to SEK 2,882 (2,304) m, divided between rental revenues from modular buildings of SEK 244 (241) m and from other properties of SEK 2,350 (2,063) m, as well as sales revenues from produced modules of SEK 288 (184) m. The increase in rental revenues was primarily sourced from properties purchased over the past year. Gross profit increased by 21 per cent to SEK 1,877 (1,545) m as a result of the larger property holding. The profit from property sales was SEK 56 (33) m. If, instead of being set against book value, sales proceeds are compared with acquisition cost, the effect of sales on profit for calculating dividends is obtained. In this case, sales



in the year produced a profit for calculating dividends of SEK 114 (54) m. Over and above trading net, value changes of SEK 66 (21) m during the holding term were realised and the deductions for deferred tax on sales via companies were SEK -8 (-) m.

Value changes on properties and financial instruments in the year amounted to SEK 690 (187) m and SEK -609 (430) m respectively, totalling SEK 81 (617) m. The positive value change on properties is a net of new value appraisals and investments completed, corresponding to 3 per cent of book value. The value change relates to public properties, where required property yields decreased and commercial properties, where new lettings have been arranged, and the results from newly purchased properties were better than expected. The value change on financial instruments is a result of falling long yields, which increased the deficit in loans and interest rate derivatives with interest, which was fixed at higher levels in previous years.

Net profit for the year was SEK 638 (841) m, this lower figure is primarily due to unrealised value changes on financial instruments, which were SEK -609 (430) m after a decline in market interest rates.

Profit for calculating dividends for 2011 was SEK 703 (530) m, SEK 53 m above estimate as a result of better-than-expected results from purchased properties and completed property sales during the most recent quarter. The following table shows how profit for calculating dividends is computed.

EXPENSES

Property costs were SEK 747 (599) m, with operating costs of SEK 484 (393) m, maintenance costs of SEK 166 (130) m and tenant adaptations SEK 103 (61) m being the major items. Re-invoicing is possible for a portion of these costs, which reduced property costs by a total of SEK 93 (44) m.

Sales and administration costs increased to SEK 319 (260) m. This increase is mainly a result of Hemsö now being an independent organisation and the property holding increasing through net purchases over the past year. The division of the organisation and relocation of Kungsleden's and Hemsö's head offices are non-recurring costs, which amounted to SEK 5 m. SEK 75 m of sales and administration costs are sourced from Hemsö, SEK 61 m from Nordic Modular and SEK 183 m from commercial properties, business development and central administration. Excluding the module operation, property management, business development and central administration equate to SEK 83 per square metre.

The net financial position changed negatively by SEK 119 m, and was SEK -868 (-749) m, primarily explained by higher loan volumes in 2011 after the property purchases.

Tax on net profit was SEK -190 (-345) m, which was somewhat lower than 26.3 per cent of profit before tax. The background is that most property sales were conducted via companies.

THE PROPERTY HOLDING

At year-end, the holding comprised 636 (592) properties, of which Kungsleden had 50 per cent ownership of 312 (297). The 636 properties have area of 3,328,000 (2,510,000) sq.m. and book value of SEK 26,122 (21,501) m. Most Swedish properties were appraised by external valuers as of 31 December 2011. These external valuations corroborate the company's book values because they are consistent with internal valuations, see the comparison in the table on the next page.

Of book value, 49 (45) per cent related to Commercial Properties, 45 (48) per cent to Public Properties in Sweden and 6 (7) per cent to Modular Buildings.

Earnings capacity indicates the earnings ability of the current property holding at a given time as if the holding had been held for the past 12 months. Transactions in the year and progress of the existing holding resulted in operating net increasing by 37 per cent from SEK 1,372 m to SEK 1,875 m. The increase related mainly to the 36 properties purchased from NRP. Economic occupancy increased as a result of purchases and sales and successful lettings work, from 90.3 per cent to 91.6 per cent, which is not far from what could be expected in a holding such as Kungsleden's in the long-term perspec-

tive. At year-end, the average property yield was 7.2 (6.4) per cent.

Of property book values, 50 (45) per cent was located in the three major city regions of Stockholm, Gothenburg and Östersund, as well as Västerås. The properties were located in 143 (133) municipalities, of which 50 (54) per cent of book value was located in municipalities with populations of less than 100,000.

Investments in existing properties amounted to SEK 306 (215) m in 2011. Investments are mainly conversions and extensions on existing properties in consultation with the tenant so the customer's operations can be conducted in a better, more efficient way. Investments increase property values through higher rent levels, and often, longer contract terms.

EARNINGS CAPACITY

	2011 31 Dec ¹	2010 31 Dec ¹
No. of properties	636	592
Leasable area, 000 sq.m.	3,328	2,510
Book value of properties, SEK m	26,122	21,501
Rental value, SEK m	2,987	2,343
Rental revenues, SEK m ²	2,737	2,116
Operating net, SEK m	1,875	1,372
Economic occupancy, % ²	91.6	90.3
Property yield, %	7.2	6.4
Operating surplus margin, % ²	68.5	64.8

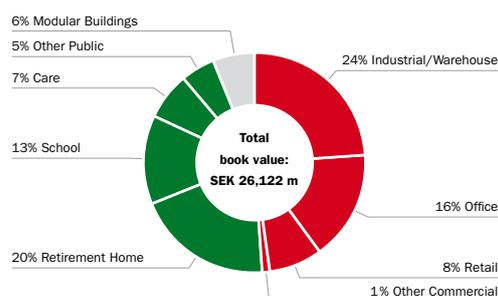
1 312 (297) public properties are 50 per cent owned by Kungsleden. These properties are all included in the total number of properties, whereas those quantified with other measures—earnings, book value, leasable area, property yield, etc.—are stated at 50 per cent.

2 The calculation method for earnings capacity key figures for rental revenues, economic occupancy and operating surplus margin were amended in 2011 for full consistency with Income Statement definitions. Previous periods' key figures have been restated.

PROFIT FOR CALCULATING DIVIDENDS

SEK m	2011	2010
Gross profit	1,877	1,545
Sales and administration costs	-319	-260
Net financial position	-868	-749
Profit from property management	690	536
Realised items		
Trading net on sale	56	33
Realised value changes, properties	66	21
Deduction for deferred tax on sale	-8	-
Realised value changes, financial instruments	-66	-8
Realised items	48	46
Tax payable	-35	-52
Profit for calculating dividends	703	530

PROPERTY HOLDING BY TYPE, 31 DECEMBER 2011



PURCHASES AND SALES

Activity on the business transaction market was greater in the first half-year than in the second half-year, which was hesitant after the turbulence on international debt markets. However, the auction of Kefren's properties in October revealed substantial interest in small and medium-sized cities.

60 properties were purchased in the period with area of 960,000 sq.m. for a value of SEK 4,798 m. Of these purchases, 27 were of the Industrial/Warehouse type, 13 were Office, one was Retail, two were Other Commercial, four were Retirement Home, four were Care, eight were School and one was an Other Public Property. The purchases were conducted at an estimated property yield of 10.2 per cent. The major purchases in the year included:

- 36 properties from NRP for SEK 3.6 bn. Total rental value of SEK 563 m is expected to generate a property yield of about 10 per cent. The purchase was completed on 31 March and is expected to contribute some SEK 200 m annually to Kungsleden's profit for calculating dividends. The property portfolio consisted of office and industrial premises and features stable returns and stable tenants. ABB, with 50 per cent of rental value, is the largest tenant, followed by Finnveden AB with some 10 per cent. ABB's properties are in Västerås and have gross leasable area of approximately 39 per cent of the acquired portfolio. The average remaining contract term is five years, subject to a master lease contract, which expires on 31 December 2016.

- Completion of a school in Upplands Väsby, north of Stockholm, where Hemsö invested SEK 400 m, of which Kungsleden's share was SEK 200 m.

20 properties with area of 143,000 sq.m. were sold for SEK 1,224 m in the year. The book value of the sold properties amounted to SEK 1,168 m and acquisition cost was SEK 1,102 m. 4 of the sold properties were of the Industrial/Warehouse type, 3 were Office, 5 were Retail, 6 were Other Commercial, 1 was a Retirement Home and 1 was a Care property. These sales were conducted at an estimated

property yield of 5.0 per cent. The largest business transactions in the year included:

- One industrial property in Karlskrona, southern Sweden, sold to tenant ABB for SEK 385 m.
- Two warehouse properties in the Slakthusområdet quarter of southern Stockholm, sold to the City of Stockholm for SEK 279 m.
- Three development properties in Slagsta Strand, south of Stockholm, sold for SEK 215 m.

NORDIC MODULAR

Nordic Modular is a division within Kungsleden, alongside Commercial Properties and Public Properties. Flexible and cost-efficient modular buildings are a strong complement to Kungsleden's offering, mainly to the public sector. Some 75 per cent of

modular buildings are let to central and local government.

As of 31 December, modular buildings had total area of 232,000 (235,000) sq.m. and book value of SEK 1,550 (1,575) m.

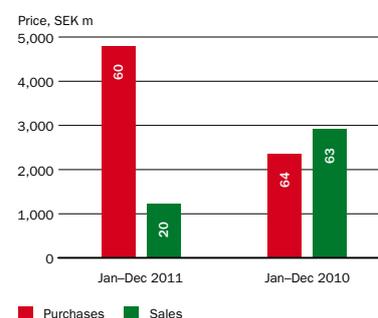
In the year, rental revenues for modular buildings were SEK 244 (241) m, with gross profit of SEK 195 (194) m. The profit from modular lettings is high compared to lettings of commercial and public properties. In 2011, leased modules represented 12 per cent of consolidated gross profit, but at the same time, this operation only represented 6 per cent of property value.

Nordic Modular also manufactures and sells modules via Flexator. Sales revenues including inventory changes increased significantly and amounted to SEK 288 (184) m, with a gross profit of SEK 30 (24) m. As of 31 December, the plant at Gråbo had a fairly good order

THE PROPERTY PORTFOLIO

SEK m	2011	2010
Properties at beginning of period	21,501	21,861
Purchases	4,798	2,356
Investments	306	215
Sales	-1,168	-2,897
Exchange rate fluctuations	-5	-221
Value changes	690	187
Properties at end of period	26,122	21,501

PURCHASES AND SALES



PROPERTY SALES IN 2011

SEK m	No. of properties	Profit from sale
Profitable sales	12	80
Break-even sales	4	0
Loss-making sales	4	-5
Sales overheads, properties sold in the year		-39
Profit/loss items from previous year's sales		20
Trading net	20	56
Realised value changes		66
Deduction for deferred tax on sale		-8
Effect on profit for calculating dividends		114

PROPERTY VALUES

SEK m	Commercial Properties	Public Properties	Total valued properties	Not valued externally ¹	All properties
Book value	12,914	10,848	23,762	2,360	26,122
External valuation	13,069	10,579	23,648		

1 Of unvalued properties, SEK 761 m are retirement homes in Germany, SEK 1,550 m are modular buildings and the remaining SEK 49 m relates to a number of smaller buildings and land parcels.

book for the season. However, the Anneberg plant had a low order book, and accordingly, 24 employees were issued with redundancy notices at the beginning of 2012. Nordic Modular continuously adapts its workforce to economic conditions.

Kungsleden's investment in Nordic Modular Group in 2007 has been profitable. Capital transfers to Kungsleden exceed invested capital, while Nordic Modular self-financed reinvestment for a retained modular holding, as well as a 33 per cent increase in the modular holding. These investments were primarily achieved through purchases from its own plants. During the holding term, return on equity has been well over 20 per cent per year.

CUSTOMERS

Kungsleden's success is based on satisfied customers and the company's ability to do good deals. Kungsleden's customers are a cross-section of the Swedish business community and public services. Its tenants are both small enterprises and large corporations, while school students and pensioners occupy and live in Kungsleden properties. Manufactured goods, transportation and retail are some of the sectors where Kungsleden is active. Through the part-ownership of Hemsö, just over 40 per cent of the total property holding is let to tenants whose operations are publicly funded.

Its largest tenant is ABB Fastighets AB, which represents 12 per cent of total rental revenues.

FUNDING

Kungsleden's loan portfolio is based on agreements with banks, a syndicated

credit facility and unsecured bond loans. Loan agreements normally have three to five-year maturities, which is customary practice on the Swedish market for property credits. The fixed interest periods on loan agreements are short term, and Kungsleden manages interest risk at an overall group level. The desired risk level in the interest fixing structure is achieved using instruments called interest swaps or interest caps.

At the end of the period, the loan portfolio totalled a nominal SEK 17,326 (13,990) m, which is an increase after funding the properties purchased in the year. SEK 1,599 (999) m of the loan portfolio was an unsecured bond loan. The market value of loans and financial instruments was SEK 18,581 (14,706) m. Un-utilised credit facilities were SEK 3,160 (4,254) m.

The average interest rate on the loan portfolio as of 31 December was 4.8 (5.3) per cent. Average interest has fallen since year-end due to a number of existing swaps being extended at lower interest rates and some swaps being redeemed in advance in the year. Meanwhile, Hemsö entered swap agreements implying somewhat higher average interest because the fixed interest was higher than the variable.

Kungsleden's derivative portfolio was SEK 15,300 (14,450) m at year-end, which means that changes in market interest rates are not affecting interest costs significantly. At year-end, the average remaining fixed-interest term was 4.7 (4.9) years.

In the first half-year 2011, progress on the Swedish financial markets was stable, with fairly positive lenders and margins contracting somewhat. After

the summer, conditions changed radically, driven by renewed debt concerns in Europe, and new, more stringent capital adequacy requirements on Nordic banks. Interbank rates in Sweden (Stibor) increased, simultaneous with longer market interest rates dropping dramatically in a manner that was hard to foresee. The combination of regulation and compensation for banks' higher funding costs resulted in a sharp increase in interest margins in the second half-year, and generally deteriorated access to credit.

Kungsleden works progressively on modifying the company's maturity structure and extending its credit portfolio. This is achieved through ongoing discussions with existing lenders regarding advance extensions, and by Kungsleden using alternative funding sources.

In 2012, loans of SEK 11,620 m mature, of which SEK 8,510 m were utilised and SEK 3,160 m were un-utilised credit facilities as of 31 December 2011. Of the credit facilities maturing, the majority are with Kungsleden, and only SEK 1,648 m are credit facilities for Hemsö. The existing SEK 6,000 m syndicated credit facility, of which only around 50 per cent has been utilised in recent years, was replaced by a new SEK 4,500 m facility in January 2012. This new facility has a term until January 2015. Thus a total of half of maturities in 2012 have been arranged. Work on loan maturities for 2012 is ongoing. Kungsleden judges that it will be able to re-arrange these loans on market terms.

More information on funding and financial risks is on pages 45-47.

TAX POSITION

In autumn 2011 and February 2012, the Swedish Tax Agency contended that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to two Kungsleden transactions conducted in the fiscal year 2006 (two companies) and the fiscal year 2008 (one company). These transactions involve the impairment of stock shares, which in Kungsleden's opinion, were conducted in accordance with applicable practice from the Supreme Administrative Court. The Swedish Tax Agency's claim would result in additional tax claims of SEK 420 m for Kungsleden. In tandem with receiving the Swedish

MATURITY STRUCTURE, CREDITS (INCL UN-UTILISED CREDIT FACILITIES)

As of 31 December 2011	Utilised credits	Un-utilised credits	Total credits
2012	8,510	3,110	11,620
2013	2,725	50	2,775
2014	2,573		2,573
2015	999		999
2016	2,044		2,044
2017	-		-
2018	303		303
2019	172		172
Total	17,326	3,160	20,486
Average conversion term, years	1.8		1.5

Tax Agency's claim, the Stockholm Administrative Court of Appeal issued a ruling in which, essentially, the circumstances were identical to Kungsleden's case. The Court found that the Swedish Tax Evasion Act was not applicable to this approach, which is also consistent with previous practice in this area.

In January 2012, the Administrative Court in Stockholm reported its ruling in a case that resulted in deductions for the impairment of stock shares and the application of transitional provisions in the fiscal year 2009 being rejected. The tax claim resulting from this ruling is SEK 120 m, as previously stated in the Annual Report for 2010 and Interim Reports in 2011. The Administrative Court's ruling will be subject to appeal at the Administrative Court of Appeal.

As previously reported, Kungsleden has received rulings from the Stockholm Administrative Court relating to transactions conducted in a similar manner to those covered by what is termed "the Cyprus ruling", a matter the Council for Advance Tax Rulings issued a preliminary ruling on 2 July 2010 and an appeal has been made against this at the Supreme Administrative Court. The Administrative Court's rulings imply a tax claim of some SEK 200 m including tax surcharge. Kungsleden has appealed against the rulings at the Stockholm Administrative Court of Appeal. However, the Stockholm Administrative Court of Appeal has issued a stay on all proceedings on similar matters in anticipation of a ruling from the Supreme Administrative Court regarding the advance ruling in 2006 that was subject to appeal.

In 2010, the Swedish Tax Agency contended that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to three transactions Kungsleden conducted. The Swedish Tax Agency contends that the Court should consider increasing assessed income corresponding to a tax claim of some SEK 920 m.

In total, the tax claims amount to SEK 1,660 m, and Kungsleden provisioned SEK 325 m for one of the transactions in 2009. It should be noted that regulatory decisions correspond to only SEK 320 m.

If the Swedish Tax Agency's claims prevail, Kungsleden judges that the majority of the re-assessment can be offset against tax loss carry-forwards. Thus, given potential negative outcomes of proceedings, the liquidity effect would not exceed SEK 860 m including estimated interest. Because Kungsleden has tax loss carry-forwards that have not been capitalised in its accounting, they could offset a significant portion of potential negative outcome of proceedings. If the outcome of all these proceedings was negative, the company judges that consolidated equity would reduce by SEK 1,660 m including tax surcharges and interest. Kungsleden considers that the Swedish Tax Agency's claims are erroneous and the company's judgment regarding these transactions has not changed, so there is no further provisioning.

Kungsleden's firm opinion is that it has complied fully with the laws and practice in place when submitting each tax return. The company continuously verifies its own judgments on tax issues with external experts. However, this does not rule out the risk that fiscal courts could assess completed transactions in a different manner to the company. Moreover, it can be assumed that in certain cases, the Swedish Tax Agency will initiate proceedings against different companies in the group to increase their assessed income. Kungsleden's assessments and computations will be reconsidered at the end of each reporting period. Accordingly, final outcomes may be higher and lower than its current assessment.

More information on the tax position is on pages 42–44.

EQUITY

Equity was SEK 7,719 (7,357) m, or SEK 57 (54) per share, equivalent to an equity ratio of 27 (30) per cent.

CASH FLOW

Cash flow from operations is fairly consistent between the years in an operation with properties worth over SEK 20 billion and stable lease contracts. Over the past seven years, cash flow from operations has been between SEK 510 m and SEK 666 m per year, and was SEK 666 (510) m in 2011.

Investing activities vary more because in some years, Kungsleden is a net buyer and in other years, a net seller. In 2011, investing activities generated cash flow of SEK -1,239 (610) m due to net purchases of properties in the year.

Financing activities had a cash flow of SEK 2,729 (-823) m after the funding of property purchases and dividends of SEK 273 (512) m.

HUMAN RESOURCES

The average number of employees was 299 (269) in the year. 181 (157) of these people worked for Nordic Modular, 152 (127) of them on producing modules. Half of the 82 (60) employees of Hemsö Fastighets AB are also included in the 299 employees. The change in the number of employees is mainly from new appointments in module production in the past two years.

Kungsleden was also recognised as one of Sweden's best workplaces in the Great Place to Work survey.

Kungsleden is continuing to work on equal opportunities issues with the aim of achieving a good division between the sexes and age groups. The share of women is somewhat higher than men in administration, while the reverse is true in property management. At year-end, the share of women was 54 per cent. The average age of salaried employees was 44 (43). The average age of men was somewhat higher than women, 44 against 40.

For more information on Kungsleden's employees, see pages 22-25, as well as Notes 7 and 8.

CORPORATE SOCIAL RESPONSIBILITY

Long-term and goal-oriented work on sustainability means creating value for the company's stakeholders such as owners and customers, being a good employer and contributing to sustainable development.

As a property owner, Kungsleden has good prospects of contributing to reduced environmental impact, and has even greater prospects of making a difference alongside its tenants. Accordingly, Kungsleden has developed Green Leases into a product it now offers to tenants. Green Leases involve a partnership on sustainability issues,



which is monitored yearly. The focus of Green Leases is reduced energy consumption.

The focus of environmental issues in the year was on continuing to reduce energy consumption in properties, and thus reduce greenhouse gas emissions. This goal-oriented and structured energy work generated energy savings of over 25 per cent in several properties, three of which gained GreenBuilding classification in the year. This work will remain in focus for several years ahead.

The environmental targets for 2012 and results from environmental work in 2011 are presented on pages 48-50.

Kungsleden does not conduct any operations that are subject to permits according to the Swedish Environmental Code. Permit liability applies to the storage of flammable liquids, heating oil, removal of caulking compounds containing PCBs etc. in a number of cases.

Kungsleden has also decided to commit to youth projects in a range of ways. In 2011, Kungsleden continued its collaboration with youth work charity Fryshuset and the Young Personal Finance project. As part of its partnership with Fryshuset, Kungsleden sponsored the following three projects:

- The Peace & Love activity centre and Mecka Cykel (fixing bikes) in Linköping, south west of Stockholm
- Game Time in Umeå, northern Sweden
- Caldon Thomas in Örnsköldsvik, northern Sweden.

Kungsleden also supports Young Personal Finance, an education project that inspires school students and teachers to find out more about personal finance and savings.

PARENT COMPANY

Largely, the parent company's operations are to hold shares in operational subsidiaries. The parent company had a SEK 489 (640) m net profit for the year. Revenues in the form of intragroup invoicing were SEK 32 (-) m. Profits are primarily sourced from dividends from subsidiaries and costs for loans and interest derivative funding of parts of the group's property operations. At year-end, assets mainly consisted of shares in subsidiaries of SEK 8,105 (7,005) m. Funding was primarily through equity, which at year-end was SEK 5,987 (5,771) m, implying an equity ratio of 39 (47) per cent.

SHARE CAPITAL

The share capital was SEK 56,875,860 at year-end, divided between 136,502,064 shares with a quotient value of SEK 0.42 per share. Each share has one vote and equal rights to participation in the company's assets and profits. No changes to share capital have occurred in the past four years.

SHAREHOLDERS

At the end of the year, Kungsleden had 21,050 shareholders, down by 10 per cent since the previous year-end. Ownership is diversified, and the largest share-

holders were Nordea Fonder with 4.8 per cent of the share capital and votes, the Dutch fund Pensioensfonds PGGM with 3.4 per cent and Länsförsäkringar Fonder with 2.9 per cent. More information on the share and shareholders is on pages 52-57.

RISKS AND UNCERTAINTY FACTORS

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors, which in some cases, particularly in terms of property valuations, are based on judgments.

The risks affecting profits and cash flow relate mainly to changes in rent levels, occupancy, the general progress of costs, interest levels, property market liquidity and functional financial markets.

The Statement of Financial Position predominantly consists of properties and funding. The aggregate risk in property values depends on geographical diversity, property type, property size, contract term, tenant structure, technical standard, etc. Property values are assessed individually and progressively through the year based on a series of judgments and estimates of future cash flows and required returns in a transaction. The methodology of internal valuations is reviewed on pages 32-33 and Note 17.

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of

Kungsleden's finance policy. More information on managing financial risks is on pages 45-47.

Reporting of taxation conforms to accounting standards, but it is notable that over time, tax paid usually differs from that reported. Additionally, tax rules are complex and difficult to interpret, see also the review of the tax position above and on pages 42-44.

A more detailed review of Kungsleden's risks and uncertainty factors is provided on pages 40-42 and Note 2.

The parent company's results of operations and financial position are significantly affected by group companies' situations, and accordingly, the above review also applies to the parent company.

REPORTING OF HEMSÖ IN 2012

Until year-end 2011, Hemsö was consolidated in the Kungsleden group according to the proportional method. This means that half of all Hemsö's assets, liabilities, revenues and expenses are reported item by item in Kungsleden's consolidated financial statements. For example, SEK 10,429 m of property values of SEK 26,122 are for those properties held by Hemsö.

From 1 January 2012, Hemsö will instead be consolidated in accordance with the equity method. This is because the forthcoming IFRS 11 Joint Arrangements (effective date not yet set) only permits the equity method for consolidating joint ventures. This change of method means that half of Hemsö's profits will instead be reported on a row in the Income Statement (profit/loss from participations in joint ventures). In the Statement of Financial Position, half of the value of Hemsö's equity will be reported according to IFRS as an asset on a separate line (participations in joint ventures).

This change of accounting principle does not affect equity, net profit/loss or profit for calculating dividends. However, items including the book value of properties and loans will be lower when the Hemsö amounts are derecognised from these items, which reduces total assets and increases the equity ratio.

A summary of the Income Statement, Statement of Financial Position and a number of key ratios based on the various accounting methods stated in note 34. More detail on how this change of principle affects Kungsleden's financial statements and results of operations in 2011 on the basis of the various methods is stated at www.kungsleden.se/consolidation-of-hemso.

In future reports, Kungsleden will be providing detailed information on Hemsö in addition to its wholly owned business.

SUBSEQUENT EVENTS

After the reporting date, 50:50 joint venture Hemsö purchased six public properties in the Swedish cities of Umeå, Eskilstuna and Eksjö for SEK 396 m. These properties were purchased at a property yield of 6.7 per

cent and completion is in late-March. In addition, seven commercial properties in Sollentuna, Visby and Linköping were sold for SEK 226 m, with completion in March and April. These sales were at property yields of 6.9 per cent. The price exceeds book value by SEK 14 m, and the sales are expected to affect profit for calculating dividends for the first quarter by SEK 30 m.

Kungsleden's syndicated loan was replaced with a new SEK 4,500 m facility in January 2012, which means that half of maturities in 2012 are now re-financed.

Further post-balance sheet events are stated in note 33.

ESTIMATE 2012

The Board of Directors' estimate is that profit for calculating dividends for 2012 will amount to SEK 600 m, or SEK 4.40 per share.

The method of computing profit for calculating dividend is unchanged and corresponds to profit before tax excluding unrealised value changes but including realised value changes and payable taxes.

PROPOSED APPROPRIATION OF PROFITS

SEK	
The following funds are at the disposal of the Annual General Meeting:	
Profit brought forward	5,440,818,079
Net profit for the year	488,984,905
Total	5,929,802,984
The Board of Directors proposes that profits are appropriated as follows:	
Dividends of SEK 2.60 per share to shareholders	354,905,366
Carried forward	5,574,897,618
Total	5,929,802,984

A more detailed proposal and reasoning is on page 103.

Green Lease with Westinghouse



Westinghouse Electric Sweden has been a Kungsleden tenant for many years. Westinghouse had a long list of requirements during its review of the needs for new premises in Västerås, west of Stockholm. Westinghouse consolidate its offices, and find new, contemporary premises for its staff. The premises also needed to be adaptable to Westinghouse's operations. The opportunity to develop environmental effort on the new premises was another key issue. At the end, Kungsleden offered the best solution for Westinghouse's needs.

Accordingly, in December 2011, Westinghouse signed a ten-year Green Lease with Kungsleden. The Green Lease means that above the usual lease contract, Westinghouse enters a partnership with Kungsleden to reduce the environmental impact of the office. The purpose is to contribute to a sustainable society while simulta-

neously cutting costs through more efficient energy consumption, more environmentally friendly selection of materials and improved waste management.

Westinghouse recognised the value and opportunity of an environmental partnership, which is already an integrated component of the company's operations.

"Westinghouse is ISO 14001 certified, which sets standards on how we work on reducing our environmental impact. Signing a Green Lease with Kungsleden involves a series of measures to achieve our ambitions in the environmental area," commented Johan Hallén, CEO of Westinghouse Electric Sweden.

The lease applies to two buildings, 13,000 sq.m. of offices and a 1,000 sq.m. workshop at Finnslätten in Västerås, which has an annual rental value of some SEK 16 m. The properties will now be adapted for Westinghouse, and the plan is to move in by the end of 2012.

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Consolidated Income Statement

SEK m	Note	2011	2010
Rental revenues	5	2,593.8	2,119.8
Sales revenues, modular buildings		288.4	184.0
Net sales		2,882.2	2,303.8
Property costs		-746.7	-598.8
Production costs, modular buildings		-258.1	-159.8
Gross profit		1,877.4	1,545.2
Property sales			
Sales revenues, net		1,223.5	2,929.1
Book value			
Acquisition cost		-1,101.5	-2,875.3
Realised value changes		-66.3	-21.2
Trading net		-1,167.8	-2,896.5
Sales and administration costs	6-9	-318.7	-259.7
Net financial position			
Financial revenues	12	36.8	23.4
Interest costs	12	-872.8	-751.8
Other financial costs	12	-31.7	-20.4
		-867.7	-748.8
Unrealised value changes			
Investment properties	17	690.2	187.2
Financial instruments	12	-609.0	429.6
		81.2	616.8
Profit before tax	10-11	827.9	1,186.1
Tax			
Current tax	13	-30.0	-21.9
Deferred tax	13	-159.5	-323.2
		-189.5	-345.1
Net profit for the year¹		638.4	841.0
Earnings per share	14	4.70	6.20

1. All net profit for the year is attributable to parent company shareholders.

Consolidated Statement of Comprehensive Income

SEK m		2011	2010
Net profit for the year from Income Statement		638.4	841.0
Other comprehensive Income			
Translation difference transferred to net profit for the year (trading net)	24	-	3.4
Change in fair value of currency forwards (after tax)	24	0.0	29.0
Translation differences for the year when translating foreign operations	24	-3.2	-83.9
Comprehensive income for the year¹		635.2	789.5

1. All comprehensive income for the year is attributable to parent company shareholders.

Consolidated Statement of Financial Position

SEK m	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Goodwill	15	201.4	201.4
Properties			
Investment properties	17	25,199.2	21,481.1
Property used in business operations	18	18.3	19.5
Properties held for sale	19	904.8	–
	16	26,122.3	21,500.6
Receivables, etc.			
Machinery and equipment	20	18.5	13.6
Deferred tax asset	13	312.9	407.9
Other long-term receivables	22	443.9	287.9
Inventories		16.7	44.6
Accounts receivable		117.5	110.6
Other receivables		150.9	1,067.5
Pre-paid costs and accrued income		71.0	112.4
Receivables related to assets held for sale	19	14.4	–
	23, 28	1,145.8	2,044.5
Cash and cash equivalents			
Cash and bank balances		692.6	747.2
Cash and cash equivalents related to assets held for sale	19	123.5	–
		816.1	747.2
TOTAL ASSETS		28,285.6	24,493.7
LIABILITIES AND EQUITY			
Equity			
Share capital		56.9	56.9
Other contributed capital		1,373.1	1,373.1
Translation reserve		–12.1	–8.9
Profit brought forward		6,301.1	5,935.7
Total equity (attributable to parent company shareholders)	24	7,719.0	7,356.8
Interest-bearing liabilities			
Liabilities to credit institutions		14,814.6	12,950.1
Bond loan		1,599.2	999.2
Interest-bearing liabilities related to assets held for sale	19	901.0	–
	25, 27, 28	17,314.8	13,949.3
Non-interest bearing liabilities			
Provisions	26	431.2	449.6
Deferred tax liability	13	0.7	8.9
Accounts payable		189.8	185.6
Tax liabilities		103.2	101.8
Derivatives	25, 28	1,273.4	759.7
Other liabilities		354.7	1,071.9
Accrued costs and deferred income		838.7	610.1
Non interest-bearing liabilities related to assets held for sale	19	60.1	–
	27, 28	3,251.8	3,187.6
TOTAL LIABILITIES AND EQUITY		28,285.6	24,493.7

For information on the group's assets pledged and contingent liabilities, see Notes 29 and 30.

Consolidated Statement of Changes in Equity

SEK m	Share capital	Other contributed capital	Translation reserve (note 24)	Profit brought forward	Total equity
Equity, opening balance, 1 Jan 2010	56.9	1,373.1	42.6	5,606.6	7,079.2
Comprehensive income for the year			-51.5	841.0	789.5
Dividend				-511.9	-511.9
Equity, closing balance, 31 Dec 2010	56.9	1,373.1	-8.9	5,935.7	7,356.8
Equity, opening balance, 1 Jan 2011	56.9	1,373.1	-8.9	5,935.7	7,356.8
Comprehensive income for the year			-3.2	638.4	635.2
Dividend				-273.0	-273.0
Equity, closing balance, 31 Dec 2011	56.9	1,373.1	-12.1	6,301.1	7,719.0

Consolidated Statement of Cash Flows

SEK m	Note 31	2011	2010
Operations			
Profit before tax		827.9	1,186.1
Trading net/capital gains, sold properties		-55.7	-32.6
Unrealised value changes		-81.2	-616.8
Adjustment for items not included in cash flow from operating activities		10.0	-5.2
Tax paid		-35.4	-22.0
Cash flow from operating activities		665.6	509.5
Change in working capital			
Increase (-)/decrease (+) in inventories		28.0	-19.6
Increase (-)/decrease (+) in operating receivables		196.3	-76.2
Increase (+)/decrease (-) in operating liabilities		-2,309.0	-135.5
Cash flow from operating activities after change in working capital		-1,419.1	278.2
Investing activities			
Purchase of properties (direct purchases)		-214.8	-52.1
Investment in existing properties		-306.0	-215.0
Sale of properties (direct sales)		206.9	18.9
Purchase of subsidiaries		-1,545.3	-462.7
Sales of subsidiaries		872.1	1,345.9
Purchases of machinery and equipment		-11.6	-1.9
Sales of machinery and equipment		2.0	0.4
Investment in other financial assets		-247.0	-26.4
Repayment of other financial assets		4.4	3.0
Cash flow from investing activities		-1,239.3	610.1
Financing activities			
Borrowings		4,894.1	1,664.3
Loans amortised		-1,892.4	-1,975.6
Dividend		-273.0	-511.9
Cash flow from financing activities		2,728.7	-823.2
Cash flow for the year			
Cash and cash equivalents at beginning of year		747.2	689.1
Exchange rate difference in cash and cash equivalents		-1.3	-7.0
Cash and cash equivalents at end of year		816.2	747.2

Notes, group

NOTE 01 ACCOUNTING PRINCIPLES, GROUP

Applied standards and law

The consolidated accounts have been prepared in accordance with IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board), as well as interpretations from IFRIC (the International Financial Reporting Interpretations Committee) as endorsed by the EU. RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) recommendation RFR 1, Supplementary Accounting Rules for Groups, has also been applied.

Revised accounting principles in 2011

The IASB's annual improvements project, published in May 2010, amended the standards of IAS 1 Presentation of Financial Statements in terms of the format of the Statement of Changes in Equity. The amendments mean that a reconciliation of the changes of each component of equity is added to the Statement of Changes in Equity. These amendments did not cause any restatements of the amounts in the financial statements.

The following amendments and new application interpretations of accounting principles have been applied without having any material effect on the consolidated accounts: Amendment of IAS 24, Related Party Disclosures, Amendment of IAS 32, Financial Instruments: Presentation, Amendment of IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments and Amendment of IFRIC 14 Pre-payment of a Minimum Funding Requirement.

Amended accounting principles in 2012, within applicable IFRS

The IASB has adopted IFRS 11, Joint Arrangements, where the equity method is the only consolidation method for joint ventures, compared to the existing IAS 31, Interests in Joint Ventures, which also permits the proportional method. On the consolidation of its holding in Hemsö, Kungsleden has applied the proportional method until the present. The EU has not yet endorsed the new standard, and accordingly, the adoption date is not finalised, but has been set preliminarily at 1 January 2013. Ahead of the new standard, from 1 January 2012 onwards Kungsleden will be applying the equity method instead of the proportional method within the existing IAS 31, Interests in Joint Ventures. This change in method means that half of Hemsö's profit or loss will instead be recognised on a line in the Income Statement (profit/loss from participations in joint ventures). In the Statement of Financial Position, half of the value of Hemsö's equity according to IFRS will be recognized as an asset on a separate line (participations in joint ventures). The change of accounting principle does not affect equity, net profit or loss or profit for calculating dividends. However, items including the book value of properties and loans will be lower when Hemsö amounts are de-recognised from these items, which decreases total assets and increases the equity ratio.

A summary of the Income Statement, Statement of Financial Position and a number of key ratios based on the different accounting methods are stated in Note 34. More information on how this change of principle affects Kungsleden's financial statements and results of operations for 2011 from the different methods is available at www.kungsleden.se/consolidation-of-hemso.

New IFRS that have not yet started to apply

Amendments of IAS 12, Income Taxes regarding the measurement of tax for investment properties is expected to affect accounting when the standard is adopted. The first adoption date has not been set because the EU has not yet endorsed the standard. The changes mean a presumption that investment properties measured at fair value will be realized through sale. According to this approach, tax should normally be measured on the basis of the tax rate applying to the sale of the property.

Amendments of IAS 1, Presentation of Financial Statements, amendments of IAS 19 Employee Benefits, Amendments of IFRS 7 Financial Instruments: Disclosure regarding new disclosure requirements for transferred financial assets, IFRS 10 Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interest in Other Entities, revised and IAS 27 Separate Financial Statements, amended IAS 28, Investments in Associates and Joint Ventures and IFRS 13 Fair Value Measurement are not expected to

have any material effect on actual accounting compared to the present situation, but may affect disclosures in the Annual Accounts.

IFRS 9, Financial Instruments is intended to replace IAS 39, Financial Instruments: Recognition and Measurement by 2015 onwards at the latest. The IASB has published the first two parts of what will constitute the definitive IFRS 9. The first part deals with the recognition and measurement of financial assets. The categories of financial assets in IAS 39 are being replaced by two categories, where measurement is at fair value or amortised cost. Amortised cost is used for instruments held in a business model whose aim is to receive the contractual cash flows; which should constitute payments of principal and interest on the principal at specified dates. Other financial assets are recognised at fair value and the opportunity to apply the fair value option of IAS 39 is retained. Changes in fair value should be recognised in profit or loss, with the exception of value changes on equity instruments not held for trade and for which the initial choice is to recognise value changes in other comprehensive income. The value changes on derivatives in hedge accounting are not affected by this part of IFRS 9, but are recognised in accordance with IAS 39 until further notice. In October 2010, the IASB also published those parts of IFRS 9 that affect the recognition and measurement of financial liabilities. The majority is consistent with the previous rules of IAS 39 apart from financial liabilities, which are voluntarily measured at fair value according to the fair value option. For these liabilities, the value change should be divided between changes related to inherent credit-worthiness, and changes in the reference rate.

Basis of preparation of financial statements

The parent company's functional currency is the Swedish krona (SEK), which is also the presentation currency of the group. Unless otherwise stated, all amounts in the note disclosures are in millions of Swedish kronor (SEK m). Assets and liabilities are reported at historical acquisition cost, apart from investment properties and financial instruments, which are reported at fair value. Changes to fair values are reported in the Income Statement.

Preparing financial statements in accordance with IFRS necessitates management making judgments, estimates and assumptions that influence the application of accounting principles, and the carrying amounts of assets, liabilities, revenues and costs. These estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the prevailing circumstances. The result of these estimates and assumptions are then utilised to evaluate carrying amounts of assets and liabilities, that otherwise, are not clearly stated from other sources. Final figures may vary from these estimates and judgments. Kungsleden reviews its estimates and assumptions regularly.

Management's judgments coincident with the adoption of IFRS that have a significant effect on the financial statements and conducted estimates are reviewed in more detail in Note 2.

Classification, etc.

Kungsleden's operations largely consist of the management of a large number of properties that are let to external tenants. Initially, lease contracts are normally entered for a term of three years. However, rental terms vary, and can be for up to 20 years. Re-negotiation is conducted with the tenant before the end of the agreement term, in respect of rent levels and other terms of the agreement, unless the agreement is terminated. However, after the initial agreement, specifying how long an agreement will run is problematic, and at any time, there are a high number of parallel agreements in place with differing terms. This means that defining Kungsleden's business cycle is problematic. It is also difficult to define how long a property can be expected to be held. Consequently, assets and liabilities are presented in the Statement of Financial Position in order of reducing liquidity, because this provides information that is reliable and relevant in relation to operations.

Consolidated accounts

The consolidated accounts include the parent company, subsidiaries and associated companies. Subsidiaries are companies over which the parent company exerts a controlling influence. The consolidated accounts have been prepared in accordance with acquisition accounting, implying that assets, liabilities and contingent liabilities are measured at fair value at the time of acquisition, in accordance with the

NOTE 01 CONT.

acquisition analysis prepared. Purchased companies' revenues and costs are consolidated from the time of purchase. Sold companies' income statements are incorporated until the date when the company is relinquished.

Intra-group receivables and liabilities, revenues or costs and unrealised profits or losses arising from intra-group transactions are fully eliminated when the consolidated accounts are prepared.

Associated companies

Associated companies are those companies where the group exerts a significant, but not controlling, influence over operational and financial controls, usually through holdings of between 20 and 50 per cent of the votes. Participations in associated companies are reported in accordance with the equity method in the consolidated accounts from the time a significant influence is attained. The group's share of associated companies' net profits after tax and minority holdings adjusted for potential depreciation and amortisation, impairment or dissolution of purchased surplus and deficit values are reported in the Consolidated Income Statement.

Joint ventures

Joint ventures are those companies, which through collaboration agreements with one or more parties, the group has a shared controlling influence over operational and financial controls. In the consolidated accounts, holdings in joint ventures are consolidated according to the proportional method. For joint ventures, the proportional method means that the group's participating interest in the companies' revenues and costs, assets and liabilities are reported in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Statement of Financial Position. This is achieved by the venturer's share of assets, liabilities, revenues and costs in the joint venture being aggregated item by item with the corresponding items in the venturer's consolidated accounts.

Translations of foreign operations

The accounts of each of the foreign subsidiaries are prepared in the local currency where operations are conducted. The consolidated accounts are presented in Swedish kronor (SEK). The income statements and balance sheets of foreign operations are translated to SEK using the current method, implying that balance sheets are translated at the closing day rate, apart from equity, which is translated at historical rates of exchange. Income statements are translated at average rates of exchange in the period. The exchange rate differences arising upon translation are reported directly against equity as a translation difference. Currency forwards may be used to reduce currency exposure due to property investments in foreign countries. Hedge accounting is applied for these, where exchange rate fluctuations are recognised directly in equity to meet the effect of translation differences in the foreign investment.

Statement of Cash Flows

Statements of Cash Flows are prepared in accordance with IAS 7.

Cash flows from trading net and realised value changes in tandem with divestments of properties are reported with other sales proceeds under investing activities. Purchases and sales of properties via companies that are asset deals are reported on a separate row as purchase of subsidiaries and sale of subsidiaries. Sales overheads are reported under investing activities as a deduction from the sales proceeds the year the liquidity flow occurs. Acquisition expenditure is reported in a corresponding manner in investing activities.

Purchases and sales

A purchase or a sale is reported from the day it is considered likely that the essential economic rewards and risks associated with the transaction are credited/charged to or leave the group, which almost exclusively is on the contract date. Receivables or liabilities for counterparties between the transaction date and settlement date are reported gross under other receivables and other liabilities respectively.

Asset deals

In recent years, indirect property transactions using companies incorporating such properties have become more common, as opposed to

direct property transactions. Asset deals using corporate transactions are reported as if the relevant property/properties had been purchased directly. This type of purchased enterprise normally has no employees or organisational resources, or other operations than those directly attributable to the property holding. The acquisition cost corresponds to the fair value of assets and potentially related borrowings. Deferred tax is not reported as a liability on surplus values attributable to the acquisition. Potential deductions for deferred tax received over and above reported tax in purchased enterprises are reported as a deduction from the fair value of the purchased property both at acquisition and in subsequent reporting.

In a direct sale of a property for which all temporary differences have not been recognised, a tax cost arises on sale at book value. If a sale is conducted as an asset deal instead, as is most common, the buyer and seller normally agree on a price reduction only corresponding to a portion of the difference between the residual value for tax purposes and agreed property value. This means that an accounting tax revenue arises if there is a deferred tax liability reported that exceeds the deduction on the transaction, or a tax expense arises if the deduction is higher than the reported tax liability.

Business combinations

Acquisition accounting is adopted in accordance with IFRS 3, Business Combinations, for acquisitions where Kungsleden gains a controlling influence over one or more basically autonomous operations. The purchased entity's identifiable assets, liabilities and contingent liabilities are reported at fair value at the time of acquisition, and the profits attributable to the acquired operations are included from the completion date. Deferred tax on potential surplus values attributable to the acquisition are recognised as a liability based on nominal tax rates. The difference between deferred tax according to nominal tax rates and the value that a temporary difference is recognised at in the acquisition analysis is reported as goodwill. Transaction costs are expensed as administrative costs in tandem with the acquisition.

When acquiring further participations in an enterprise that Kungsleden thus secures controlling influence over, previous participations are re-stated at fair value via the Income Statement. If, instead, this is an acquisition of further participations of an enterprise that is already consolidated, the difference between the purchase price and net value according to the balance at taking possession is reported as an owner transaction directly against equity. In a part-sale of a group company but with retained controlling influence, a difference is reported between the sales price in the value of the sold participation as an owner transaction direct against equity. In a part-sale of a group company implying that controlling influence is lost, a capital gain/loss is reported and remaining holdings are re-stated in the Income Statement.

Usually, there are few business combinations. Relevant business combinations are stated in Note 4.

Operating segment report

An operating segment is a part of the group that conducts operations from which it can generate revenues and incur costs, and for which independent financial information is available. The results of an operating segment are also monitored by the company's chief operating decision maker (group management) to evaluate results, and to be able to allocate resources to the operating segment. For more information on the division and presentation of operating segments, see Note 3.

Presentation of the Income Statement

The Income Statement has been presented with the ambition of giving a true and fair view of operations proceeding from revenue and cost classes.

The various dimensions of operations are clarified through the separate reporting of gross profit, trading net, sales and administration costs, net financial position and unrealised value changes. Trading net is the capital gain/loss occurring when a property is divested. This gain/loss is the difference between what a property realises through sale and book value on the date of sale. Sales overheads are reported as a deduction from sales revenues. Profit/loss items from previous year's sales are also reported in the profit/loss items sales revenues, net. For the book value of sold properties, acquisition cost is stated and the total value changes conducted during the holding period, which are termed realised value changes.

Unrealised value changes comprise value changes on investment properties and financial instruments that have occurred in the year during that part of the year the property or the financial instrument was held.

Revenues

Lease contracts are classified as operating lease arrangements, proceeding from the assumption that the related property remains in Kungsleden's ownership even if the contract runs for up to 20 years plus.

For property sales and asset deals, the sale is reported, and the revenue recognised, when it is likely that the group will receive the related economic rewards, which most often, is on the contract date.

Financial revenues and costs

Rental revenues and rent subsidies are recognised in the period to which they relate. Interest and other financial expenditure coincident with property construction is capitalised in the construction period, while that associated with extension and conversion is expensed on an ongoing basis, because investments are smaller, and generally, the construction period is shorter. Derivative instruments are utilised to achieve the desired interest fixings. Revenues and costs associated with such instruments are reported on an ongoing basis, with the revenues and costs for redemption and renegotiation of derivatives, as well as pre-payment penalty interest, reported as they arise. Interest income and interest costs on financial instruments are reported in accordance with the effective interest method. Effective interest is the interest rate that discounts estimated future payments received and made during the expected term of a financial instrument to the financial asset's or liability's net carrying amount.

Income tax

The Income Statement accounts current and deferred income tax on Swedish and foreign group entities, apart from when the underlying transaction is reported directly against equity, whereupon the associated tax effect is reported in equity. Group companies are liable for tax in accordance with current legislation in each country. The tax rate in Sweden is currently 26.3 per cent, calculated on nominal reported profits plus non-deductible items, and deducting non-taxable revenues. Income tax is reported in accordance with the balance sheet method, implying that deferred tax is calculated on the identifiable temporary differences between taxable and carrying amounts of assets or liabilities on the reporting date. Temporary differences primarily arise in properties, financial instruments and tax allocation reserves. Temporary differences are measured at nominal tax rates, and the change from the previous year's reporting date is reported as deferred tax in the Income Statement. Deferred tax assets on deductible temporary differences and loss carry-forwards are only reported to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Employee benefits

Employee benefits such as salary and social security costs, holidays and paid sickness absence etc. are reported as employees render services. Commitments relating to employees are underwritten through defined contribution pension schemes or ITP (supplementary pensions for salaried employees). Plans where the company's commitment is limited to charges the company has undertaken to pay are defined as defined contribution pension plans. In such cases, the amount of the employee's pension depends on the charges the company pays to the plan or to the insurance company, and the returns on assets the charges generate. Accordingly, the employee bears the actuarial risk (that the benefits are lower than expected) and the investment risk (that the invested assets will be insufficient to generate the expected benefits). The company's obligations regarding charges to defined contribution plans are recognised as a cost in net profit at the rate they are vested by the employee rendering services to the company in a period. In accordance with statements from RR's Emerging Issues Task Force, pension schemes are reported as ITP (supplementary pensions for salaried employees), insured through Alecta, as a defined-contribution scheme, as long as the basic structure of the ITP scheme remains unchanged.

A cost for remuneration on termination of staff is only recognised if the company has a proven obligation due to a formal, detailed plan to terminate employment before the normal date, without realistic possibility of withdrawal. When payment is made as an offering to

encourage voluntary redundancy, a cost is recognised if it is likely that the offering will be accepted and the number of employees that will accept the offering can be reliably measured.

Staff stock options

Staff stock options entitle the employee to purchase shares at a pre-determined price or cash redemption of the option upon exercise. To ensure delivery of shares, and as a hedge against the potential share price effect of social security costs, hedging measures were taken in the form of a share swap with a third party. For exercise through redemption to shares, treasury shares are purchased that are then transferred to the employee.

The fair value of the option and social security costs is recognised as a liability that is expensed as personnel costs during the vesting period of options, based on the actual value on the reporting date. The amount reported is continuously re-evaluated during the vesting period of the staff stock options, and also considers potentially forfeited options. Profit/loss items for hedging the plan in the form of interest and dividends received are reported as financial revenues and costs. The fair value of the share swap is reported as an asset/liability were value changes are recognised as unrealised value changes in the Income Statement.

For a description of the staff stock option plan, see Notes 7 and 8.

Lease arrangements

Kungsleden is a large-scale lessor through its lease contracts being classified as operating leases, see the Revenues section above.

Kungsleden has entered a number of site leasehold and smaller lease agreements on office machines as a lessee. The aggregate total value of these contracts is not significant. Proceeding from the financial risk remaining with the lessor, all rental, ground rent and lease arrangements have been reported as operating leases. Costs are expensed as they arise.

At the reporting date, Kungsleden had one property leased through a finance lease arrangement. This property is reported as an investment property on the assets side and a loan on the liabilities side.

Foreign currency transactions

Foreign currency transactions are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the closing day rate, when exchange rate differences are reported to profits. Exchange rate differences relating to operating receivables and liabilities are reported to operating profit, while exchange rate differences attributable to financial assets and liabilities are reported to net financial position.

Transactions with affiliates

Business terms and market pricing apply to the provision of services between group companies and other affiliated companies and individuals. Intangible assets Goodwill is measured at cost less potential accumulated impairment losses. Goodwill is allocated to cash-generating units and subject to impairment tests at least annually.

Properties

Properties are initially reported at acquisition cost, with capitalisation then conducted for expenditure for investment measures that result in future economic benefits, and that can be measured reliably. Expenditure is capitalised, which relates to the exchange of all or parts of identified components and expenditure that implies the creation of new components. The property is then reported in the group at fair value in accordance with the method stated below. Other additional expenses are reported as a cost in the period in which they arise.

Investment properties

Buildings and land owned or leased through finance lease arrangements with the intention of generating rental revenues and/or value growth are classified as investment properties in the group. IAS 40 is observed, with these holdings measured at fair value. During the financial year, revaluations are affected continually and are stated in quarterly reports on the basis of internal valuations. For a review of valuation methods, see pages 32-33 and Note 17. For considerations etc. regarding property valuations, see also Note 2. Potential deductions for deferred tax on purchases of properties via enterprises (asset deals) received over and above reported tax in purchased

NOTE 01 CONT.

enterprises are reported as a deduction from fair value of the purchased property both at acquisition and in subsequent reporting.

Buildings under construction for future use as investment properties are reported at fair value in accordance with IAS 40. The basis of valuation is estimates of future cash flows and the estimated price 73 achievable in a transaction between skilled parties on an arm's length basis. However, uncompleted properties are harder to value than existing properties because the final cost cannot be determined and the process until functional/let property can only be estimated.

Property used in business operations

Those properties where a not insignificant portion of area is used for rendering services or administrative purposes in the group are classified as property used in business operations. They are reported according to IAS 16 Property, Plant and Equipment. Property used in business operations is reported at cost less depreciation according to plan over the estimated useful life. The depreciation term is between 10 and 100 years depending on the component of the property. At the reporting date, there were three factory buildings in the Kungsleden group classified as property used in business operations. Depreciation is reported on the line production costs, modular buildings.

Assets held for sale

The meaning of an asset (or disposal group) being classified as held for sale is that its carrying amount will be recovered mainly through the sale and not through use.

Immediately before classification as held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) are measured in accordance with applicable standards. On first-time classification as held for sale, assets are reported at the lower of carrying amount and fair value less selling expenses. Three asset classes, individually or constituents of a disposal group, are exempted from the stated measurement rules. These are deferred tax assets, financial assets covered by IAS 39 and investment properties measured according to the fair value method in accordance with IAS 40.

For an asset (or disposal group) to be classified as held for sale, the asset (or disposal group) should be available for immediate sale in its existing condition. It must also be very likely that the sale will occur. For a sale to be considered as very probable:

- A decision must have been taken at management level,
- Active work must have started to identify a buyer and consummate the plan,
- The asset (or disposal group) is being actively marketed at a price that is reasonable in relation to its fair value,
- It is likely that the sale will occur within one year.

Determination of whether a property satisfies the criteria for classification as properties held for sale at the reporting date is conducted at each financial statement.

Machinery and equipment

Machinery and equipment have been reported at acquisition cost less accumulated depreciation according to plan and any potential impairment. Equipment is depreciated according to plan on a straight-line basis over five years. Financial instruments

Financial instruments

For information on the company's exposure to financial risks and how risks are managed, see the section on finance and financial risks on pages 45-47 and Note 2.

Recognition in the Statement of Financial Position

A financial asset or financial liability is recognised in the Statement of Financial Position when the company becomes party to the instrument's contracted terms. Accounts receivable are recognised in the Statement of Financial Position when invoices have been sent. Long-term receivables, which exclusively consist of what are known as a vendor notes, are recognised as a nominal receivable adjusted for the present value of the potential difference against market interest rates. Liabilities are recognised when the counterparty has delivered and there is a contracted obligation to pay, even if an invoice has not yet been received. Accounts payable are reported when invoices are received.

A financial asset is de-recognised from the Statement of Financial Position when the contracted rights are realised, become due or the company relinquishes control over them. The same applies to parts of a financial asset. A financial liability is de-recognised from the Statement of Financial Position when the obligation in the agreement is satisfied, or is no longer relevant in some other way. The same applies to parts of a financial liability.

Categories of financial instrument:

Loans and accounts receivable—these receivables are financial assets that are not derivatives, and have measured or measurable payments and that are not listed on an active market. Such assets are valued at cumulative acquisition cost. Cumulative acquisition cost is measured on the basis of the effective interest measured at the time of acquisition. Loans receivable and accounts receivable are recognised at the amounts expected to be received, i.e. after deducting for doubtful debt.

Financial liabilities recognised at fair value via the Income Statement

—this category consists of two sub-categories: financial liabilities held for sale and other financial liabilities recognised prior to 1 January 2010 that the company has initially chosen to categorise in this way (using the fair value option). The reason that on first-time adoption of IFRS in 2005, Kungsleden decided to measure loans at fair value was that the value of fixed loans via required property yields was assumed to correlate with the value of properties. Because changes in the fair value of properties are recognised in the Income Statement, these value changes are matched in the Income Statement if the fair value of loans is also recognised. Because from 2010 onwards, loans were arranged with short fixed-interest periods, this same correlation no longer applies, and these loans are measured at historical cost.

Financial instruments in this category are measured at fair value on an ongoing basis, with value changes recognised in the Income Statement. All derivatives apart from derivatives included in hedge accounting are included in the first sub-category.

Other financial liabilities—other financial liabilities, such as loans arranged after 1 January 2010, accounts payable and purchased properties that have not been paid for, are included in this category. These liabilities are measured at cumulative acquisition cost. Transaction costs are allocated at an effective interest rate over the expected term of the loan.

Derivatives

Hedge accounting is not applied to interest derivatives, and accordingly, the derivative's changed market value is reported in the Statement of Financial Position as an un-realised value change over the Income Statement. Transaction costs are allocated over the loan's expected term.

Currency forwards are arranged for hedging purposes with the aim of reducing the effect of exchange rate fluctuations on net assets denominated in EU R as a result of the German operation. Currency forwards are measured at fair value on the reporting date with value changes recognised in Comprehensive Income.

Impairment

Financial assets

The carrying amounts of the group's assets are subject to impairment tests at each reporting date. If there is an indication of impairment, the asset's recoverable value is calculated. The recoverable value of financial assets in the loans receivable and accounts receivable categories, reported at cumulative cost, is calculated as the present value of future cash flows discounted by the effective interest applying when the asset was reported for the first time. Impairment is only reversed to the extent that asset carrying amounts after reversal do not exceed the carrying amount the asset would have had if no impairment had occurred.

Other assets

Exemptions from the impairment principles are made for tangible assets held for sale, investment properties and deferred tax assets that are measured according to special regulations that are outlined in the relevant section under accounting principles. Nor can previous goodwill impairment be reversed.

Inventories

Inventories are valued at the lower of acquisition cost and net realisable value. The acquisition cost of inventories is measured using the FIFO (first in first out) method and includes expenses arising when acquiring the inventory asset. For finished goods and work in progress, acquisition cost includes a reasonable share of indirect costs based on normal capacity.

Provisions

A provision differs from other liabilities because of uncertainty prevailing regarding the timing of payment or the scale of the amount to settle the provision. A provision is reported in the Statement of Financial Position when there is an existing legal or informal commitment as a result of an event that has occurred, and it is likely that an outflow of economic resources will be necessary to settle the commitment and a

reliable estimate of the amount can be made. Provisions are made at an amount that is the best estimate of what is necessary to settle the existing commitment on the reporting date. When the effect of when in time payment occurs is significant, provisions are measured through discounting expected future cash flows using an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks associated with the liability.

Contingent liabilities

A contingent liability is reported when there is a possible commitment, and whose occurrence is only corroborated by one or more uncertain future events, or when there is a commitment that is not reported as a liability or provision because it is not likely that any outflow of resources will be required.

NOTE 02 SPECIAL CONSIDERATIONS AND JUDGMENTS

Valuation of properties

Main sources of uncertainty in estimates

Because the price of a property is not observable on a quoted marketplace, a judgement of property values must instead be made as supporting data for reporting at fair value. The value of a property is dependent on many factors such as property type, place and location, size, length of rental contract and rent level, tenant structure, technical standard, etc. Different appraisers make different judgments, and thus obtain different values. Funding terms, interest rate levels and a functional financial market also affect the pricing and required returns that create balance on the property market between buyers and sellers. On a functioning market, sales prices usually lie in the interval of appraised value +/- 5 to 10 per cent.

Judgments when applying accounting principles

Property values are appraised individually by property on an ongoing basis through the year on the basis of a range of judgments and estimates of future cash flows and required returns in a potential transaction. This process is described on pages 32-33 and in Note 17. In most cases, there is reconciliation against external valuations. Kungsliden being active on the property market through multiple purchase and sales transactions provides more market information and enhances its prospects of making good estimates of appraised value. General activity on the property market increased in 2010 and 2011 after a number of weaker years, improving the prospects of accuracy in the company's judgements or fair value.

Sensitivity analysis, properties	-10%	-5%	0%	+5%	+10%
Value change before tax, SEK m	-2,612	-1,306	-	1,306	2,612
Equity ratio, %	22.0	24.7	27.3	27.3	29.7
Loan to value ratio, %	73.7	69.8	66.3	63.1	60.3

Valuation of financial instruments

Main sources of uncertainty in estimates

Liabilities to credit institutions arranged prior to 1 January 2010 are measured at fair value. Each funding transaction has highly individual characteristics. The credit margin of the loan is partly affected by the characteristics of the underlying collateral (the property) such as geographical location, property type, the property's cash flow and usage, as well as the relative status of the collateral. Credit margins are also affected by Kungsliden's general credit conditions. This credit margin is not directly observable on the market. Nor is it directly observable because there are no relevant links to similar and relevant funding transactions that are Kungsliden's own due to the aforementioned specific characteristics of individual loans. Nor can credit margins be directly deduced from other companies' credit margins on their loans, because each company and funding transaction is unique. Accordingly, in this component of valuation techniques, the credit margins on loans are a non-observable parameter on the market when measuring

liabilities to credit institutions (tier 3, for more information see Note 28). The tier 3 loans mature in the next two years, and accordingly, changes in credit margins for the corresponding agreements would have a limited impact on carrying amounts. If the credit margin changes by +/-1 percentage point, carrying amount is affected by +/- SEK 28 m.

Over and above credit margin, valuations are affected by liabilities to credit institutions, and by changes in underlying reference interest rates (swap rates), which however, are observable on the market.

Judgments when applying accounting principles

Management judges market credit margins when conducting valuations. Valuations are based on information on maturities, property type and geographical location, as well as relevant experience of refinancing and tendering from external lenders. The aggregate assessment is made on each individual loan and is intended to reflect market terms on the reporting date. The difference between agreed margin and market credit margin is discounted with a derived zero coupon rate for the corresponding maturity to obtain the market present value of the margin difference.

Tax position

Main sources of uncertainty in estimates

The reporting of current tax payable, loss carry-forwards and deferred tax on temporary differences between book values and taxable values are based on applicable tax regulations. It can be stated that tax legislation is complex, especially relating to purchases and sales of properties and companies. Tax court interpretation of current regulations can also change over time, which means that applications may change after completion of transactions and tax returns have been filed. Normally, the Swedish Tax Agency has the facility to re-assess a company's taxation within two years of the end of a financial year, although in some cases, the Swedish Tax Agency can re-assess up to five years retroactively.

Judgments when applying accounting principles

Judgments are made on how individual transactions should be classified and estimates are made on likely outcomes of each company's taxation and potential disputes. Then a tax cost/tax liability is reported if the company judges that it is more likely than not that supplementary tax will be payable.

Kungsliden's view is that the company has fully complied with the laws and practice in place coincident with each tax return. Kungsliden continuously reconciles its judgments on tax matters with external experts. However, this does not mean that there is no risk that tax courts could assess a completed transaction in a different manner to the company. Accordingly, final outcomes may be higher or lower than current judgments.

For more information on the tax position, see Note 13.

Notes, group

NOTE 03 OPERATING SEGMENTS

Segment, SEK m	Commercial properties		Public properties ¹		Nordic Modular		Other/group wide ²		Total Kungsliden	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Income Statement										
Rental revenues	1,357.2	957.0	992.7	922.3	243.9	240.5			2,593.8	2,119.8
Sales revenues, modular buildings					288.4	184.0			288.4	184.0
Net sales	1,357.2	957.0	992.7	922.3	532.3	424.5			2,882.2	2,303.8
Property costs	-398.9	-289.6	-298.9	-262.6	-48.9	-46.6			-746.7	-598.8
Production costs, modular buildings					-258.1	-159.8			-258.1	-159.8
Gross profit	958.3	667.4	693.8	659.7	225.3	218.1			1,877.4	1,545.2
Trading net	44.2	61.5	11.5	-35.4	0.0	6.5			55.7	32.6
Sales and administration costs	-123.7	-102.0	-111.4	-83.4	-60.6	-54.2	-23.0	-20.0	-318.7	-259.7
Net financial position	-429.7	-330.1	-386.5	-369.9	-51.5	-48.8			-867.7	-748.8
Unrealised value changes										
- Investment properties	341.8	-52.7	408.4	234.4	-60.0	5.5			690.2	187.2
- Financial instruments	-301.5	172.8	-271.4	228.3	-36.1	28.6			-609.0	429.6
Profit/loss before tax	489.4	416.9	344.4	633.6	17.1	155.6	-23.0	-20.0	827.9	1,186.1
Items in Statement of Financial Position										
Goodwill					201.4	201.4			201.4	201.4
Properties	12,932.4	9,600.6	11,639.6	10,325.5	1,550.3	1,574.5			26,122.3	21,500.6
Other assets ²							1,961.9	2,791.7	1,961.9	2,791.7
Total assets	12,932.4	9,600.6	11,639.6	10,325.5	1,751.7	1,775.9	1,961.9	2,791.7	28,285.6	24,493.7
Liabilities to credit institutions	8,572.1	5,823.3	7,715.1	7,194.7	1,027.6	931.3			17,314.8	13,949.3
Provisions and other liabilities ²	621.1	317.1	559.0	391.8	74.5	50.7	1,997.2	2,427.9	3,251.8	3,187.6
Total liabilities	9,193.2	6,140.4	8,274.1	7,586.5	1,102.1	982.1	1,997.2	2,427.9	20,566.6	17,136.9
Other disclosures										
Purchases and investments in properties	4,036.7	1,299.4	1,007.5	1,194.8	60.0	76.9			5,104.2	2,571.1
Income Statement items not affecting cash flow	84.5	181.7	148.5	427.3	-96.1	40.6			136.9	649.5

1 After Hemsö's purchase of 17 German properties the segment Public properties replaces the two previous segments Public Properties in Sweden and Retirement Homes Germany.

2 Assets that are not properties, goodwill or interest derivatives with positive values are not allocated by segment.

Nor are provisions or liabilities that are not liabilities to credit institutions or interest derivatives with negative values allocated.

Kungsliden's operating segments are Commercial properties, Public properties and Nordic Modular. Other/group wide are the transaction and analysis, and central administration functions. The segments are prepared on the basis of internal reporting to the Chief Executive and group management in terms of results of operations and financial position.

The Commercial Properties and Public Properties segments let all premises to external customers. Public properties are properties where tenants' operations are publicly funded, while Commercial properties are properties with operations funded in other ways, usually on a commercial basis. Nordic Modular produces, sells and lets modular buildings.

The above segment reporting has been prepared on the basis of the same accounting principles as the rest of the annual accounts, and the total of segments, and is equal to the amounts for the group. No significant transactions occurred between segments.

Largest tenants	Rental revenue, SEK m	Share of rental revenue, %
ABB	309	11.7
Municipality of Härnösand	98	3.7
Västra Götaland County Council	63	2.4
Bring Frigoscandia AB	63	2.4
The Swedish Fortifications Agency	46	1.7
City of Västerås	42	1.6
Attendo	37	1.4
ICA	36	1.3
V-TAB	34	1.3
Municipality of Norrköping	34	1.3
Total	762	28.8

Geographical markets, SEK m	Sweden		Germany		Denmark/Norway		Total Kungsliden	
	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	2,793.2	2,167.5	67.2	116.4	21.8	19.9	2,882.2	2,303.8
Properties	25,253.4	20,640.8	761.2	786.1	107.7	73.7	26,122.3	21,500.6
Purchases and investments in properties	5,102.5	2,401.1	1.2	169.6	0.5	0.4	5,104.2	2,571.1

NOTE 04 BUSINESS COMBINATIONS AND ASSET DEALS

Properties are usually acquired by acquisitions of companies, for reasons including stamp duty being payable for property transfers and that a company divestment confers tax advantages on the seller compared to a direct sale. Acquisitions via companies can either be classified as business combinations or asset deals. In 2011 and 2010, only asset deals were conducted, i.e. acquisitions of companies only including assets (properties) and their associated items.

NOTE 05 OPERATING LEASES

Lessor, rental revenues, SEK m	31 Dec 11	31 Dec 10
Payment within one year	2,438.1	1,928.5
Payment in 1–5 years	6,849.1	4,937.4
Payment after more than 5 years	5,380.3	5,441.4
Total	14,667.5	12,307.3

From an accounting perspective, lease contracts are treated as operating lease arrangements, where Kungsleden is the lessor. The table illustrates rental revenues calculated on current lease contracts, of which there were 4,069 as of 31 December 2011. Kungsleden endeavours to strike a balance between short and long contracts in its public and commercial properties, where agreements are relatively long term. Lease contracts on premises are usually entered for 3–20 years, with generally, rents being indexed. In most cases, supplements for heating and property tax are added to rents, based on the actual costs the landlord incurred.

Lessee

As operating lessee, Kungsleden has entered a number of arrangements on site-leasehold rights, company cars and office machines. The following table illustrates contracted payments for site-leasehold rights. Other operating leases are of insignificant amounts.

Lessee, ground rent, SEK m	31 Dec 11	31 Dec 10
Payment within one year	9.7	9.1
Payment in 1–5 years	29.3	27.4
Payment after more than 5 years	5.2	4.6
Total	44.2	41.1

NOTE 06 SALES AND ADMINISTRATION COSTS

SEK m	2011	2010
Personnel costs	-172.4	-152.9
Depreciation and amortisation	-3.3	-2.7
Other operating costs	-143.0	-104.1
Total	-318.7	-259.7

Primarily includes costs for the group's management and central functions such as business development, accounting, finance, legal services and information technology and costs associated with stock market listing. Also includes property administration such as costs for on-going property management including costs for rental billing, rent negotiations, rent demands and accounting. Administration costs include depreciation of equipment.

NOTE 07 EMPLOYEES AND PERSONNEL COSTS

The average number of employees in 2011 was 299 (269) people. The division by country and gender is stated below.

Average number of employees	2011	Proportion women, %	2010	Proportion women, %
Sweden	294	24	264	26
Denmark (Nordic Modular)	3	–	3	–
Norway (Nordic Modular)	2	–	2	–
Group	299	24	269	26

Nordic Modular group had an average of 181 employees, of which 8 per cent were women, which is included in the above figures. Half owned Hemsö Fastighets AB had an average of 41 employees, of which 39 per cent are women. 6 people changed employment from Kungsleden Fastighets AB to Kungsleden AB. Kungsleden's average number of employees was 77, of which 53 per cent were women, the majority were employees of subsidiary Kungsleden Fastighets AB.

Gender division, Board and management	31 Dec 11	Proportion women, %	31 Dec 10	Proportion women, %
Parent company and group				
Board	8	38	8	25
Other senior managers	6	33	6	17

The Board of Directors has 8 (8) members of which 3 (2) women. There were 6 (6) other senior managers in 2011, of which 2 (1) is a woman.

Salary, other benefits and social security costs, SEK '000	2011		2010	
	Salary and other benefits	Social security costs	Salary and other benefits	Social security costs
Group				
<i>Senior managers</i>				
The Board, Chief Executive and Deputy Chief Executive (of which pension costs)	13,376	6,967 (2,202)	15,224	7,302 (2,006)
Bryngelson, Håkan ¹	555	174	–	–
Gahm, Joachim	250	79	–	–
Garph, Leif	–	–	270	85
Holmgren, Lars	250	79	–	–
Meyer, Magnus ¹	250	79	245	77
Nygren, Jan	–	–	245	77
Nyréen, Jonas	–	–	220	69
Orback, Pettersson Kia	280	88	245	77
Ovin, Per-Anders	–	–	550	173
Pehrsson, Biljana	250	79	–	–
Wikström Charlotta	250	79	245	77
Erséus, Thomas (Chief executive)	7,119	3,983	8,495	4,275
Risberg, Johan (Dep. Chief Executive)	4,172	2,327	4,709	2,392
Other senior managers (of which pension costs)	11,070	6,344 (2,340)	13,193	6,934 (2,202)
Total senior managers	24,446	13,311 (4,542)	28,417	14,236 (4,208)
<i>Other employees</i>				
Other employees ² (of which pension costs)	137,274	61,568 (15,049)	110,313	48,539 (10,865)
Total	161,720	74,879 (19,591)	138,730	62,775 (15,073)

1 In addition to Directors' fees from Kungsleden, Håkan Bryngelson receives Directors' fees from Hemsö Fastighets AB of SEK 350,000 for his position as Chairman, and Magnus Meyer receives SEK 150,000 of Directors' fees from Hemsö Fastighets AB for his position as Board member. 50 per cent of the remuneration is included in Other employees.

2 The other employees group includes salaries and other benefits of SEK 6,265,000 (1,100,000), social security costs of SEK 2,016,000 (375,000) and pension costs of 1,181,000 (122,000) for Hemsö's management and Board.

No Directors' fees were payable for Thomas Erséus.

All pension costs relate to defined contribution plans or the ITP (supplementary pensions for salaried employees) plan.

Notes, group

NOTE 07 CONT.

Share-based payment

In 2007, the group started an incentive-based staff stock option plan entitling the group management and a number of executive staff to purchase shares of the company. This plan was the first of three that are planned, and options were granted in 2008 based on the profit outcome in 2007. The AGM in 2008 approved a second stock option plan. No granting of this plan was conducted. The AGM 2009 did not consider the matter of a third stock option plan. Granting is conditional on remaining an employee of the company at exercise, and was dependent on the group's profit for calculating dividends exceeding the target set by the Board of Directors. If the outcome is below the target set by the Board, there is no granting. If the group's profit for calculating dividends exceeds the target by 20 per cent or more, granting is 100 per cent of the maximum number of staff stock options. Staff stock options are granted on a pro rata basis in the interval from 0 per cent to 20 per cent.

In the terms of the plan, one option confers entitlement to subscribe for one share at a predetermined price. Options can also be redeemed for cash at the difference between the exercise price and the market price of shares at exercise.

For the 2007 staff stock option plan, 249,000 staff stock options were issued, of which 85,000 were forfeited. There were 164,000 outstanding staff stock options as of 31 December 2011. No options were exercised in the year.

Stock option plan	Granting year	No. of options	Exercise price (SEK/share)	Term	Exercise period
2007	2008	164,000	113.34	Until 31 March 2012 inclusive	1 June 2010 to 31 March 2012
No. of options		Senior managers	Other employees	Total	
Stock option plan 2007		98,000	66,000	164,000	

The theoretical value of stock options is calculated by an external party using the Black & Scholes model. A share price corresponding to the average volume-weighted price paid for a fixed ten-day period and expected volatility of 30 per cent is used as the basis for calculation.

Apart from its incentive-increasing effects, the incentive-based stock option plan is judged to only imply marginal effects for the company and shareholders due to the limited scope of the plan. To ensure the potential full delivery of shares, and as a hedge against the potential cash flow effect of cash settlement and social security costs, a hedge has been entered with a third party in the form of a share swap.

The cost of the stock option plan including social security costs amounted to a cost of SEK 5 (+3) m due to the value of the share swap decreasing in the year.

NOTE 08 REMUNERATION TO SENIOR MANAGERS

Principles

Fees are payable to the Board pursuant to AGM resolution. No fees are payable to Board members employed by the company. Remuneration to the Chief Executive, Deputy Chief Executive and other senior managers consists of basic salary, incentive payments, other benefits and pension. The term "other senior managers" means the people that were active in the group management in addition to the

Chief Executive and Deputy Chief Executive. There were 5 (5) such individuals in 2011. Incentive payments are intended to comprise a significant portion of possible remuneration, subject to a maximum of 12 months' salary. The incentive payment portion is based on actual performance in relation to individual targets.

Remuneration and other benefits, SEK '000	Basic salary/ Directors' fees		Incentive payments		Other benefits		Pension cost		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Chairman	555	550	-	-	-	-	-	-	555	550
Other Board members	1,530	1,470	-	-	-	-	-	-	1,530	1,470
Chief Executive	5,350	4,825	1,769	3,670	74	72	1,387	1,274	8,580	9,841
Deputy Chief Executive	2,963	2,642	1,209	2,067	10	8	815	732	4,997	5,449
Other senior managers, 5 (5)	8,854	8,282	2,217	4,912	220	167	2,340	2,202	13,631	15,563
Total	19,252	17,769	5,195	10,649	304	247	4,542	4,208	29,293	32,873

Comments on the table:

Incentive payments for 2011 are attributable to bonuses, of which SEK 5,195,000 (10,649,000) was charged to 2011.

Pension costs are the costs charged in 2011. For more information on pensions, see below.

Incentive payments

For the Chief Executive and Deputy Chief Executive, incentive payments for 2011 reflect profit for calculating dividends, profits from property sales and cash flow. The incentive payment amount for the Chief Executive and Deputy Chief Executive in 2011 was 36 (77) per cent of basic salary.

The other senior managers' incentive payments for 2011 were based on the same principles as the Chief Executive and Deputy Chief Executive and on individual targets for individual areas of responsibility. The incentive payment for these executives in 2011 averaged 25 (59) per cent of basic salary.

Share-based payment

Granting in the staff stock option plan reviewed in Note 7 to senior managers amounted to 98,000 options for the 2007 plan.

No. of options	Chief Executive	Deputy Chief Executive	Other managers	Total
Stock option plan 2007	25,000	25,000	48,000	98,000

Pensions

The pensionable age of all senior managers is 65 and all have defined contribution pension plans, with no commitments for the company apart from the obligation to pay annual premiums. The Chief executive's and Deputy Chief Executive's pension premium is 30 per cent of basic annual salary. Two senior managers have pension premiums of 25 per cent of basic annual salary. One senior manager has a pension premium of 32 per cent of basic salary. The pension premiums of other senior managers and employees are based on the ITP (supplementary pensions for salaried employees) plan.

Notice of termination

The company and Chief Executive are subject to a mutual notice period of 12 months which is deducted from other income. In addition, the Chief Executive receives redundancy pay of 12 months' salary coincident with termination initiated by the company, an amount that is not included in pension entitlements. No redundancy pay is due

for termination initiated by the Chief Executive. The Company and the Deputy Chief Executive are subject to a mutual notice period of six months. Upon termination of employment from the company's side, the Deputy Chief Executive receives redundancy pay of 12 months' salary, an amount that is included in pension entitlements. No redundancy payment is made on termination of employment from the Deputy Chief Executive's side.

Senior managers are subject to a notice period of 3 months on termination of employment from the executive's side and six months from the company's side. Such executives receive 12 months' redundancy pay on termination of employment by the company, an amount that is not included in pension entitlements. No redundancy payment is made upon voluntary resignation. Collective agreements apply to senior managers. A notice period of 6 months applies to other senior managers and a 12 month notice period applies from the company's side. The redundancy pay is usually deducted from other income for all senior managers.

Consultation and decision processes

Remuneration to senior managers is decided by the Board subject to the Remuneration Committee's proposal. This is conducted on the basis of guidelines resolved by the AGM.

NOTE 09 AUDIT FEES AND REIMBURSEMENT

SEK m	2011	2010
<i>KPMG</i>		
Auditing	4.9	6.7
Auditing in addition to audit assignment	0.5	0.4
Tax consultancy	0.6	1.1
Other	3.2	1.6
Total	9.2	9.8

Auditing means auditing the annual accounts and accounting records, the Board of Directors' and Chief executive's administration, other duties incumbent on the company's Auditors, and advisory or other services resulting from observations on such audit or conducting other such duties.

NOTE 10 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES BY FUNCTION

SEK m	2011	2010
Production costs, modular buildings	-3.2	-3.1
Sales and administration costs	-3.3	-2.7
Total	-6.5	-5.8

NOTE 11 COSTS BY COST CLASS

Division by cost class, SEK m	2011	2010
Operation, maintenance and tenant adaptations	-660.6	-540.6
Other direct property expenses	-86.1	-58.2
Change in inventories	-13.3	-
Raw materials and consumables	-116.7	-83.4
Other direct production expenses, modular buildings	-78.2	-22.9
Personnel costs	-241.7	-213.5
Depreciation and amortisation	-6.5	-5.8
Other external costs	-133.7	-93.9
Total	-1,336.8	-1,018.3

Division in Income Statement, SEK m	2011	2010
Sales revenues, modular buildings	-13,3	-
Property costs	-746,7	-598,8
Production costs, modular buildings	-258,1	-159,8
Sales and administration costs	-318,7	-259,7
Total	-1,336,8	-1,018,3

NOTE 12 PROFIT/LOSS FROM FINANCIAL INSTRUMENTS

Net financial position

Financial revenues, SEK m	2011	2010
Interest income on accounts receivable and loan receivables	35.7	16.7
Interest income on bank balances	1.0	0.9
Net profit on sale of liabilities reported at fair value	-	0.3
Other financial income	0.1	5.5
Total financial income	36.8	23.4

Interest costs, SEK m	2011	2010
Interest costs, borrowing		
Loans measured at amortised cost	-302.7	-64.2
Loans measured at fair value	-300.0	-161.7
Interest derivatives measured at fair value	-253.4	-501.7
Interest costs from borrowing	-856.1	-727.6
Other financial liabilities measured at amortised cost	-16.7	-24.2
Total interest costs	-872.8	-751.8

Other financial costs, SEK m	2011	2010
Allocated arrangement costs on bank borrowings	-27.9	-15.9
Exchange rate fluctuations	-0.1	-0.9
Other financial costs	-3.7	-3.6
Total other financial costs	-31.7	-20.4
Total net financial position	-867.7	-748.8

The total interest costs for financial instruments measured at amortised cost was SEK 319 (88) m.

Unrealised value changes

Unrealised value changes on financial instruments are reported on their own line in the Income Statement.

Financial liabilities reported at fair value via the Income Statement held for sale and those loans reported at fair value (fair value option) affected the Income Statement by SEK -579 (378) m and SEK -30 (52) m respectively, totalling SEK -609 (430) m. SEK -2 (12) m of the value changes on loans in the year relates to changes in market risk, and SEK -28 (40) m relates to changed values of credit margins.

Reported ineffectiveness of hedging of currency risk in foreign net investments amounts to SEK - (-) m.

For a review of financing and the background to the outcomes, more information is on pages 45-47, 68 and 71, and Note 28.

Notes, group

NOTE 13 TAX

Tax in the Income Statement, SEK m	2011	2010
Current tax	-30.0	-21.9
Deferred tax	-159.5	-323.2
Reported tax	-189.5	-345.1

The tax effect of value changes on currency derivatives used for currency hedging of net investments in foreign operations has been recognised at SEK 0 (-10) m in other comprehensive income.

Reconciliation of effective tax, SEK m	2011	2010
Profit before tax	827.9	1,186.1
Tax, 26.3%	-217.7	-311.9
Effect of discounted internal transfers ¹	12.5	39.4
Sales of properties via companies	70.9	-55.6
Sales of individual properties	-38.5	-15.1
Tax relating to previous years	-14.2	-
Other non-taxable revenues	6.2	1.5
Non-deductible costs	-10.0	-3.6
Effect of differing tax rates for foreign subsidiaries	1.3	0.2
Reported tax	-189.5	-345.1

1 Loss-carry forwards arose on internal discount price transfers without the group's profit before tax being effected because intra-group profit is eliminated.

Deferred tax on temporary differences and loss carry-forwards, SEK m	31 Dec 11	31 Dec 10
Loss carry-forwards	1,327.4	1,307.9
Properties	-1,358.1	-1,053.9
Loans and derivatives	330.8	180.7
Tax allocation reserve	-52.0	-41.5
Other temporary differences	20.6	5.8
Total	268.7	399.0

Deferred tax		
Deferred tax asset, net Sweden	312.9	407.9

Deferred tax liability		
Deferred tax liability, net Germany (properties)	-0.7	-8.9
Non interest-bearing liabilities related to assets held for sale	-43.5	-
Total	-44.2	-8.9

Deferred tax on temporary differences and loss carry-forwards, 2011 SEK m	1 Jan 11	In Income Statement	Purchase/sale	Other Comprehensive Income	31 Dec 11
Loss carry-forwards	1,307.9	19.5			1,327.4
Properties	-1,053.9	-325.2	21.0		-1,358.1
Loans and derivatives	180.7	150.1		0.0	330.8
Tax allocation reserve	-41.5	-10.5			-52.0
Other	5.8	14.8			20.6
Total	399.0	-151.3	21.0	0.0	268.7

Deferred tax on temporary differences and loss carry-forwards, 2010 SEK m	1 Jan 10	In Income Statement	Purchase/sale	Other Comprehensive Income	31 Dec 10
Loss carry-forwards	1,489.1	-181.2			1,307.9
Properties	-1,012.4	-41.5			-1,053.9
Loans and derivatives	305.3	-114.2		-10.4	180.7
Tax allocation reserve	-54.1	12.6			-41.5
Other	4.8	1.0			5.8
Total	732.7	-323.3	-	-10.4	399.0

Overall tax position

Deferred tax on temporary differences and loss carry-forwards, SEK m	Reported amount		Unrecognised amount		Total	
	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10
Loss carry-forwards	1,327.4	1,307.9	751.6	764.1	2,079.0	2,072.0
Properties	-1,358.1	-1,053.9	-1,540.4	-1,459.5	-2,898.5	-2,513.4
Loans and derivatives	330.8	180.7			330.8	180.7
Tax allocation reserve	-52.0	-41.5			-52.0	-41.5
Other temporary differences	20.6	5.8			20.6	5.8
Total	268.7	399.0	-788.8	-695.4	-520.1	-296.4

In addition to the deferred tax liabilities and tax assets that are reported in the accounting records, there are further loss carry-forwards and temporary differences that have not been capitalised in the accounts.

The first situation applies to SEK 2,858 (2,905) m of tax loss carry-forwards reported in tax returns arising in tandem with asset deals. These will be capitalised/recognised in profits as revenues when each property is sold externally.

The second situation applies to temporary differences regarding surplus values in tandem with asset deals classified as asset acquisitions, whereby according to accounting standards, the difference should not be considered when computing deferred tax. Instead, the value of the liability in the acquisition analysis is reported as a reduced book value on the property, more information in Note 17. Temporary differences in surplus values on asset acquisitions amounted to SEK -5,857 (-5,550) m as of 31 December 2011.

Estimation of the present value of the tax position for Kungsleden

Because accounting principles do not consider how the tax position is expected to be realised, making a separate estimation of the value of the tax position is relevant. A comparison between reported deferred tax and estimates of value in use of the position indicate that the value in use for continued operation is somewhat higher than the carrying amount. This estimate does not make claims to be precise, but rather, is an indication on the basis of a number of assumptions.

SEK m	Liquidation ¹	Continued operation ²
Loss carry-forward	553.3	1,500.0
Properties	-771.5	-694.4
Financial instruments	88.0	330.8
Tax allocation reserve	-52.0	-52.0
Other temporary differences	20.6	20.6
Total	161.6	1,105.0

1 Upon liquidation, financial instruments, tax allocation reserves and other temporary differences are expected to affect loss carry-forwards, which together with existing loss carry-forwards, have an estimated sales value at 7 per cent. The assumption is that properties will be saleable in asset deals at book value with a deduction, which in this estimate, is assumed that 7 per cent of total temporary differences.

2 In continued operation, loss carry forwards are estimated to be used against profits in on-going operations. The estimated present value of the tax that could be offset against loss carry-forwards is computed on the estimated profits reported in the tax returns for the coming 10 years. The properties are estimated to change hands in asset deals on an on-going basis going forward at book value with the deduction of the value of 7 per cent of the total temporary differences. Financial instruments, tax allocation reserves and other temporary differences are expected to be settled in the coming years.

Limitations to the use of loss carry-forwards

The group's loss carry-forwards are partly limited because of acquisitions and mergers. These limitations mean that the deficits in a group company cannot always be offset against profits in other group companies for a certain number of years, due to a prevention of group contributions arising upon acquisitions. Deficits can also be prevented from being offset against the company's own profits in mergers.

Tax returns pending

A number of tax returns are pending with the Swedish authorities. Information on these situations is on pages 42-44 and 71-72, as well as Note 2. A provision for potential payments/commitments of SEK 325 m (Note 26) has been made. The initial decision by the authorities for which no provisioning has been made has been recognised as a contingent liability in Note 30.

NOTE 14 EARNINGS PER SHARE

	2011	2010
Net profit in Income Statement, SEK m	638.4	841.0
Outstanding number of shares	136,502,064	136,502,064
Average number of shares	136,502,064	136,502,064
Earnings per share, basic and diluted, SEK/share	4.70	6.20

No changes to outstanding shares occurred in 2011 or 2010. There is no dilution effect because there are no potential shares. Potential granting of shares in the staff stock option plan for 2007 in 2012 and beyond is not considered because the share price is below the exercise price.

NOTE 15 GOODWILL

SEK m	31 Dec 11	31 Dec 10
Amortised cost at beginning of year	208.5	200.3
Supplementary purchase price, Nordic Modular	-	8.2
Total	208.5	208.5
Accrued impairment loss at beginning of year	-7.1	-7.1
Total	-7.1	-7.1
Carrying amount at end of year	201.4	201.4

Goodwill is attributable to Kungsleden's acquisition of Nordic Modular group in 2007. An additional SEK 8.2 m arose in 2010 after the supplementary purchase price being determined and paid.

Goodwill is mainly a component of the business combination of investment properties, and less so, the operations taken over and modular production. Through the investment properties being acquired through a business combination, full tax was reported on the premium despite a very small deduction for deferred tax on the temporary differences being made in Kungsleden's measurement of the

acquisition. The difference between the deduction and the reported deferred tax became a goodwill item. The recoverable value has been measured through the measurement of net realisable value. The property values have not reduced since the purchase and the deduction for deferred tax has been measurable in the same manner as that acquisition. This computation did not result in any impairment. The operations are otherwise conducted profitably, and are expected to remain so through the coming years.

NOTE 16 PROPERTIES

SEK m	31 Dec 11	31 Dec 10
Carrying amount at beginning of year	21,500.8	21,860.5
Purchases	4,798.2	2,355.7
Investments in owned properties	306.0	215.4
Book value, sold properties	-1,167.8	-2,896.5
Exchange rate fluctuations	-5.1	-221.5
Unrealised value changes	690.2	187.2
Carrying amount at end of year	26,122.3	21,500.8

The table illustrates the progress of the property portfolio as reported by type in Notes 17-19.

If properties are purchased via companies (asset deals), in these transactions, Kungsleden has normally received deductions for taking over significant temporary differences in recent years, compared to acquisition on a unit basis. These deductions for deferred tax for asset acquisitions are not recognised as deferred tax liabilities, but rather as a deduction on the property value in accordance with accounting principles. The following table states the fair value of properties and the total deduction of the temporary differences received on acquisition.

SEK m	31 Dec 11	31 Dec 10
Fair value of properties	26,270.1	21,537.2
Deduction received for deferred tax for property purchases via companies (asset deals)	-147.8	-36.4
Carrying amount at year-end	26,122.3	21,500.8

NOTE 17 INVESTMENT PROPERTIES

SEK m	31 Dec 11	31 Dec 10
Carrying amount at beginning of year	21,481.3	21,842.4
Purchases	4,798.2	2,355.7
Investments in owned properties	306.0	212.9
Book value, sold properties	-1,167.8	-2,896.5
Reclassification to properties held for sale	-904.8	-
Exchange rate fluctuations	-5.1	-221.5
Unrealised value changes	691.4	188.3
Carrying amount at end of year	25,199.2	21,481.3

Internal valuation

Kungsleden has chosen to base fair value on internal valuations. Kungsleden conducts internal valuations on an on-going basis, as an integrated component of its business process, where individual appraisals of what each property could raise through sale are conducted. For each property there is always a business plan. The business plan is updated at least once annually and includes an internal valuation, the most recent external valuation, a standpoint as to whether the property should be sold or held and an action-plan for the measures considered necessary to optimise the property's operating net and value. After a few poor years with relatively few property transactions due to the financial crisis, property purchases and sales regained momentum in 2010, and interest in transactions remained high in the first half-year 2011. Despite increased uncertainty during the second half-year after turmoil on international debt markets, transaction volumes on the Swedish property market were SEK 22 billion, an increase of 16 per cent on 2010. According to real estate services firm JLL. But as a result of a significant reduction in transaction activity in the final quarter of the year, total transaction activity in 2011 reduced on 2010. However, volume should still be considered

Notes, group

NOTE 17 CONT.

high compared to previous years, and also indicates that the property asset class is an attractive investment alternative in a low interest environment. The high number of transactions on the market resulted in greater reliability in the valuation of the property portfolio.

External valuations are obtained for the majority of properties, 91 (87) per cent of the holding in 2011, which serve as a valuation benchmark. The external valuations corroborate book value as of 31 December 2011 through them being comparable with internal valuations.

Valuation method

Kungsleden applies a valuation method that is basically a version of the location-price method. The applied required return has been determined on the basis of Kungsleden's knowledge of transactions conducted on those markets where Kungsleden is active and bidding processes where Kungsleden has participated. These valuations proceed from current earnings capacity, and also consider an assessed long-term sustainable cash flow, by normalising cash flow over the forecast period. Non-market rents are adapted to assessed market rents, when contracts expire or are renegotiated, and divergent operating and maintenance payments are normalised.

Over and above the evaluations that serve as the basis for book value, an evaluation of cash flows is also prepared as a reference for each individual property. This is achieved by calculating the present value of properties' estimated cash flow during the forecast period, and the present value of the market value at the end of the forecast period, known as residual value. The present value calculation is prepared for a forecast period of five years. The fifth year in the calculation should reflect an assessed long-term sustainable cash flow for the property. Future rent payments are calculated for each property on the basis of current lease contracts. Rent payments for future rent periods, and for vacant premises, are calculated after an individual assessment of each property. The cash flow for operating and maintenance costs is similarly assessed. The cost history of each property is used as a basis for estimating future costs. Age, maintenance status and usage are also considered when evaluating future costs. An inflation assumption of 2 per cent has been applied. When evaluating cash flows, the actual cost of capital for each property is considered. The value of the cash flow for Kungsleden is used as a strategic base of whether properties should be held or sold.

The following table reports the average property yield by property type. The required property return in valuations is in the 4.0–14.2 per cent interval.

For more information on the valuation of properties, see pages 32-33.

Operating net and property yield for each property type ¹	Operating net		Property yield, %	Interval required return, %
	Book value	in one year		
Industrial/warehouse	6,318	542	8.6	4.2–13.1
Office	4,173	321	7.7	4.9–8.8
Retail	2,177	167	7.7	4.1–9.6
Other commercial	265	18	6.7	5.6–7.8
Commercial properties	12,933	1,048	8.1	
Retirement home	4,387	244	5.6	4.4–8.8
School	3,528	221	6.3	4.0–9.0
Care	1,701	115	6.8	4.6–14.2
Other public	1,262	84	6.7	5.8–10.1
Public properties	10,878	664	6.1	
Total	23,811	1,712	7.2	

¹ Excluding retirement homes in Germany and Modular buildings.

Limitations on sale

312 public properties are held through a joint venture with AP3, where participating interests are 50 per cent each. Because Kungsleden does not have majority influence, there are limitations to its investment and sales decisions for these properties.

Investment property—effect on net profit, SEK m	31 Dec 11	31 Dec 10
Rental revenues	2,484.4	2,119.8
Direct costs for investment properties generating rental revenues in the period ¹	–690.5	–598.8
Direct costs for investment properties not generating rental revenues in the period ¹	0.0	0.0

¹ Direct costs include operating and maintenance costs, property tax and ground rent.

One investment property is held through a finance lease. The carrying amount of this property is SEK 8 (17) m and the interest-bearing liability for this commitment is SEK 8 (17) m.

NOTE 18 PROPERTY USED IN BUSINESS OPERATIONS

SEK m	31 Dec 11	31 Dec 10
Amortised cost at beginning of year	22.9	20.4
Investments in owned properties	0.0	2.5
Total	22.9	22.9
Accumulated depreciation at beginning of year	–3.4	–2.3
Depreciation	–1.2	–1.1
Total	–4.6	–3.4
Carrying amount at end of year	18.3	19.5

NOTE 19 ASSETS HELD FOR SALE

A company with 39 public properties is planned for sale to Hemsö Fastighets AB in 2012. As of 31 December 2011, this situation is classified as assets held for sale. Assets and liabilities relating to the company, as illustrated in the following table, are presented in the Statement of Financial Position.

Assets held for sale, SEK m	31 Dec 11	31 Dec 10
Properties held for sale (transferred from investment properties)	904.8	–
Receivables relating to assets held for sale	14.4	–
Cash and cash equivalents related to assets held for sale	123.5	–
Total	1,042.7	–
Liabilities relating to assets held for sale, SEK m	31 Dec 11	31 Dec 10
Interest-bearing liabilities relating to assets held for sale	901.0	–
Non-interest-bearing liabilities relating to assets held for sale	60.1	–
Total	961.1	–

NOTE 20 MACHINERY AND EQUIPMENT

SEK m	31 Dec 11	31 Dec 10
Amortised cost at beginning of year	27.1	25.6
Purchases	11.6	1.9
Sales/disposals	–7.3	–0.4
Total	31.4	27.1
Amortised cost at beginning of year	–13.5	–8.9
Sales/disposals	5.5	0.1
Depreciation for the year	–4.9	–4.7
Total	–12.9	–13.5
Carrying amount at end of year	18.5	13.6

NOTE 21 PARTICIPATIONS IN JOINT VENTURES

A joint venture means a company over which Kungsleden exerts controlling influence with another party. Kungsleden reports its holdings in accordance with the proportional method, which means that revenues, costs, assets and liabilities are recognised in the Consolidated Accounts item by item. On 1 January 2012, the accounting principle will be changed so that instead, consolidation is based on the equity method, with more information on page 74 and Notes 1 and 34.

Specifications of holdings in joint ventures

Joint venture/corp. ID no./reg. office	No. of shares	Holding, % ¹	Partner
Hemsö Fastighets AB, 556779-8169, Stockholm	50,000	50	AP3
Kokpunkten Fastighets AB, 556759-5094, Stockholm ²	–	–	–
Vilunda Fastighets AB, 556781-6789, Stockholm ³	–	–	–

1 Participating interest in capital, which is also consistent with voting rights for the total number of shares.

2 Sold to PEAB in 2011

3 Hemsö acquired the remaining portion of PEAB in 2011.

Joint ventures in accounting

SEK m	Kungsleden excl. joint ventures		Hemsö Fastighets AB		Kokpunkten Fastighets AB		Internal elimination		Kungsleden, consolidated	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Income Statement										
Net sales	2,047.2	1,604.9	835.0	698.2	0.7				2,882.2	2,303.8
Property costs and production costs	-771.2	-554.6	-234.1	-203.5	-0.5		0.5		-1,004.8	-758.6
Gross profit	1,276.0	1,050.3	600.9	494.7	-	0.2	0.5	-	1,877.4	1,545.2
Trading net	55.8	25.1	-0.1	7.5					55.7	32.6
Sales and administration costs	-243.9	-238.9	-75.0	-45.0			0.2	24.2	-318.7	-259.7
Net financial position	-575.3	-661.4	-309.0	-131.1		0.1	16.6	43.6	-867.7	-748.8
Unrealised value changes	-249.4	384.8	330.6	232.0					81.2	616.8
Profit before tax	263.2	559.8	547.4	558.2	-	0.3	17.3	67.8	827.9	1,186.1
Tax	-54.9	-234.0	-134.6	-93.2		-0.1		-17.8	-189.5	-345.1
Net profit for the year	208.3	325.8	412.8	465.0	-	0.2	17.3	50.0	638.4	841.0
Statement of Financial Position										
Assets										
Goodwill	201.4	201.4	-	-					201.4	201.4
Properties	15,693.2	12,241.5	10,429.1	9,259.1					26,122.3	21,500.6
Receivable from owner/joint venture	1,634.0	1,497.0	-	-			-1,634.0	-1,497.0	0.0	-
Receivables, etc.	1,747.7	1,790.5	221.8	212.3		41.7	-823.7		1,145.8	2,044.5
Cash and cash equivalents	683.9	549.6	132.2	176.7		20.9			816.1	747.2
Total assets	19,960.2	16,279.9	10,783.1	9,648.2	-	62.6	-2,457.7	-1,497.0	28,285.6	24,493.7
Equity and liabilities										
Equity	6,634.5	6,491.3	1,084.5	785.1		30.4		50.0	7,719.0	7,356.8
Liabilities to owners/joint venture	-	-	1,634.0	1,497.0			-1,634.0	-1,497.0	-	-
Interest-bearing liabilities	10,530.4	8,406.9	6,722.4	5,542.4					17,314.8	13,949.3
Non-interest-bearing liabilities	2,795.3	1,381.7	1,342.2	1,823.7		32.2	-885.7	-50.0	3,251.8	3,187.6
Total equity and liabilities	19,960.2	16,279.9	10,783.1	9,648.2	-	62.6	-2,457.7	-1,497.0	28,285.6	24,493.7
Average number of employees	258	254	41	15					299	269

Change in equity, joint ventures, SEK m	2011	2010
Amount at beginning of year	815.5	2,100.3
Purchase and sale of participations	-30.6	-
Dividend to	-130.5	-1,750.0
Net profit for the year	430.1	465.2
Amount at end of year	1,084.5	815.5

NOTE 22 OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec 11	31 Dec 10
Carrying amount at beginning of year	287.9	264.5
New long-term receivables	247.0	26.4
Increase via business combinations	2.0	-
Released against provision	-100.0	-
Reclassification	12.2	-
Exchange rate fluctuation	-0.8	-
Repayments	-4.4	-3.0
Carrying amount at end of year	443.9	287.9

The two largest receivables were firstly a vendor note of SEK 184 m from 2008 to Svea Real AB, which matures in 2013, and secondly a receivable from Nollitnac Holding AB of SEK 247 m issued in tandem with the year's purchase of 36 properties from NRP, and that matures

in 2016. Both loans accrue market interest rates and collateral has been secured in the form of shares. The market value of collateral is judged to exceed the outstanding receivable.

In the year, a receivable of SEK 100 m matured from Keops, which arose in tandem with the sale to the company in 2006. No dividend was received after the property sales at the bankrupt auction of Kefren, which took over properties/liabilities to Kungsleden. However, this receivable was never recognised as revenue in 2006, but rather, a provision and reserve was created of the corresponding amount, which at the settlement in 2011, was released without any effect on net profit for the year.

For a review of credit risks, see page 47.

Notes, group

NOTE 23 MATURITY STRUCTURE, RECEIVABLES

SEK m	31 Dec 11	31 Dec 10
Maturing within 1 year	341.4	1,390.5
Maturing in 1–5 years	441.9	187.9
Maturing after more than 5 years	–	–
Total	783.3	1,578.4

The maturity structure of outstanding receivables excludes deferred tax and cash and cash equivalents.

NOTE 24 EQUITY

At the end of the financial year, share capital was SEK 56,875,860 and there were 136,502,064 shares. This equates to a quotient value of SEK 0.42. No changes to share capital, number of shares or quotient values occurred in 2011 or 2010.

There is no dilution effect because there are no potential shares. The potential granting of shares through the staff stock option plan for 2007, reported in Note 7, for 2011 and beyond is not considered because the share price is below the exercise price.

The following exchange rates have been used on translation:

SEK	Average exchange rate		Closing day rate	
	2011	2010	31 Dec 11	31 Dec 10
EUR	9.03	9.54	8.94	9.00
DKK	1.21	1.28	1.20	1.21
NOK	1.16	1.19	1.15	1.15
PLN	2.20	–	2.03	–

NOTE 25 INTEREST-BEARING LIABILITIES

SEK m	31 Dec 11		31 Dec 10	
	Nominal amount	Fair value	Nominal amount	Fair value
Liabilities to credit institutions				
Variable-interest bank loans	17,326.3	17,314.8	13,989.8	13,949.3
Fixed-interest bank loans	–	–	–	–
Total	17,326.3	17,314.8	13,989.8	13,949.3
Interest rate derivatives				
Interest swaps, SEK 15,300 (14,450) m	–	1,265.7	–	756.9
Total	–	1,265.7	–	756.9
Total loans and interest rate derivatives	17,326.3	18,580.5	13,989.8	14,706.2

Maturities, credits	31 Dec 11		31 Dec 10	
	Nominal amount	Share, %	Nominal amount	Share, %
2011	–	–	2,558.6	14.0
2012	11,618.6	56.7	11,236.4	61.6
2013	2,775.3	13.5	2,217.3	12.2
2014	2,573.5	12.6	610.3	3.3
2015	999.2	4.9	999.2	5.5
2016	2,043.9	10.0	–	–
2017	–	–	–	–
2018	303.5	1.5	621.6	3.4
2019	172.4	0.8	–	–
Total	20,486.4	100.0	18,243.4	100.0
Un-utilised credit facilities	–3,160.1	–	–4,253.6	–
Total utilised credit facilities	17,326.3	–	13,989.8	–

The group has an overdraft facility of SEK 310 (310) m, of which SEK 0 (0) m was utilised at year-end.

NOTE 26 PROVISIONS

SEK m	31 Dec 11	31 Dec 10
Provisions at beginning of year	449.6	572.6
New provisions	5.0	0.1
Settlements	–16.3	–81.2
In tandem with company purchases	47.4	–
Released against receivable	–49.3	–
Reclassification to liability	–2.0	–37.0
Reversals	–3.2	–4.9
Provisions at end of year	431.2	449.6

SEK m	31 Dec 11	31 Dec 10
Tax claim after Supreme Administrative Court ruling	325.0	325.0
Rent and operating net guarantees	53.0	98.7
Development of sold land property	–	6.6
Option, sale of assets	45.1	–
Other obligations sold properties	8.1	19.3
Total	431.2	449.6

Rent or operating net guarantees are sometimes issued on property sales. The most important obligations apply to a yearly operating net guarantee issued in tandem with the part-sale of Hemsö to AP3 in 2009. This obligation runs until 2013 inclusive. Option, sale of assets is a discount in case Nollitnac Holding AB redeems its liability to Kungsliden in advance in 2011.

Potential payments to the tax authority depend on if and when the definitive findings via the Swedish Tax Agency and courts are reached, but are judged to lie 2 to 5 years ahead in the future.

SEK m	31 Dec 11	31 Dec 10
Payment within 1 year	68.2	54.9
Payment between 2 and 5 years	363.0	394.7
Payment after more than 5 years	–	–
Total	431.2	449.6

NOTE 27 MATURITY STRUCTURE, LIABILITIES

SEK m	31 Dec 11	31 Dec 10
Payment within 1 year	13,121.6	3,874.4
Payment between 2 and 5 years	5,231.8	11,462.8
Payment after more than 5 years	475.9	622.0
Total	18,829.3	15,959.2

Maturity structure of interest-bearing liabilities and operating liabilities excluding deferred tax liabilities and valuation of derivatives. All accounts payable are due within one year.

NOTE 28 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

SEK m	Loans and accounts receivable ¹		Currency forwards for hedge accounting		Financial liabilities measured at fair value via the Income Statement		Other liabilities		Total carrying amount		Fair value	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Long-term receivables	443.9	287.9							443.9	287.9	443.9	287.9
Accounts receivable	117.5	110.6							117.5	110.6	117.5	110.6
Other receivables	99.5	1,011.0		46.6					99.5	1,057.6	99.5	1,057.6
Total assets	660.9	1,409.5		46.6					660.9	1,456.1	660.9	1,456.1
Interest-bearing liabilities					9,731.8	13,949.3	7,583.0		17,314.8	13,949.3	17,234.7	13,949.3
Accounts payable							189.8	185.6	189.8	185.6	189.8	185.6
Other liabilities					1,273.4	759.7	398.2	1,071.9	1,671.6	1,831.6	1,671.6	1,831.6
Total liabilities					11,005.2	14,709.0	8,171.0	1,257.5	19,176.2	15,966.5	19,096.1	15,966.5

¹ Amounts in this column represent maximum credit risk.

For information on the company's exposure to financial risks and how these risks are managed, please refer to the finance and financial risk section on pages 45–47 and Note 2. The following table states disclosures on how fair value is determined for the financial instruments measured at fair value. The division of how fair value is determined is based on the following three tiers.

Tier 1: according to prices listed on an active marketplace for the same instrument
Tier 2: from direct or indirectly observable market data not included in tier 1
Tier 3: from input data that is not observable on the market

SEK m	Tier 1		Tier 2		Tier 3		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Other receivables				46.6				46.6
Total assets				46.6				46.6
Interest-bearing liabilities					9,731.8	13,949.3	9,731.8	13,949.3
Other liabilities			1,273.4	759.7			1,273.4	759.7
Total liabilities			1,273.4	759.7	9,731.8	13,949.3	11,005.2	14,709.0

A number of OTC derivatives are used to hedge interest and currency risks financially even though hedge accounting is not used. These derivatives are measured with the aid of valuation techniques based on observable market data (tier 2).

Measurement of liabilities to credit institutions incurred before 1 January 2010 is achieved with the aid of relevant benchmark rates (swap rate) with the addition of a credit margin. There is no observable market data for the company's credit margin, which means that special consideration and judgement is needed to measure fair value (tier 3)—see description in Note 2. The tier 3 loans mature in the next two years, and accordingly, changes in credit margins for the corresponding agreements would have a limited impact on carrying amounts. If the credit margin changes by +/-1 percentage point, carrying amount is affected by +/- SEK 28 m.

The fair value of accounts and loan receivables were assessed individually, based on the risk of the receivable not being recoverable. A similar evaluation is also conducted according to the principles for carrying amount. At the previous two year-ends, reported carrying amounts were the same as assessed fair value.

Liabilities to credit institutions, SEK m	2011	2010
Liabilities at beginning of year	13,949.3	14,437.3
Borrowings	4,894.1	1,664.3
Amortisation	-1,892.4	-1,975.6
Sold via asset deal	317.3	-
Value changes	29.9	-52.1
Exchange rate fluctuations	16.6	-124.6
Carrying amount at end of year	17,314.8	13,949.3
Reversal of adjustment to fair value for loans measured according to fair value option	11.5	41.1
Normal value, borrowings	17,326.3	13,990.4

At year-end, liabilities to credit institutions have an accumulated value change that reduces the liability by SEK 11 (41) m, of which market risk is SEK -1 (1) m and credit margin is SEK 12 (40) m. The change for the year of SEK -30 m (52) has been reported as an unrealised value change financial instruments in the Income Statement.

NOTE 29 ASSETS PLEDGED

For Kungsleden's own liabilities and provisions, SEK m	31 Dec 11	31 Dec 10
Property mortgages	9,827.9	9,728.4
Shares in subsidiaries	6,784.8	8,032.6
Cash and cash equivalents	79.2	66.8
Total	16,691.9	17,827.8

Collateral is primarily deposited for bank loans. Loan agreements may include covenants regarding interest coverage ratios and loan volumes in relation to the fair value of properties.

Kungsleden Fastighets AB and subsidiaries have provided an undertaking to the banks providing its syndicated credit facility to refrain from raising further loans or creating or depositing collateral from its asset mass without approval of the banks.

NOTE 30 CONTINGENT LIABILITIES

SEK m	31 Dec 11	31 Dec 10
Tax claims	918.5	923.9
Rent guarantees	13.7	10.3
Other guarantees	7.7	8.1
Total	939.9	942.3

Tax claims relate to the decision by the Swedish Tax Agency, for which no provisioning has been made after a judgement of the definitive outcome. The tax situation and considerations are stated on pages 42–44, 71–72, and in Notes 2, 13 and 26. The tax surcharge is included in the reported amount.

Notes, group

NOTE 30 CONT.

Commitments that lead to expenses to restore polluted land or other environmental commitments for owned properties may arise in the future. Expenditure may occur in the form of extra costs relating to new production or extension, or price discounting on the sale of a property, for example. Estimating potential future amounts is not possible in current circumstances.

NOTE 31 SUPPLEMENTARY DISCLOSURES FOR CASH FLOWS

Cash and cash equivalents include cash and bank balances and cash and cash equivalents relating to assess held for sale.

Adjustment for other items that are not included in cash flow from operating activities, SEK m	2011	2010
Provisions	5.0	-4.8
Depreciation, amortisation and impairment	6.5	5.8
Impairment of accounts receivable	0.5	-1.5
Profit/loss from sale of machinery and equipment	-0.2	-0.1
Un-realised exchange rate differences	0.1	0.9
Increase/decrease of interest receivable	5.8	-
Increase/decrease of interest liability	-0.7	-4.7
Other profit/loss items that do not affect liquidity	-7.0	-0.8
Total	10.0	-5.2

Interest, SEK m	2011	2010
Interest received	42.6	17.6
Interest paid	-872.1	-756.5

Purchase of subsidiaries, SEK m	2011	2010
Acquired assets and liabilities		
Investment properties	4,960.6	1,465.5
Financial assets	92.9	-
Operating receivables	100.7	47.2
Cash and cash equivalents	44.6	6.6
Total assets	5,198.8	1,519.3

Provisions	45.0	-
Operating liabilities	3,563.9	1,050.0
Total liabilities	3,608.9	1,050.0

Purchase price	1,589.9	469.3
Less: vendor notes	-	-
Purchase price paid	1,589.9	469.3
Less: cash and cash equivalents in the purchased operation	-44.6	-6.6
Effect on cash and cash equivalents	1,545.3	462.7

Sale of subsidiaries, SEK m	2011	2010
Sold assets and liabilities		
Investment properties	1,655.4	2,174.9
Financial assets	-	-
Operating receivables	1.3	2.2
Cash and cash equivalents	16.4	2.8
Total assets	1,673.1	2,179.9

Interest-bearing liabilities	-	-
Operating liabilities	784.6	795.1
Total provisions and liabilities	784.6	795.1

Sales price	888.5	1,384.8
Less: sales overheads paid	-	-9.7
vendor notes	-	-26.4
Purchase price received	888.5	1,348.7
Less: cash and cash equivalents in sold operation	-16.4	-2.8
Effect on cash and cash equivalents	872.1	1,345.9

Purchases or sales of properties via companies can result in substantial cash flows on the operating receivables and operating liabilities lines. This was the situation in 2011, for example, when the increase (+)/decrease (-) of operating liabilities line amounts to SEK -2,309 m. The primary background is that significant property purchases are conducted via companies, where cash flows for the share liquidity settlement are reported in investing activities, but were in tandem with the company purchase, Kungsleden has also settled the vendor's balances with the company taken over. If no external financing follows with the purchase, the balance is often purchased company's own financing of the property holding. In the completion balance, the balance is that portion of the trade liabilities that Kungsleden settles in cash after completion. On property sales via companies, the opposite situation applies. Operating liabilities for companies where purchases and sales are completed for 2011 and 2010 are stated in the above table.

NOTE 32 TRANSACTIONS WITH RELATED PARTIES

Joint ventures are related parties. Contracted remuneration for administration of operations of SEK 4 (49) m was received from Hemsö Fastighets AB, of which 50 per cent was eliminated through proportional consolidation. Financial income of SEK 105 (69) m was received for balances, and was wholly eliminated in the consolidated accounts because AP3 received an equal amount. Financial costs of SEK 34 (51) m were payable, of which 50 per cent was eliminated through the proportional method.

As of 31 December 2011, there was one balance, which consisted of a receivable of SEK 1,634 (1,497) m for Kungsleden after a dividend from Hemsö in 2010 was not settled but remained as a shareholders' loan of SEK 1,500 m. The shareholders' loan was fully eliminated in the consolidated accounts, whereupon balances in the statement of financial position amount to a receivable of SEK 134 (-3) m, of which 50 per cent was eliminated through the proportional method.

No transactions occurred with the two joint ventures with PEAB in 2011 prior to the purchase and sale of both of them respectively.

Remuneration to Board members and senior managers for services rendered is stated in Notes 7 and 8.

No transactions in addition to this remuneration occurred with any related company or Individual.

NOTE 33 SUBSEQUENT EVENTS

After the reporting date, 50:50 joint venture Hemsö purchased six public properties in the Swedish cities of Umeå, Eskilstuna and Eksjö for SEK 396 m. These properties were purchased at a property yield of 6.7 per cent and completion is in late March. In addition, seven commercial properties in Sollentuna, Visby and Linköping were sold for SEK 226 m, with completion in March and April. These sales were at property yields of 6.9 per cent. The price exceeds book value by SEK 14 m, and the sales are expected to affect profit for calculating dividends for the first quarter by SEK 30 m.

Due to the low order book for modules produced in Anneberg, 24 employees were issued with redundancy notices in January.

The Swedish Tax Agency contended that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to one Kungsleden transaction in the fiscal year 2008. This transaction involves the impairment of stock shares, which according to Kungsleden's opinion, was conducted in accordance with applicable practice from the Supreme Administrative Court. Another tax-related event was that the Administrative Court in Stockholm reported its ruling on a case where Kungsleden appealed against the Swedish Tax Agency's decision to reject deductions for impairment of stock shares for the fiscal year 2009. The Administrative Court's ruling will be subject to appeal at the Administrative Court of Appeal. For more information on the tax situation, see pages 42-44.

Kungsleden syndicated loan was rearranged with a new SEK 4,500 m facility in January 2012, meaning that half of year-2012 maturities are now refinanced.

Kungsleden's Nomination Committee is proposing that the AGM 2012 re-elects current Board members Håkan Bryngelson, Joachim Gahm, Lars Holmgren, Kia Orback Pettersson, Biljana Pehrsson, Magnus Meyer and Charlotta Wikström. Håkan Bryngelson is also proposed for election as Chairman of the Board. Thomas Erséus has reported to the Nomination Committee that he is not available for re-election.

NOTE 34 NEW CONSOLIDATION PRINCIPLE FOR HEMSÖ 2012

The way Kungsleden consolidates Hemsö will be changed from the proportional method to the equity method as of 1 January 2012, as described on pages 20 and 74. This change of method means that half of Hemsö's profit/loss will, instead, be reported on a line in the Income Statement (profit/loss from participations in joint ventures). In the Statement of Financial Position, half of the value of Hemsö's equity will be reported as an asset on a separate line (participations in joint ventures) according to IFRS. This change of accounting principle does not affect equity, net profit/loss or profit for calculating dividends.

The results for 2011 if Hemsö had been consolidated according to the equity method are illustrated below.

Income Statement 2011, SEK m	Proportional method	Equity method
Rental revenues	2,593.8	1,758.8
Sales revenues, modules	288.4	288.4
Net sales	2,882.2	2,047.2
Property costs	-746.7	-512.1
Production costs, modular buildings	-258.1	-258.1
Gross profit	1,877.4	1,277.0
Property sales		
Sales revenue, net	1,223.5	1,198.5
Book value		
Cost	-1,101.5	-1,078.0
Realised value changes	-66.3	-64.7
Trading net	55.7	55.8
Sales and administration costs	-318.7	-244.4
Profit/loss from participations in joint venture	-	413.0
Net financial position		
Financial income	36.8	141.0
Interest costs	-872.8	-674.0
Other financial costs	-31.7	-25.7
	-867.7	-558.7
Unrealised value changes		
Investment properties	690.2	241.3
Financial instruments	-609.0	-490.7
	81.2	-249.4
Profit before tax	827.9	693.3
Tax	-189.5	-54.9
Net profit	638.4	638.4

Profit for calculating dividends, 2011, SEK m	Proportional method	Equity method
Gross profit	1,877.4	1,277.0
Sales and administration costs	-318.7	-244.4
Net financial position	-867.7	-558.7
Profit from property management	691.0	473.9
Realised items		
Trading net on sale	55.7	55.8
Realise value changes, properties	66.3	64.7
Deduction for deferred tax on sale	-8.2	-7.3
Realise value changes, financial instruments	-66.3	-66.3
Realised items	47.5	46.9
Profit for calculating dividends, Hemsö	-	208.6 ¹
Taxes payable	-35.4	-26.3
Profit for calculating dividends	703.1	703.1

1 In addition to a share in profits, Kungsleden received SEK 105 m of interest on a shareholders' loan.

Statement of Financial Position, 31 December 2011, SEK m	Proportional method	Equity method
ASSETS		
Goodwill	201.4	201.4
Properties	26,122.3	15,693.2
Participations in joint venture	-	1,084.5
Receivables from joint venture	-	1,500.0
Receivables, etc.	1,145.8	1,747.7 ¹
Cash and cash equivalents	816.1	683.9
TOTAL ASSETS	28,285.6	20,910.7²

EQUITY AND LIABILITIES	Proportional method	Equity method
Equity	7,719.0	7,719.0
Interest-bearing liabilities	17,314.8	10,654.4
Non interest-bearing liabilities	3,251.8	2,537.3 ¹
TOTAL EQUITY AND LIABILITIES	28,285.6	20,910.7²

Earnings capacity 31 December 2011, SEK m	Proportional method	Equity method
No. of properties	636	324
Leasable area, 000 sq.m.	3,328	2,569
Book value of properties, SEK m	26,122	15,693
Rental value, SEK m	2,987	2,072
Rental revenues, SEK m	2,737	1,849
Operating net, SEK m	1,875	1,234
Economic vacancy, %	91.6	89.2
Property yield, %	7.2	7.9
Operating surplus margin, %	68.5	66.7

Key figures, 31 December 2011, SEK m	Proportional method	Equity method
Interest coverage ratio, multiple	1.9	2.4
Equity ratio, %	27.3	36.9 ¹
Gearing multiple	2.2	1.4
Loan to value ratio, %	66.3	67.9

1 These amounts have been updated from those stated on page 16 in the annual financial statement 2011. Deferred taxes now reported net as an asset. Total assets and the equity ratio are affected by this update.

2 The property figures for earnings capacity for the equity method relate only to wholly owned properties. But the total property holding, whose results affect equity remain unchanged and correspond to the property portfolio according to the proportional method in the left column.

More information on how this change of principle affects Kungsleden's financial statements and results for 2011 based on the different methods is provided at www.kungsleden.se/consolidation-of-hemso

Income Statement, parent company

SEK m	Note	2011	2010
Intragroup revenues		32.0	-
Administration costs		-43.9	-43.0
Operating profit/loss	2-4	-11.9	-43.0
Profit from financial items			
Profit from participations in subsidiaries	5	808.7	843.5
Interest income, etc.	5	246.4	326.2
Interest costs, etc.	5	-611.1	-365.0
		444.0	804.7
Profit before tax		432.1	761.7
Tax			
Current tax	6	-	-
Deferred tax	6	56.9	-121.6
		56.9	-121.6
Net profit for the year		489.0	640.1

Statement of Comprehensive Income, parent company

SEK m	2011	2010
Net profit for the year from Income Statement	489.0	640.1
Other Comprehensive Income	-	-
Comprehensive Income for the year	489.0	640.1

Balance Sheet, parent company

SEK m	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in subsidiaries	7	7,946.6	7,005.0
Receivables from group companies	8,9	887.3	–
Deferred tax asset	6	397.4	199.8
Other long-term receivables	8,9	242.1	–
Total fixed assets		9,473.4	7,204.8
Current assets			
Receivables from group companies		5,561.8	4,586.5
Other receivables		0.2	100.0
Pre-paid costs and accrued income		21.8	15.6
	9	5,583.8	4,702.1
Cash and cash equivalents			
Cash and bank balances	10	363.2	369.2
Total current assets		5,947.0	5,071.3
TOTAL ASSETS	13	15,420.4	12,276.1
LIABILITIES AND EQUITY			
Equity			
Restricted equity			
Share capital		56.9	56.9
		56.9	56.9
Non-restricted equity			
Accumulated profit or loss		5,440.8	5,073.7
Net profit for the year		489.0	640.1
		5,929.8	5,713.8
Total equity		5,986.7	5,770.7
Provisions			
Provisions for pensions and similar obligations		0.7	–
Total current assets		0.7	–
Long-term liabilities			
Liabilities to credit institutions		399.2	895.2
Bond loans		1,200.0	600.7
	12,13,14	1,599.2	1,495.9
Current liabilities			
Liabilities to credit institutions		496.0	–
Accounts payable		1.4	7.3
Liabilities to group companies		6,134.8	4,303.4
Other liabilities		1,158.1	652.2
Accrued costs and deferred income		43.5	46.6
	13,14	7,833.8	5,009.5
TOTAL LIABILITIES AND EQUITY		15,420.4	12,276.1
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	15	4,972.2	4,537.2
Contingent liabilities	16	8,571.0	6,115.7

Statement of Changes in Equity, parent company

SEK m	Share capital	Non-restricted equity	Total equity
Opening equity, 1 Jan 2010	56.9	5,585.6	5,642.5
Comprehensive Income		640.1	640.1
Total changes in net worth excl. transactions with shareholders		640.1	640.1
Dividends		-511.9	-511.9
Total transactions with shareholders		-511.9	-511.9
Closing equity, 31 Dec 2010	56.9	5,713.8	5,770.7
Opening equity, 1 Jan 2011	56.9	5,713.8	5,770.7
Net profit for the year		489.0	489.0
Total changes in net worth excl. transactions with shareholders		489.0	489.0
Dividends		-273.0	-273.0
Total transactions with shareholders		-273.0	-273.0
Closing equity, 31 Dec 2011	56.9	5,929.8	5,986.7

Cash Flow Statement, parent company

SEK m	Note 17	2011	2010
Operating activities			
Profit before tax		432.0	761.7
Dividends not yet settled		-268.8	-723.2
Group contributions received		-79.0	-
Profit from sales		-58.7	0.3
Impairment losses, subsidiaries		-393.3	-120.6
Impairment losses, derivatives		269.6	-237.6
Unrealised translation effects		-4.9	-18.4
Pension provisions		0.6	-
Tax paid		-	-
Cash flow from operating activities		-102.5	-337.8
Change in working capital			
Increase (-)/decrease (+) in operating receivables		-1,691.0	2,268.9
Increase (+)/decrease (-) in operating liabilities		1,855.5	-1,949.5
		164.5	319.4
Cash flow from operating activities after change in working capital		62.0	-18.4
Investing activities			
Purchase of shares in subsidiaries		-63.6	-31.4
Sale of subsidiaries		105.7	1.6
Shareholders' contributions paid		-195.6	-193.3
Long-term loans issued		-245.2	-
Re-payment of other financial assets		3.7	-
Cash flow from investing activities		-395.0	-223.1
Financing activities			
Borrowings		600.0	999.2
Dividend		-273.0	-511.9
Cash flow from financing activities		327.0	487.3
Cash flow for the year		-6.0	245.8
Cash and cash equivalents at beginning of year		369.2	123.4
Cash and cash equivalents at end of year		363.2	369.2

Notes, parent company

NOTE 01 ACCOUNTING PRINCIPLES PARENT COMPANY

The parent company's, Kungsleden AB, annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The accounting principles applied are indicated in the applicable parts of consolidated accounts with the following additions applying to the parent company.

Participations in subsidiaries

Participations in subsidiaries are reported that historical cost. The value is subject to continuous impairment testing.

Financial instruments

Financial receivables and liabilities are reported at historical acquisition cost. The risk of losses arising relating to financial receivables and derivatives is taken into account.

Financial guarantees

The parent company's financial guarantee agreements consist of sureties issued in favour of group companies. For reporting financial guarantee agreements, the parent company applies a rule permitted by the Swedish Financial Accounting Standards Council that is a relaxation compared to the stipulations of IAS 39. The parent company reports financial guarantee agreements as a provision in the Balance Sheet when the company has a commitment for a likely payment. Otherwise, the commitment is reported as a contingent liability.

Group contributions

The principles for reporting group contributions have changed in 2011 as a result of the cancellation of UFR 2 (group contributions in shareholders' contributions). Group contributions received from a subsidiary are reported according to the same principles as regular dividends from subsidiaries. Group contributions paid to subsidiaries are recognised as an investment in shares in subsidiaries.

Shareholders' contributions are reported as an increase in the book value of shares with the provider and as an increase in non-restricted equity with the recipient.

NOTE 02 ADMINISTRATION COSTS

Administration costs, SEK m	2011	2010
Personnel costs	-36.4	-4.0
Other operating costs	-7.5	-39.0
Total	-43.9	-43.0

Administration costs are mainly costs for the group's management and central functions such as accounting, finance, legal services, analysis and information technology and costs associated with stock market listing. Personnel costs are remuneration to the group management and Board members.

NOTE 03 EMPLOYEES, PERSONNEL COSTS AND DIRECTORS' FEES

Average no. of employees	Proportion		Proportion	
	2011	women, %	2010	women, %
Sweden	6	33	0	0
	6	33	0	0

Salary, other benefits and social security costs, SEK '000	2011		2010	
	Salary and other benefits	Social security costs	Salary and other benefits	Social security costs
The Board and CEO	7,119	4,640	2,020	635
Other employees	14,376	7,272	-	-
(of which pension costs)		(4,101)		(0)
	21,495	11,912	2,020	635

Remuneration to the Board is payable in accordance with the resolution of the AGM. Total fees of SEK 7,119,000 (2,020,000) were paid, of which SEK 555,000 (550,000) to the Chairman of the Board. Social security costs were SEK 4,640,000 (635,000), of which pensions were SEK 4,101,000 (0). For information on remuneration to each member, see Note 7 of the group.

NOTE 04 AUDIT FEES AND REIMBURSEMENT

No fees or reimbursement were paid by the parent company to Auditors. All fees and reimbursement to the Auditors was paid by group subsidiaries.

NOTE 05 PROFIT/LOSS FROM FINANCIAL ITEMS

Profit from subsidiaries, SEK m	2011	2010
Dividends received	268.8	723.2
Group contributions received	79.0	-
Profit from sale of participations	58.7	-0.3
Impairment losses/reversed impairment	402.2	120.6
Total	808.7	843.5

Interest income, etc. SEK m	2011	2010
Interest income		
Group companies	165.7	86.8
Other companies	15.5	0.5
Reversed depreciation, derivatives	-	237.6
Other	65.2	1.3
Total	246.4	326.2

Interest costs etc., SEK m	2011	2010
Interest costs		
Group companies	-75.1	-8.1
Other companies	-261.5	-338.5
Impairment loss, derivatives	-269.6	-
Other	-4.9	-18.4
Total	-611.1	-365.0

Notes, parent company

NOTE 06 TAX

Tax in Income Statement, SEK m	2011	2010
Current tax	-	-
Deferred tax	56.9	-121.6
Reported tax	56.9	-121.6
Reconciliation of effective tax, SEK m	2011	2010
Profit before tax	432.0	761.7
Tax 26.3%	-113.6	-200.3
Dividends from subsidiaries	70.7	190.2
Impairment loss, shares in subsidiaries	105.8	31.7
Valuation, derivatives	70.9	-61.6
Other	0.2	-
Tax effect of non-deductible costs and non-taxable revenue	-77.1	-81.6
Reported tax	56.9	-121.6

Of the tax cost for the year, SEK – (–) m is recognised directly in equity.

Deferred tax assets	31 Dec 11	31 Dec 10		
Loss carry-forwards	95.3	88.1		
Financial instruments	301.9	111.7		
Other temporary differences	0.1	-		
Deferred tax assets	397.3	199.8		
Deferred tax on temporary differences and loss carry-forwards, SEK m	At beginning of year	In Income Statement	Participations in subsidiaries	At end of year
Loss carry-forwards	88.1	7.2	95.3	
Financial instruments	111.7	49.6	301.9	
Other temporary difference	-	0.1	0.1	
Total	199.8	56.9	140.6	397.3

NOTE 07 PARTICIPATIONS IN SUBSIDIARIES

SEK m	31 Dec 11	31 Dec 10
Amortised cost at beginning of year	14,169.9	13,944.5
Purchases	63.6	-
Supplementary purchase price	-	31.4
Sales	-46.4	-1.6
Shareholders' contribution	531.1	195.6
Total	14,718.2	14,169.9
Opening impairment losses	-7,164.9	-7,285.5
Reversed impairment losses	577.4	296.8
Impairment losses for the year	-184.1	-176.2
Total	-6,771.6	-7,164.9
Carrying amount at end of year	7,946.6	7,005.0

Directly owned subsidiaries are indicated below. Other companies included in the group are not reported in the parent company's annual accounts because subject to the requirement for accuracy, the information is insignificant. However, other companies are stated in each subsidiary's annual accounts.

Specification of parent company holdings of participations in subsidiaries

Directly owned subsidiaries/ corporate identity no./registered office/country	No. of shares	Participat- ing inter- est, % ¹	Book value, SEK m	
			31 Dec 11	31 Dec 10
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	2,703.4	1,757.5
Realia AB, 556639-7419, Stockholm	23,822,375	100	818.6	416.8
Kungsleden Norrlandsfastigheter AB, 556481-1429, Stockholm	1,000	100	1,213.2	1,213.2
Kungsleden Syd AB, 556480-0109, Stockholm	10,000	100	88.9	75.0
Bovård i Sverige AB, 556429-6126, Stockholm	3,700	100	130.6	31.9
Kungsleden Äldre B AB, 556635-1366, Stockholm	1,000	100	15.9	10.1
Kungsleden Real Estate BV, 34209547, Netherlands	900	100	0.1	0.2
Kungsleden Service AB, 556610-9087, Stockholm	1,000	100	0.2	0.1
Realia International BV, BV502052-1156, Netherlands	2,351	75	9.6	21.4
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	772.2	743.0
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	1,341.2	1,864.8
KL Norge Holding AB, 556730-0875, Stockholm	1,000	100	6.3	6.3
Kungsleden Kalinka Holding AB, 556844-2957, Sthlm	50,000	100	77.6	-
Kungsleden Holding GmBH, Munich, Germany	1	100	-	49.5
Nordic Modular Group AB, 556691-3868, Upplands Väsby	20,695,156	100	768.8	768.8
Total			7,946.6	7,005.0

¹ Participating interest in capital, which is also consistent with voting rights for the total number of shares.

NOTE 08 OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec 11	31 Dec 10
Carrying amount at beginning of year	0.0	100.0
New vendor notes	245.2	-
New promissory notes to group companies	887.3	-
Paid-up endowment policy	0.6	-
Transfer to current receivable	-	-100.0
Amortisation in the year	-3.7	-
Total	1,129.4	-

NOTE 09 MATURITY STRUCTURE, RECEIVABLES

SEK m	31 Dec 11	31 Dec 10
Payment within 1 year	5,583.8	4,702.1
Payment between 2 and 5 years	1,128.8	–
Payment after more than 5 years	0.7	–
Total	6,713.3	4,702.1

Maturity structure of outstanding receivables excluding deferred tax and cash and cash equivalents.

NOTE 10 OVERDRAFT FACILITY

The parent company has a bank overdraft facility of SEK 250 (250) m, of which SEK 0 (0) m was utilised at year-end.

NOTE 11 EQUITY

The number of shares was 136,502,064 at the end of the financial year, the same number as at the beginning of the year. A summary of share capital and the number of shares is on page 57.

NOTE 12 LOANS AND INTEREST RATE DERIVATIVES

The parent company has one bank loan and three (two) bond loans. There are also interest derivatives for the parent company's own loans and other group companies' external loans. In 2011, the parent company had more interest derivatives after interest swaps with a nominal value of SEK 5,100 m were taken over from a subsidiary, simultaneous with derivative volumes reducing by SEK 2,100 m on the basis of the net of cancelled and newly arranged interest swaps

The maturity points of loans and interest derivatives are stated below.

Maturity, SEK m	31 Dec 2011		31 Dec 2010	
	Bank and bond loans	Interest derivatives, nominal amount	Bank and bond loans	Interest derivatives, nominal amount
2011			225.1	
2012	496.0	200.0	496.0	100.0
2013		600.0		2,700.0
2014	600.0	1,800.0		1,700.0
2015	999.2	2,400.0	999.2	2,000.0
2016		500.0		200.0
2017		500.0		100.0
2018		3,650.0		1,850.0
2019		800.0		
2020		800.0		
2021		400.0		
Total	2,095.2	11,650.0	1,720.3	8,650.0

NOTE 13 FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from group companies, etc.		Other financial liabilities		Total carrying amount		Fair value	
	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 2011	31 Dec 10	31 Dec 11	31 Dec 10
Other long-term receivables	242.1	–	–	–	242.1	–	242.1	–
Receivables from group companies	5,561.8	4,586.5	–	–	5,561.8	4,586.5	5,561.8	4,586.5
Other receivables ¹	3.7	100.0	–	–	3.7	100.0	3.7	146.5
Total assets	5,807.6	4,686.5	–	–	5,807.6	4,686.5	5,807.6	4,733.0
Long-term liabilities	–	–	1,599.2	1,495.9	1,599.2	1,495.9	1,599.2	1,495.9
Accounts payable	–	–	1.4	7.3	1.4	7.3	1.4	7.3
Liabilities to group companies	–	–	6,134.8	4,303.4	6,134.8	4,303.4	6,134.8	4,303.4
Other liabilities ¹	–	–	1,654.9	652.2	1,654.9	652.2	1,654.9	652.2
Total liabilities	–	–	9,390.3	6,458.8	9,390.3	6,458.8	9,390.3	6,458.8

1 The fair value of the company's currency forwards is SEK 0 (46.5) m, interest derivatives amount to SEK –1,147.9 (–424.6) m and share swaps are SEK –7.8 (–2.7) m.

The following table states disclosures on how fair value is determined for the financial instruments measured at fair value. The division of how fair value is determined is based on the following three tiers:

Tier 1: according to prices listed on an active marketplace for the same instrument

Tier 2: from direct or indirectly observable market data not included in tier 1

Tier 3: from input data that is not observable on the market

SEK m	Tier 1		Tier 2		Tier 3		Total	
	31 Dec 11	31 Dec 10	31 Dec 11	31 Dec 10	31 Dec 2011	31 Dec 10	31 Dec 11	31 Dec 10
Other receivables	–	–	–	46.6	–	–	–	46.6
Total assets	–	–	–	46.6	–	–	–	46.6
Liabilities to credit institutions	–	–	–	–	–	–	–	–
Other liabilities	–	–	1,147.9	424.6	–	–	1,147.9	424.6
Total liabilities	–	–	1,147.9	424.6	–	–	1,147.9	424.6

For more information, see the corresponding review of the situation in the group's Note 28.

Notes, parent company

NOTE 14 MATURITY STRUCTURE, LIABILITIES

SEK m	31 Dec 11	31 Dec 10
Payment within 1 year	7,833.8	5,009.5
Payment between 2 and 5 years	1,599.2	1,495.9
Payment after more than 5 years	-	-
Total	9,433.0	6,505.4

Maturity structure of interest-bearing liabilities and operating liabilities excluding tax liabilities.

NOTE 15 ASSETS PLEDGED

SEK m	31 Dec 11	31 Dec 10
For own liabilities and provisions		
Shares in subsidiaries	4,972.2	4,537.2
Pledged assets	4,972.2	4,537.2

Kungsleden Fastighets AB and subsidiaries have provided an undertaking to the banks providing its syndicated credit facility to refrain from raising further loans or creating or depositing collateral from its asset mass without approval of the banks. However, existing mortgages have been pledged as collateral for the syndicated credit facility.

NOTE 16 CONTINGENT LIABILITIES

SEK m	31 Dec 11	31 Dec 10
Guarantees in favour of group companies	8,571.0	6,115.7
Total	8,571.0	6,115.7

NOTE 17 SUPPLEMENTARY DISCLOSURES FOR CASH FLOW

No other funds than cash and bank balances are included in the cash and cash equivalents item.

Interest, SEK m	2011	2010
Dividends received	719.1	1,432.4
Interest received	177.7	87.3
Interest paid	-345.2	-354.8

NOTE 18 TRANSACTIONS WITH RELATED PARTIES

SEK m	Sales of goods/ services to related parties		Purchases of goods/ services from related parties		Other, e.g. interest, dividends		Receivable from related parties as of 31 December		Liability to related parties as of 31 December	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Subsidiaries	32.0	-	-	-	90.6	78.7	6,449.1	4,586.5	-6,134.8	-4,303.4

No other transactions were conducted with any related party, company or private individual.

Proposed appropriation of profits

On the basis of the appropriation of profits proposed by the Board of Directors, the Board and the Chief Executive hereby make the following statement in accordance with the Swedish Companies Act, chapter 18 §4.

The proposed appropriation of profits is based on the annual accounts for 2011. The proposed appropriation of profits, Income Statement and Balance Sheet of the parent company and Income Statement and Statement of Financial Liabilities for the group will be presented for approval at the AGM on 19 April 2012.

FUNDS AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

The following funds are at the disposal of the Annual General Meeting, SEK	
Profit brought forward	5,440,818,079
Net profit for the year	488,984,905
Total	5,929,802,984

The board of Directors proposes that profits are appropriated as follows, SEK	
Dividends of SEK 2.60 per share to shareholders	354,905,366
Carried forward	5,574,897,618
Total	5,929,802,984

The proposed dividend corresponds to 73 per cent of the parent company's profit after tax and 50 per cent of the group's profit for calculating dividends.

According to Kungsleden's dividend policy 50 per cent of profit for calculating dividends is to be distributed. Kungsleden has also stated that dividends should be stable over time

and take into account the company's overall investment requirement, capital structure and position in general.

The policy defines profit for calculating dividends as profit before tax for the period excluding unrealised value changes but including realised value changes, and taxes payable.

Against the background of the parent company's and group's strong financial position, the Board of Directors is accordingly proposing a dividend of SEK 2.60 per share for the financial year 2011.

The proposed dividend to shareholders implies that the parent company's and group's equity ratio reduce from 39 and 27 per cent respectively to 37 and 26 per cent respectively. The equity ratio is considered satisfactory against the background of the fact that the parent company's and the group's operations remain profitable. Liquidity in the parent company and group are expected to remain secure. The parent company and group equity ratio and liquidity are also assessed to be healthy in relation to the sector the company and group are active in.

The Board's view is that the proposed dividend does not prevent the company, or other companies included in the group, from fulfilling their commitments in the short and long term, nor from completing the requisite investments. Accordingly, the proposed dividends are justifiable on the basis of what is stated in chapter 17 §3 para. 2-3 of the Swedish Companies Act (Principle of Prudence).

Signatures

The annual accounts give a true and fair view of the parent company's and the group's operations, financial position and results of operations, and states significant risks and uncertainty factors facing the parent company and group companies.

Stockholm, Sweden, 16 March 2012


Håkan Bryngelson
Chairman of the Board


Joachim Gahm
Board member


Lars Holmgren
Board member


Magnus Meyer
Board member


Biljana Pehrsson
Board member


Kia Orback Pettersson
Board member


Charlotta Wikström
Board member


Thomas Erséus
Board member and Chief Executive

Our Audit Report was presented on 19 March 2012
KPMG AB


Björn Flink
Authorised Public Accountant

Audit Report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF KUNGSLEDEN AB (PUBL.) CORPORATE IDENTITY NUMBER 556545-1217

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Kungsleden AB (publ) for the year 2011. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 61–103.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Annual Accounts and Consolidated Accounts

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circum-

stances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the Income Statement and Balance Sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, We have examined the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer of Kungsleden AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss, and the Board

of Directors and the Chief Executive Officer are responsible for administration under the Companies Act.

Auditors' Responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, Sweden, 19 March 2012
KPMG AB

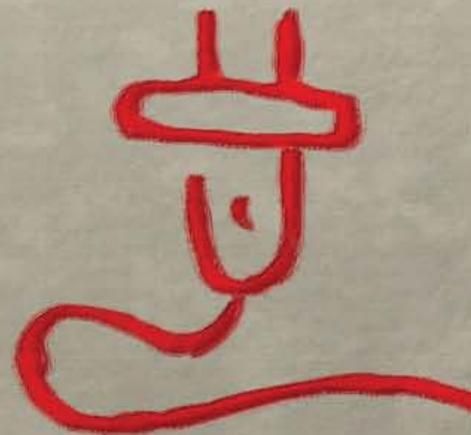
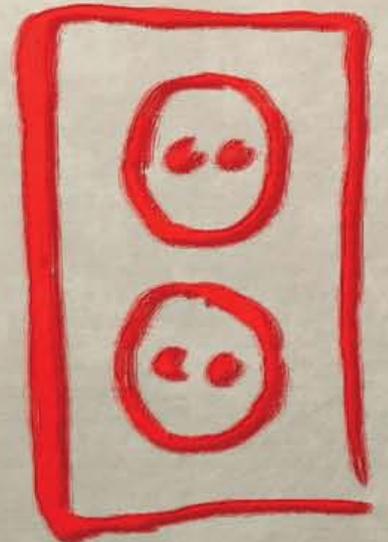


Björn Flink
Authorised Public Accountant

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Invitation to AGM, kungsleden.se
and contacts



Employees

EMPLOYEES OF KUNGSLEDEN FASTIGHETS AB AND KUNGSLEDEN AB, MARCH 2012

Name	Employed in	Workplace	Position	Name	Employed in	Workplace	Position
GROUP MANAGEMENT				PROPERTY MANAGEMENT			
Erséus Thomas	2006	Stockholm	Chief Executive	Almgren Marielle	2007	Stockholm	Project Manager Business Development
Gannedahl Cecilia	2007	Stockholm	HR & Corporate Communications Manager	Andersson Kjell-Åke	1994	Gothenburg	Back Office
Lindnér Eskil	1997	Malmö	Divisional Manager, Commercial properties	Arfvidsson Nicklas	2008	Gothenburg	Regional Manager
Risberg Johan	1996	Stockholm	Deputy Chief Executive, Chief Financial Officer	Berglund Björn	1975	Västerås	Technical Manager
Sarby Westman Ylva	2009	Stockholm	Head of Business Development	Bergman Kjell	2004	Stockholm	Regional Manager
Theblin Åke	2001	Stockholm	General Counsel	Borgström Kristina	2005	Malmö	Assistant Property Manager
Johansson Per	2007	Stockholm	Divisional Manager, Nordic Modular	Broman Stig	1998	Västerås	Assistant Property Manager
CENTRAL STAFF				Christianson Jan	2010	Gothenburg	Technical Manager
Arfwidsson Sinikka	1993	Stockholm	PA to the Chief executive	Dahlstedt Anna-Karin	2010	Stockholm	Assistant Technical Manager
Axland Malin	2007	Stockholm	Company lawyer	de Besche Nina	2007	Stockholm	Regional Manager
Bengtsson Hanna	2011	Stockholm	Communicator	Dufva Andreas	2008	Stockholm	Assistant Property Manager
Bennich Carina	2007	Stockholm	Accountant	Engvall Malin	2001	Västerås	Property Manager
Brade Jonas	2006	Stockholm	Financial controller	Fransson Ulrika	1999	Stockholm	Assistant Technical Manager
Carlberg Monica	1989	Stockholm	IT Coordinator	Frisell Anders	2007	Gothenburg	Assistant Property Manager
Claesson-Zsuppán Chanette	2008	Stockholm	Front desk Manager	Grahn Kristoffer	2008	Malmö	Assistant Property Manager
Ekström Anette	2008	Västerås/ Stockholm	Property Controller	Grönlund Kicki	2008	Gothenburg	Assistant Technical Manager
Elvin Maria	2005	Stockholm	Head of Digital Media	Gunstedt Håkan	1979	Västerås	Technical Manager
Eriksson Linda	2007	Stockholm	Finance Manager	Hedvall Karin	2007	Stockholm	Assistant Technical Manager
Fallberg Madeleine	2010	Stockholm	Front desk	Hodik Laslo	2001	Västerås	Technical Manager
Fundin Ulrika	2000	Stockholm	Accountant/Transaction	Häggdahl Staffan	2009	Stockholm	Technical Manager
Hamrén Therese	2001	Stockholm	HR Administrator	Högberg Cristoffer	2012	Stockholm	Property Manager
Hedberg Sofia	1991	Stockholm	IT Manager	Jakobsson Claes-Håkan	2007	Jönköping	Assistant Property Manager
Hegg Lars	2011	Stockholm	temp Finance Manager	Johansson Krister	1991	Västerås	Property Manager
Johansson Roger	2003	Stockholm	Financial Manager	Johansson Lena	2008	Västerås	Assistant Technical Manager
Jurgander Marika	2007	Stockholm	Accounting Manager	Lann Vallin Johan	1999	Gothenburg	Assistant Property Manager
Karlsson Annika	2005	Stockholm	HR Administrator	Larsson Erika	2007	Stockholm	Technical Manager
Krus Christina	2007	Stockholm	Financial Controller/ System Manager	Ljungqvist Ingrid	1991	Gothenburg	Technical Manager
Lindquist Jan-Eric	2006	Stockholm	Controller	Lundström Benkt	2001	Umeå	Technical Manager
Linton Petra-Sofi	2001	Stockholm	Marketing Coordinator	Löv Thomas	2008	Stockholm	Technical Manager
Olofsson Anna-Carin	2008	Stockholm	Accountant	Nilsson Tobias	2007	Malmö	Assistant Property Manager
Palm Madeleine	2011	Stockholm	Purchases and Sales Accountant	Norberg Andreas	2011	Stockholm	Project Manager Business Development
Persson Anna	2005	Stockholm	Accountant/Transaction	Olovsson Annelie	2006	Umeå	Assistant Technical Manager
Persson Anna T	2011	Stockholm	Tax lawyer	Olsson Bo	1985	Malmö	Technical Manager
Persson Marianne	2011	Stockholm	Accountant/Transaction	Paringer - Stålhult Maria	2006	Umeå	Assistant Property Manager
Petersson Pelle	2009	Stockholm	IT Coordinator	Persson Per-Åke	1991	Malmö	Technical Manager
Rossotti Peter	2008	Stockholm	Business Controller	Punkki Ari	2011	Stockholm	Technical Manager
Sandell Fredrik	2011	Stockholm	Financial Analyst	Sloan Malin	2011	Malmö	Technical Manager
Sandell Maria	2008	Stockholm	Environmental Manager	Stannow Lind Frida	2010	Stockholm	Business Developer
Winqvist Susanne	2011	Stockholm	Accountant	Ström Johnny	1971	Västerås	Regional Manager
Virdeborn Gunilla	2002	Malmö	Property Controller	Svensson Eva-Lotta	1998	Stockholm	Assistant Property Manager
Åkesdotter Monica	1999	Stockholm	Accountant	Sörling Fredrik	2004	Malmö	Marketing Manager
				Ternström Gert	1990	Malmö	Regional Manager
				Tomasson Hanna	2004	Malmö	Assistant Technical Manager
				Wallin Thomas	1995	Västerås	Property Manager
				Versén Peter	2011	Gothenburg	Technical Manager
				Zackrisson Urban	2003	Stockholm	Regional Manager

Definitions

KEY FIGURES

Property related key figures

Earnings capacity

Earnings capacity illustrates the appearance of the Income Statement as if properties at the end of the accounting period had been owned for the past 12 months.

Properties sold as of the reporting data are not included, and properties purchased by the same time are included as if they had been owned for 12 months. Calculations are also based on the following conditions:

- For properties where 12 months have passed since completion, actuals for the past 12 months are included;
- For properties where more than 6 months but less than 12 months have passed since completion, actuals are restated as 12-month equivalents;
- For properties with less than 6 months' actuals since completion, data from acquisition analyses is used.

Financial key figures

Adjusted equity

Equity less proposed/approved dividends.

Cash flow from operating activities

Profit before tax excluding trading net and unrealised value changes on properties and financial instruments adjusted for items not included in cash flow from operating activities and deductions for tax paid.

Debt-equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Equity including minority shares in relation to total assets.

Gearing

Interest-bearing liabilities in relation to equity.

Share-related key figures

Approved/proposed dividend/redemption per share

The Board of Directors' proposed dividend or dividend approved by the AGM per outstanding share.

Average number of shares

Number of outstanding shares weighted over the year.

Beta value

The share's correlation with the market's average performance. A beta value of less than one implies that a share price has fluctuated less than the OMX-SPI (Stockholm All-share Index). Beta value is a key component of the CAPM (Capital Asset Pricing Model) used to calculate the market's required rate of return on the share. The CAPM indicates that a low beta value implies a low required rate of return. Beta values relate to a period of 48 months.

Book value of property per share

Book value of property in relation to the number of shares at the end of the period.

Economic occupancy

Rental revenues in relation to rental value.

Leasable area

the areas of a property that the tenant is debited rent for.

Operating net

Rental revenue less property costs (e.g. operation and maintenance costs, ground rent and property tax, property administration not included).

Operating surplus margin

Operating net in relation to rental revenues.

Property yield—calculation method based on earnings capacity

Operating net in relation to book value of properties at the end of the period.

Interest coverage ratio

Profit before tax excluding unrealised value changes and net financial position in relation to net financial position.

Loan-to-value ratio

Interest-bearing liabilities in relation to the property's book value.

Profit for calculating dividends

Net profit before tax excluding unrealised value changes but including realised value changes and tax payable.

Return on capital employed

Profit net of financial items plus financial costs as a percentage of average capital employed. Average capital employed is calculated as the total of total assets excluding noninterest bearing liabilities for opening and closing balances divided by two.

Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of shares.

Dividend yield

Approved/proposed dividend/redemption in the year in relation to the share price at the end of the period.

Equity per share

Shareholders' equity in relation to the number of shares at the end of the period.

Gross profit per share

Gross profit divided by the average number of shares in the period.

Net profit for the period after tax

Profit after tax in relation to the average number of shares in the period.

P/E ratio

Share price at the end of the period in relation to profit after tax for the period per share.

Property yield—calculation method based on results

Operating net in relation to average book value for properties. Average book value for properties is calculated as the sum of opening and closing balance divided by two.

Rental revenues

Rental value less vacancies and rental discounts.

Rental value

Debited rent and reimbursement for property tax, with a supplement for the assessed market rent for un-let areas and rental discounts.

Return on equity

Net profit for the period after tax in relation to average equity. Average equity is calculated as a total of opening and closing balances divided by two.

Return on total capital

Profit before tax excluding unrealised value changes and net financial position in relation to average assets. Average assets are calculated as the total of opening and closing balances divided by two.

P/CE ratio

Share price at the beginning of the period in relation to profit for calculating dividends per share for the period.

Profit for calculating dividends per share

Profit for calculating dividends for the period in relation to average number of shares..

Total yield per share

The total of the share's price changes in the period and dividend paid/redemption in the period in relation to the share price at the beginning of the period.

GLOSSARY

Property-related terminology and concepts specific to Kungsleden.

Area-based occupancy

Let area in relation to gross leasable area at the end of the period.

Area-based vacancy

Vacant area in relation to gross leasable area at the end of the period.

Average remaining contract term

Remaining contract value divided by annual rent.

Economic vacancy

Assessed market rent for un-let area in relation to rental value.

Divisions

Kungsleden's three divisions of operations are Commercial, Public and Nordic Modular. The Commercial division is divided between the Industrial/warehouse, Office, Retail and Other. The Public division consists

of the Retirement home, School, Care and Other. The third division, Nordic Modular, is active in the Modular buildings type. See also 'type'.

Maintenance

Measures intended to maintain the property and its technical systems. Covers on-going and planned measures entailing the replacement or renovation of parts of a building or technical systems. Also includes tenant adaptations.

Operation costs

Costs for electricity, heating, water, property care, cleaning, insurance and on-going maintenance less invoiced supplement for operations and maintenance.

Property

Main usage of property on the basis of division of area. The time of area that represents the highest share of total area determines the definition of the property. Accordingly, a property with 51 per cent of

office area is treated as an office property. The division is between Industrial/warehouse, Office, Retail, Retirement home, School, Care, Modular buildings and Other.

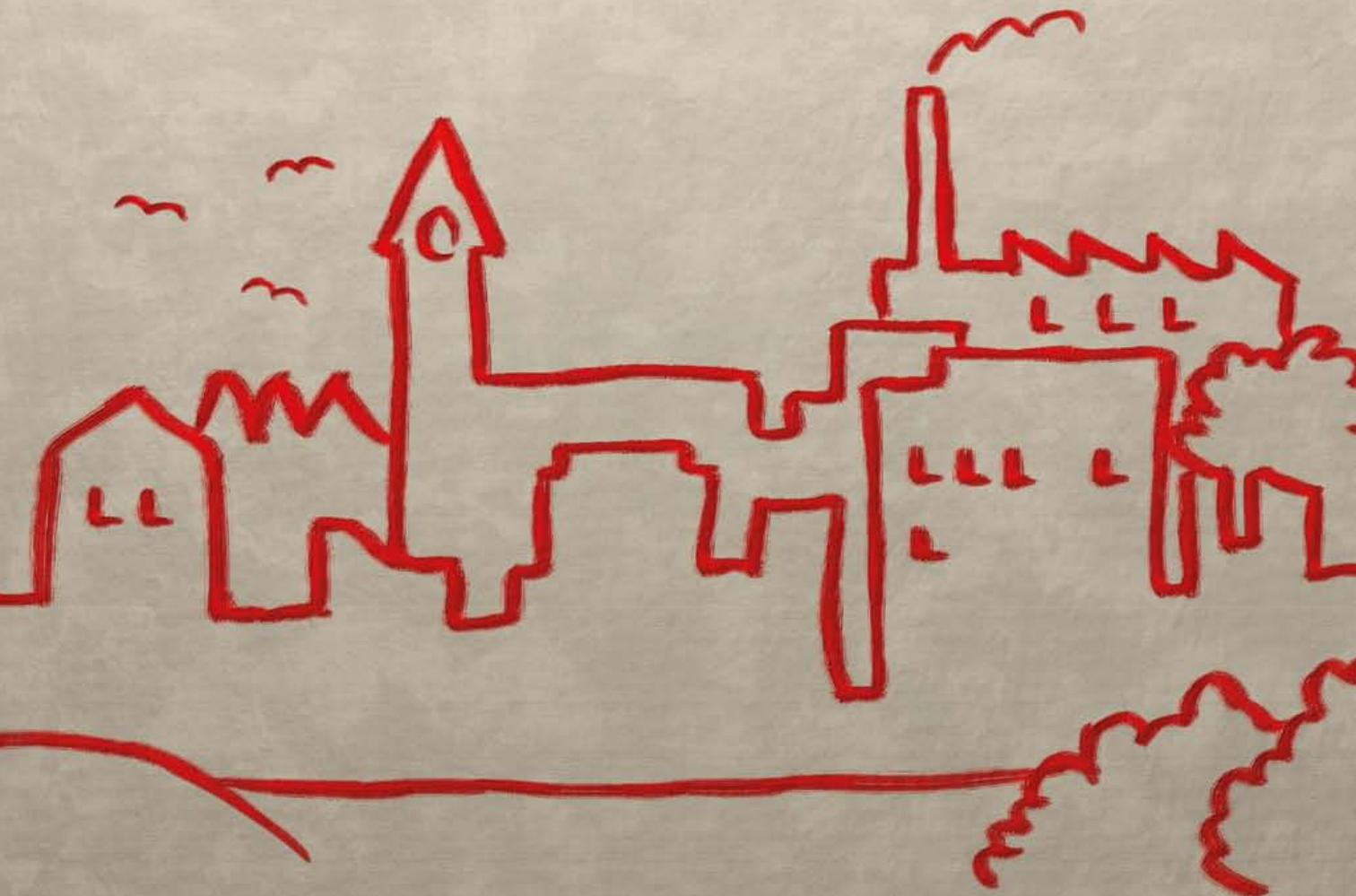
Realised value changes

The difference between book value and accumulated acquisition cost for sold properties. Corresponds to unrealised value changes during the holding term which are realised upon sale of the property.

Unrealised value changes

The difference between book value and accumulated acquisition cost at the end of the year, less the difference between book value and accumulated acquisition cost at the beginning of the year.

PROPERTY REGISTER



Property portfolio

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %		
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area	
KUNGSLEDEN'S PROPERTY HOLDING																
Stockholm region																
Retail																
Kantjärnet 4	Stockholm	Bandhagen	Skebokvarnsvägen 370	1960	423	426	2,685				1,976	5,510	6	6	100	
Måttbandet 8	Täby	Täby	Måttbandsvägen 5	2001	1,938							1,938	2	2	100	
Runö 7:73 & 7:74	Österåker	Åkersberga	Sågvägen 26	2007	2,490							2,490	2	2	100	
Slipstenen 1	Huddinge	Skogås	Fråsarvägen 19	2006	2,808							2,808	3	3	100	
Tunaberg 4	Botkyrka	Tumba	Tunabergsvägen 1	1974	1,320							1,320	1	1	100	
Täckraraker 2:227	Haninge	Haninge	Gamla Nynäsvägen 3A	1981	2,810							2,810	3	1	45	
Täckraraker 2:273	Haninge	Haninge	Gamla Nynäsvägen 3B	1991	5,966							5,966	8	8	100	
Yrkesskolan 6	Botkyrka	Tumba	Bryggarevägen 5-7	1999	6,925							6,925	10	10	94	
Industrial/warehouse																
Bagaren 9	Tyresö	Tyresö	Radiovägen 7 A	1984		2,220						2,220	2	2	98	
Elektronen 1	Sollentuna	Sollentuna	Hovslagarevägen 5	1957/1987	2,112	261						2,373	2	2	99	
Elektronen 4	Sollentuna	Sollentuna	Hovslagarevägen 3 A	1958/1992	2,806	941						3,747	4	3	79	
Elementet 3	Sollentuna	Sollentuna	Bäckvägen 20	1963/1989	1,986	722						2,708	2	2	90	
Forellen 1	Solna	Solna	Björnstigen 4	1954	1,039	324						1,363	1	1	99	
Jordbromalm 6:14	Haninge	Haninge	Lagervägen 11	1977/2007	9,573							9,573	8	8	100	
Kopparn 8	Tyresö	Tyresö	Vintervägen 4	1970/2001	3,508	339						3,847	5	5	96	
Märsta 14:1	Sigtuna	Arlandastad	Industrigatan 2	1967	2,775	488						3,263	4	4	93	
Njursta 1:21	Upplands- väsby	Upplands- väsby	Jupitervägen 2	1972	13,484							13,484	8	8	100	
Räknesticken 2	Täby	Täby	Tillverkarvägen 4	1988		928						928	1	1	100	
Segersby 1	Botkyrka	Norsborg	Kumla Gärdsväg 10	1976	11,694	325						12,019	9	8	89	
Traktorn 7	Södertälje	Södertälje	Gränsvägen 8	1983	5,250							5,250	5	5	100	
Office																
Enen 10	Södertälje	Södertälje	Järnagatan 12	1950	378		6,361					6,739	8	8	99	
Fotografen 1	Tyresö	Tyresö	Mediavägen 1-5	1976			3,948					3,948	3	3	100	
Fräsen 1	Täby	Täby	Maskinvägen 2	1999			1,904					1,904	2	2	100	
Gulldragaren 24	Stockholm	Hägersten	Västertorpsvägen 136	1956/1994		182	1,395					1,577	2	2	100	
Holar 4	Stockholm	Kista	Skalholtsgatan 6-8	1985		144	7,148					7,292	15	15	100	
Järnet 6	Tyresö	Tyresö	Bollmora Gärdsv. 2-18, Industriv. 1-15	1976	344	5,143	14,382	1,605			1,696	23,170	22	21	92	
Kopparn 14	Tyresö	Tyresö	Vintervägen 8, Vintervägen 10-72	1979	551	8,933	939				151	10,574	8	6	84	
Kopparn 9	Tyresö	Tyresö	Vintervägen 2	1960	212	981	1,139					2,332	2	2	100	
Ringpärmen 5	Sollentuna	Sollentuna	Bergkällavägen 34	1988		44	4,025					4,069	4	4	85	
Ritmallen 2	Sollentuna	Sollentuna	Kung Hans Väg 8	1980		2,492	4,290				356	7,138	7	4	56	
Rosteriet 5	Stockholm	Stockholm	Lövholmavägen 9	1956			3,270					3,270	5	5	100	
Solkraften 17 & 18	Stockholm	Stockholm	Vattenkraftsvägen 8	1991			2,072					2,072	2	2	100	
Säteritaket 1	Stockholm	Hasselby	Malteholmsvägen 88, 90	1991	1,377		1,089					2,466	3	3	100	
Telegrafan 1	Huddinge	Huddinge	Kommunalvägen 27B	1943			1,336					1,336	1	1	100	
Träboken 1	Sollentuna	Sollentuna	Sofielundsvägen 2-6	1990		122	4,417				0	5,293	9	7	78	
Ugnen 5	Solna	Solna	Industrivägen	1980	1,690	1,981						3,671	4	4	93	
Other commercial																
Tumba 7:231 och 7:237	Botkyrka	Tullinge	Hamringevägen	-								1,923	1,923	2	2	100
Tändstiftet 2	Täby	Täby	Enhagsvägen 4	1996								13,600	13,600	11	11	100
Åkerby 4 & 12	Täby	Täby	Kemistvägen 30-32	1993								13,600	13,600	11	11	100
Gothenburg region																
Retail																
Rud 4:1, 760:42	Gothenburg	Västra frölunda	Gitarrgatan 2	1963	2,130	17						2,147	3	3	98	
Torrekulla 1:172	Mölnådal	Källered	G:a Riksvägen 10, G:a Riksvägen 12	1957	2,150		400					2,550	1	1	92	
Varla 14:1	Kungälv	Kungälv	Borgås Gärdsväg 19	2008	2,490							2,490	2	2	100	
Industrial/warehouse																
Arendal 764:385	Gothenburg	Gothenburg	Sydatlantén 12	1969/1979 /1994		10,105						10,105	6	6	100	
Forsäker 1:227	Mölnådal	Mölnådal	Nämndemansgatan 17/ Krongårdsgatan 3	1968		21,109						21,109	16	16	100	
Hede 3:122	Kungälv	Kungälv	Kraftvägen 2	1952/2001	32,626	184	1,966			630		35,406	25	9	35	
Kryptongasen 4	Mölnådal	Mölnådal	Kryptongatan 20	1983	7,420	816						8,236	7	6	95	
Kryptongasen 7	Mölnådal	Mölnådal	Kryptongatan 22B	2000	5,000							5,000	3	3	100	
Kylaren 4	Kungälv	Kungälv	Traktorgatan 13	1979	2,603	700						3,303	2	1	77	
Kylaren 9	Kungälv	Kungälv	Dumpergatan 3	1990	2,105	841						2,946	2	2	79	
Kärra 93:3	Gothenburg	Hisings kärra	Orrekulla Industrigata 36	1992	3,500							3,500	3	1	55	
Lexby 2:29	Partille	Partille	Brodalsvägen 13 B-C	-	6,760	3,515						10,275	9	7	78	
Lundby Prästgård 1:1	Lerum	Gråbo	Olstorpsvägen 3	1967									1	1	100	
Tingshuset 2	Mölnådal	Mölnådal	Kraketorpsgatan 16	1963		3,450						3,450	1	1	100	
Varla 2:390	Kungälv	Kungälv	Energigatan 19	1992		3,559	1,123					4,682	5	5	98	
Ventilien 6	Kungälv	Kungälv	Bilgatan 7 A	1990		1,420	1,518					2,938	2	1	46	
Ädelgasen 1	Mölnådal	Mölnådal	Neongatan 5	1972/1976/ 1987/1997	12,093	3,330						15,423	10	10	100	
Office																
Barken 6	Ale	Uddevalle	Junogatan 9	-		3,890						3,890	4	3	95	
Forsäker 1:164	Mölnådal	Mölnådal	Kronogårdsgatan 3	1975												
Forsäker 1:257	Mölnådal	Mölnådal	Kronogårdsgatan 3	1986												
Rud 52:2	Gothenburg	Västra frölunda	Klangfärgsgatan 11	1968		484	1,147		450			2,081	2	2	79	
Sågen 14	Kungälv	Kungälv	Järnvägsgränd 36	1980		971	1,824					2,795	3	2	87	
Tynnered 1:13	Gothenburg	Västra frölunda	Lergöksgränd 4	1971	1,523	1,126	3,152			60		6,224	6	5	93	
Varla 14:8	Kungälv	Kungälv	Magasinsgatan 12	1989			1,498					1,498	1	1	67	
Ventilien 7	Kungälv	Kungälv	Bilgatan 3	1989		131	2,094					2,225	1	1	93	
Ålvsborg 178:8	Gothenburg	Västra frölunda	Redegatan 9	1978	1,914	448	4,544					6,906	7	6	88	
Other commercial																
Forsäker 1:75	Mölnådal	-	-	-												
Öresund region																
Retail																
Adoifsborg Västra 10	Helsingborg	Helsingborg	Södra Hunnetorpsvägen 54-56	1975	988		380					1,368	1	1	97	
Borggård 1:357	Staffanstorps	Staffanstorps	Maskinvägen 9	1970	3,720	1,120						4,840	2	2	100	
Klören 1	Malmö	Malmö	Volfångsgatan 5	1970	5,257	2,553						7,810	5	4	93	
Kruthornet 1	Helsingborg	Helsingborg	Garnisonsgatan 46	2001	2,700							2,700	1	1	100	
Långhuset 1	Malmö	Malmö	Långhusgatan	-		894						894	2	0	24	
Löddeköpinge 14:54	Kävlinge	Löddeköpinge	Fraktvägen 1	2001	2,060							2,060	1	1	100	
Nyponrosen 2	Helsingborg	Helsingborg	Skaragatan 90-92	1979	1,703	335	60				254	2,352	2	1	88	
Industrial/warehouse																
Dubbeknappen 4	Malmö	Malmö	Kantyxegatan 25	-	2,516	12,156	6,173				1,032	21,877	22	24	96	
Flygbasen 7	Malmö	Malmö	Höjdrodergatan 11	1988		1,249						1,249	1	1	83	

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
Hollyxan 6	Malmö	Malmö	Bronsyxegatan 13	1972		4,625						4,625	3	3	100
Kronoslätt 1:3	Staffanstorps	Staffanstorps	Västanvägen	1971		20,725						20,725	11	11	100
Lerkäret 3	Malmö	Malmö	Flintyxegatan 2	1984/1987		1,070						1,070	1	1	100
Noshjulet 3	Malmö	Malmö	Pilotgatan 5	1984		651	150					801	1	1	82
Rausgård 22	Helsingborg	Helsingborg	Landskronavägen 11	1951/1973		62,292						62,292	40	38	94
				/1999											
Revolversvarven 10	Malmö	Malmö	Jägershillsgatan 14	1988		3,600						3,600	3	2	59
Sidorodret 3	Malmö	Malmö	Höjdrodergatan 2	1976/1987		1,057						1,057	1	1	100
Skjutstallslyckan 23	Malmö	Malmö	Lundavägen 56	1946	664	7,332	1,046					9,042	6	4	78
Spindeln 9	Malmö	Malmö	Singelgatan 8-10	1964		2,195						2,195	2	2	96
Sunnanå 12:34	Buriöv	Arlov	Starrvägen	-		5,316						5,316	5	5	100
Tågarp 20:81	Buriöv	Arlov	Lommavägen 39	1929/1984		24,877	300			1,341		26,518	10	5	43
Ventilen 3	Malmö	Malmö	Ventiligatan 6	1988		748						748	1	1	86
Office															
Brännaren 3	Malmö	Malmö	Industrigatan 13	1947		1,355	1,642	1,896			2	4,895	5	3	70
Brännaren 8	Malmö	Malmö	Agneslundsvägen 14	1947			5,311			84		5,395	7	5	68
Domarringen 1	Malmö	Malmö	Boplatsgatan 2	-		2,883	1,051					3,934	5	5	100
Flintan 4	Lund	Lund	Skiffervägen 18-20	1990		1,712	3,184					4,896	6	5	85
Flygbasen 4	Malmö	Malmö	Höjdrodergatan 17	1989		262	1,118					1,380	1	1	88
Flygledaren 1	Malmö	Malmö	Höjdrodergatan 14	1988			990					990	1	1	69
Företaget 8	Lund	Lund	Företagsvägen 28	1984		263	1,930					2,193	3	2	59
Krukskärvan 11	Malmö	Malmö	Flintyxegatan 8 A	1986		933	1,739					2,672	2	2	74
Mölledalsskolan 3	Malmö	Malmö	Höjdrodergatan 12	-			1,463					1,463	1	1	100
Påskbuketten 10	Malmö	Malmö	Hästvägen 4 E	1987			796					796	1	1	100
Påskbuketten 5	Malmö	Malmö	Amiralvägen 115	1987		130	986					1,116	1	1	100
Påskbuketten 6	Malmö	Malmö	Hästvägen 4 A	1990		26	2,050					2,076	3	3	99
Påskbuketten 8	Malmö	Malmö	Hästvägen 4 C	1992			1,796					1,796	2	2	100
Påskbuketten 9	Malmö	Malmö	Hästvägen 4 D	1988			1,349					1,349	2	0	4
Revolversvarven 12	Malmö	Malmö	Jägershillsgatan 18	1987			9,974					9,974	13	14	95
Sockeln 1	Malmö	Limhamn	Krossverksgatan 32	-			1,370					1,370	2	2	100
Sturup 1:160	Svedala	Svedala	Västergatan Sturups flygplats	1972			2,365					2,365	2	1	48
Verkstaden 5	Lund	Lund	Annedalsvägen 9	1973/1989	1,870	4,886	400					7,156	8	7	90
Vildanden 8	Malmö	Limhamn	Geijersgatan 6-8	1967/1990			8,557					8,557	10	9	89
				/1993											
Other commercial															
Gunghästen 1	Malmö	Malmö	Jägersrovägen 160	1964/1990			3,342				5,501	8,843	10	9	89
Krukskärvan 6	Malmö	Malmö	Flintyxegatan 6	1986											
Other cities															
Populations over 100,000, Retail															
Björnjägaren 2	Umeå	Umeå	Björnvägen 11 B	1977	2,233					228	2,461	3	3	100	
Direktören 8	Västerås	Västerås	Köpingsv. 70, Sigfrid	1986	1,998						1,998	3	3	100	
			Edströms Gata 23			221						2,037	3	3	100
Flogsta 22:3	Uppsala	Uppsala	Flogstavägen 99	1977	1,816	221						2,037	3	3	100
Generatör 7	Umeå	Umeå	Förrådsvägen 11-15	1960	3,480	3,013	210					6,703	3	3	94
Himna 11:226	Linköping	Linghem	Himnavägen 153,	1976	1,083				823			1,906	3	3	100
			Himnavägen 155												
Huggormen 1	Umeå	Umeå	Björnvägen 15 E	1977	3,752	20	1,299			3,441	8,512	7	7	96	
Isbjörnen 4	Linköping	Linköping	Tröskaregatan 5-35	1982/1996	1,419	473					684	2,576	3	3	97
Laken 3	Linköping	Linköping	Söderleden 33-37	1963/1988	2,468	119		2,066			536	5,189	6	6	96
Libroback 3:3	Uppsala	Uppsala	Hällnäsgratan 6a	2006	2,808							2,808	2	2	100
Linblocket 1	Västerås	Västerås	Hallsta Gärdsgata 26,	2006	2,808							2,808	2	2	100
			Linblocksgatan 7												
Prislappen 1	Linköping	Linköping	Mörtlösa 1	1972	2,806							2,806	3	3	100
Populations over 100,000, Industrial/warehouse															
Aspgården 18	Umeå	Umeå	Bölevägen 44	1955	9,418	1,884					483	11,785	8	2	28
Fasternes	Bielsko-Biala	Bielsko-Biala	Wyzwolenia 105 Str.	1962	20,633							20,633	11	11	100
Finnslätten 1	Västerås	Västerås	Tvärleden	-	77,730	62,743					3,297	143,770	131	126	97
Finnslätten 4	Västerås	Västerås	Banmatarvägen	1975	7,496							7,496	6	6	100
Galjonen 1	Linköping	Linköping	Gillbergsgatan 30	1985	590							590	1	1	100
Glasflaskan 1	Linköping	Linköping	Roxtorpsgatan 16	1977/1982	2,098	1,053						3,151	2	2	76
Greken 5	Linköping	Linköping	Rudsögatan 1,	1959	1,621	1,707	162					3,490	2	2	98
			Rudsögatan 3												
Grubbe 9:48	Umeå	Umeå	Kabelvägen 1 A	1992		899						899	0	0	100
Kedjan 7	Umeå	Umeå	Gräddvägen 15 B	1990		2,058						2,058	1	1	87
Kontaktledningen 1	Västerås	Västerås	Stenbygatan 10	1967						15,104	15,104	11	11	100	
Kronoskogen 3	Umeå	Umeå	Kronoskogsvägen 4-6	1976	454	1,299				18	1,771	1	1	100	
Magnetbandet 3	Linköping	Linköping	Finnögatan 1	1987		4,737	485			556	5,778	3	2	77	
Maskinen 1	Umeå	Umeå	Maskingatan 1	1966/1971/1976		1,171	1,260					2,431	2	1	59
Metal Structures	Bielsko-Biala	Bielsko-Biala	Wyzwolenia 84 Str.	1985	22,943							22,943			
Mälaren 17	Örebro	Örebro	Svartå Bangata 14	1933/1989	7,959	1,309				71	9,339	10	9	93	
Piintan 4	Norrköping	Norrköping	Malmgatan 35	1974	5,450							5,450	4	4	100
Runthe	Bielsko-Biala	Bielsko-Biala	Industristr. 20.	1990	15,322							15,322	8	8	100
Schablonen 6	Umeå	Umeå	Läringsgatan 10-14	1976	5,127							5,127	4	4	100
Verkstaden 7	Västerås	Västerås	Metalverksg., Sinterv.,	1929	16,670	1,838				1,901	20,409	8	7	82	
			Östra Ringv.												
Västerås 3:85	Västerås	Västerås	Elmotorgatan	1975		2,145						2,145	2	2	100
Västerås 3:86	Västerås	Västerås	Elmotorgatan	1978		27,216						27,216	25	25	100
Västerås 3:88	Västerås	Västerås	Lugna gatan	-											
Västerås 3:89	Västerås	Västerås	Effektgatan	-											
Ådelmetallen 15	Jönköping	Jönköping	Grossistgatan 14	2003	5,000							5,000	3	3	100
Örjan 1	Västerås	Västerås	Saltängsvägen	1920	52,126	1,239				546	53,911	38	37	97	
Populations over 100,000, Office															
Arbetaren 1	Örebro	Örebro	Aspholmsvägen 12 A	1971	1,185	970	1,974					4,129	3	3	94
Gardisten 4	Linköping	Linköping	Koifallsgratan 3A	1964/2000			1,050					1,050	1	1	100
Grundet 9	Linköping	Linköping	Sunnorpsgratan 4	1985		36	1,622					1,658	1	1	100
Isolatorn 3	Västerås	Västerås	Gideonsbergsgatan	1934	325	11,750	31,397			2,281	45,753	43	41	95	
Kedjan 5	Umeå	Umeå	Gräddvägen 13	1981		145	1,881					2,026	1	1	104
Kronoskogen 2	Umeå	Umeå	Kronoskogsvägen 8	1976	1,433	1,327						2,760	2	2	95
Matrisen 6	Umeå	Umeå	Läringsgatan 1	1969	2,736	1,285	527			295	4,843	3	2	94	
Mimer 5	Västerås	Västerås	Stora Gatan	1912		6,502	71,114	11,109		475	89,200	105	99	94	
Ottar 5	Västerås	Västerås	Kopparbergsvägen	1912		3,032	17,567					20,599	24	22	92
Ottar 6	Västerås	Västerås	Kopparbergsvägen 2	1912			18,325					18,325	21	21	100
Rörläggaren 4	Örebro	Örebro	Boställsvägen 4	1992		1,191	1,240					2,431	2	2	100</

Property portfolio

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
Populations over 100,000, Other commercial															
Parkeringsverksamhet Västerås 5:9	Västerås	Västerås	-	-	-	-	-	-	-	-	-	1	1	100	
			Södra Ringvägen	-	-	-	-	-	-	-	-	0	0	100	
Populations 50,000 to 100,000, Retail															
Brynäs 34:8	Gävle	Gävle	Atlasgatan 11	1982/2006	2,854		419				175	3,448	2	2	80
Eketånga 3:204	Halmstad	Halmstad	Jutagåtsen 3	1964	2,376							2,376	3	3	100
Fyren 1	Växjö	Växjö	Ljungådalsgatan 17	1976		4,883	390					5,273	2	2	86
Halla-Stenbacken 1:102	Uddevalla	Uddevalla	Fossumsbergsvägen 1	1975	1,518							1,518	1	1	100
Hyttberget 3	Falun	Falun	Yxhammargatan 5, Nybrogatan 43	1984	3,304	1,203						4,507	3	3	92
Karburatorn 2	Kristianstad	Kristianstad	Rörvägen 2	-	5,004							5,004	5	5	99
Lerum 1:20	Karlstad	Karlstad	Edsvallavägen 1 A	2006	4,823							4,823	3	3	100
Ran 20	Uddevalla	Uddevalla	Odengatan 3	1984	1,644							1,644	2	2	100
Rovan 17	Kalmar	Kalmar	Drottning Margaretas Väg 25	1970	965							965	2	2	100
Speditören 1	Eskilstuna	Eskilstuna	Lundbladsvägen 6	1978	10,687	21				453	11,161	16	15	99	
Storsten 2	Norrköping	Norrköping	Storstensvägen	2011	2,270							2,270	2	2	100
Thorlid 12	Uddevalla	Uddevalla	Kilbäcksgatan 2, 4, 6, 8, 10, 12	1968	4,007	192	2,612			53	6,824	13	12	90	
Torlunda 1:80	Eskilstuna	Eskilstuna	Torestavägen 4	2006	2,808							2,808	1	1	100
Vaxkakan 2	Varberg	Varberg	Annebergsvägen 6	2006	2,550							2,550	1	1	100
Populations 50,000 to 100,000, Industrial/warehouse															
Baggen 6	Sundsvall	Sundsvall	Hovgatan 6	1973	2,456							2,456	1	1	100
Cementen 4	Kristianstad	Kristianstad	Industrigatan 13	1989/1991	817							817	1	0	38
Fredrikskans 15:16	Gävle	Gävle	Bönvägen 55	2003	14,170							14,170	9	0	4
Grävören 5	Växjö	Växjö	Verkstadsgatan 8	1974	2,568							2,568	2	2	100
Retailsmannen 1	Norrköping	Norrköping	Diamantgatan 7-9	1988		2,536				4,460	6,996	10	10	99	
Hälsinggården 1:427	Falun	Falun	Lövsvägen 26	1968	10,800							10,800	5	5	100
Löddret 4	Eskilstuna	Eskilstuna	Filargatan 3	1986	3,900	1,690				350	5,940	4	3	90	
Nore 22	Eskilstuna	Eskilstuna	Helgestagatan 3 B	1972	1,500							1,500	1	1	100
Pipdänen 6	Gotland	Visby	Stenkumlaväg 1 o 1 B	1950		5,114				205	5,319	4	4	100	
Plattan 4	Kristianstad	Kristianstad	Isolatorvägen 5	1991	1,328							1,328	1	1	100
Råfsan 4	Luleå	Luleå	Traktorvägen 1	1977	17,727							17,727	12	12	100
Storheden 1:81	Luleå	Luleå	Cementvägen 8	1990	5,780							5,780	3	3	100
Varvet 3	Uddevalla	Uddevalla	Kasenabbvägen 8	1990	4,241							4,241	2	2	100
Populations 50,000 to 100,000, Office															
Dockan 9	Växjö	Växjö	Västra Esplanaden 9 A-B	1973/1993	76	394	8,669	4,469	724		286	14,618	18	17	93
Geten 2	Sundsvall	Sundsvall	Fridhemsgatan 122	1964	2,134					1,033	5,206	3	2	57	
Lindblad 10	Karlskrona	Karlskrona	Olandsgatan 6	1929			7,312				7,312	11	11	95	
Lindblad 24	Karlskrona	Karlskrona	Drottninggatan 54	1950			2,628			25	2,653	3	1	37	
Skotet 1	Luleå	Luleå	Banvägen 11	1979	5,725		2,567				8,292	6	5	83	
Valpen 1	Eskilstuna	Eskilstuna	Kungsgatan 68	1929			4,476				4,476	5	5	100	
Populations 50,000 to 100,000, Care															
Läkaren 1	Trollhättan	Trollhättan	Lasarettsvägen 1-19	-	2,245	5,009	9,458	7,860	493	5,597	30,662	27	27	99	
Populations 50,000 to 100,000, Other commercial															
Skönsmön 2:29 etc.	Sundsvall	-	-	-	-	-	-	-	-	-	-	-	-	-	
Populations 25,000 to 50,000, Retail															
Flickskolan 7	Hudiksvall	Hudiksvall	Storgatan 24	1970/2001	5,614	192	140			42	5,988	11	11	97	
Generatorm 2	Motala	Motala	Turbinvägen 5	1989	2,000						2,000	1	1	100	
Gumsbacken 12	Nyköping	Nyköping	Gumsbackevägen 5-9	1994	13,202						13,202	14	13	94	
Högafeln 6	Västervik	Västervik	Timmergatan 4	1972	2,300						2,300	1	1	100	
Korvetten 1	Härnösand	Härnösand	Varvsgatan 16	1958	1,390						1,390	1	0	46	
Lagmannen 6	Mjölby	Skänninge	Borgmästaregatan 13	1950	16,816						16,816	5	5	100	
Lövkojan 10	Katrineholm	Katrineholm	Köpmangatan 17, 19	1961	5,965	179	1,271			1,109	8,524	15	14	90	
Mälaren 5	Mjölby	Skänninge	Borgmästaregatan 23	1981		52,198					52,198	19	20	100	
Plommonet 12	Alingsås	Alingsås	Noltorps Centrum 2, Noltorps Centrum 4	1978	2,102						2,102	2	2	100	
Storängen 11	Skövde	Skövde	Norregårdsvägen 25	2006	2,285						2,285	1	1	100	
Populations 25,000 to 50,000, Industrial/warehouse															
Asken 17	Nyköping	Nyköping	Hantverkarsvägen 7A	1940/1972 /1992/1997 /1998	1,870						1,870	1	1	100	
Borret 15	Eslov	Eslov	Trehäradsvägen 46	1957											
Bulten 1	Alingsås	Alingsås	Sävelundsgatan 2	1977/1993 /1996	18,381						18,381	19	19	100	
Bäckaskog 3	Skövde	Skövde	Bäckaskogsvägen 17	1971/1988						467	467	0	0	100	
Forsheda 5:119	Värnamo	Forsheda	Galvanövägen 2, 4	1988	8,485						8,485	2	2	100	
Hugin 8	Gislaved	Gislaved	Marielundsgatan 52	1975/1988 /1989/1999	434						434	0	0	100	
Hylvn 2	Mjölby	Mjölby	Hallevadsgatan 8	1960	9,409						9,409	5	4	83	
Häradsvallen 1:133	Mjölby	Mantorp	Fallvägen 2	1965	1,425						1,425	0	0		
Kilsta 3:137	Karlskoga	Karlskoga	Kilsta Norra Industriväg 19	1965	5,862					518	6,380	2	2	97	
Klockaren 8	Ljungby	Ljungby	Bolmstadsvägen 2	1976	985						985	1	1	100	
Magneten 4	Motala	Motala	Dynamovägen 11	1990/1995	396						396	0	0	100	
Motala Björkelund 1	Motala	Motala	Linjegatan 14	-	29,659						29,659	6	6	100	
Murängen 2	Sandviken	Storvik	Hammarbyvägen 4	1976	9,605						9,605	4	4	100	
Mälaren 7	Mjölby	Skänninge	Borgmästaregatan	2009	15,000						15,000	8	8	100	
Ratten 18	Oskarshamn	Oskarshamn	Väderumsvägen 12	1988/1990 /2003	1,615						1,615	1	1	100	
Slätvaren 1	Värnamo	Värnamo	Margaretelundsvägen 8	1990	10,348						10,348	3	3	100	
Snickeriet 14	Oskarshamn	Oskarshamn	Förrådgatan 8	1982/1986 /2002/2006		2,198					2,198	2	2	100	
Snickeriet 4	Oskarshamn	Oskarshamn	Förrådgatan 6	1977/1982 /1998	5,439						5,439	2	2	100	
Stenfalken 1	Värnamo	Värnamo	Stenfalksvägen 1, 3	2002	12,889						12,889	8	8	100	
Stenverten 4:1	Enköping	Enköping	Garagevägen 1:13	1962/1970	445	45,551	703			302	47,001	32	32	100	
Säversta 8:28	Bollnäs	Bollnäs	Annerforsvägen 11	1975	5,875						5,875	3	3	100	
Tröksverket 12	Västervik	Västervik	Allén 80	1977	1,493						1,493	1	1	100	
Tängen 1	Nässjö	Anneberg	Solbergavägen 20	-											
Åttersta 6:28	Sandviken	Åshammar	Bultvägen 20	1941	11,695						11,695	3	2	74	
Åvdalen 1	Ängelholm	Ängelholm	Brandsvigsgatan 6	2000	9,268	2,333					11,601	8	8	99	
Öjebyn 119:1	Piteå	Öjebyn	Skylvägen 1	1968	19,357	420					19,777	5	4	94	
Populations 25,000 to 50,000, Office															
Domherren 15	Motala	Motala	Industrigatan 9	1937/1987	1,365	965					2,330	1	1	50	
Lärkan 21	Härnösand	Härnösand	Tullportsgatan 2	1970	747	151	6,809			2,789	10,496	8	6	69	
Mården 7	Hässleholm	Hässleholm	Första Avenyn 14 A-D	1972/2001	1,356	131	4,212			441	6,140	9	7	80	
Ribban 5	Nyköping	Nyköping	Brukslagarvägen 5, 7, 9	1965	3,993	31,878	2,414			1,659	39,944	23	19	83	
Rådmannen 6	Härnösand	Härnösand	Backgränd 9	1981	356	4,190					4,546	6	6	94	
Telegrafan 2	Härnösand	Härnösand	Nybrogatan 6	1900	2,060					79	2,139	2	2	100	
Yrkesskolan 4	Härnösand	Härnösand	Gånsviksvägen 4	1982	2,940					160	3,100	2	1	60	

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
Populations 25,000 to 50,000, Other commercial															
Gumsbacken 15	Nyköping	Nyköping	Gumsbackevägen 5 A-B, 7, 9, 11, 13, 15	1994											
Malmback 2:118,115 Närby 1:72 etc.	Nässjö	Malmback Söderhamn	Ågatan 7	-											
Populations less than 25,000, Retail															
Eidsboda 1:121	Hallstahammar	Hallstahammar	Hammartorget 3	1986	2,061							2,061	2	2	100
Gripen 1	Arboga	Arboga	Flygvägen 2	1986	4,172							4,172	3	3	100
Henån 1:303	Orust	Henån	Hammartorget 1-5	1986	2,316							2,316	3	3	100
Markententaren 1	Fagersta	Fagersta	Köpmangatan 2	1988	1,303							1,303	1	1	100
Midgård 12	Köping	Köping	Glasgatan 1	1965	2,714		807					3,521	5	5	96
Torsås 1:25	Torsås	Torsås	Allfargatan 9	1983	1,498							1,498	2	2	100
Populations less than 25,000, Industrial/warehouse															
Alvesta 13:28	Alvesta	Alvesta	Ågårdsvägen 16	1973		9,745						9,745	4	4	100
Armaturen 10	Kungsör	Kungsör	Granlidsvägen 3	1967		11,288						11,288	4	4	100
Backa 2:26	Hallsberg	Pålsboda	Kvarngatan 2	1968/1969		7,565						7,565	2	3	100
				/1972/1973											
Baggen 2	Skara	Skara	Ångatorpsgratan 3	1971/ 1991/		1,219						1,219	1	1	100
Bjuv 23:3	Bjuv	Bjuv	Billesholmsvägen 4	1961/1967-69		20,377						20,377	2	3	100
Bulten 1	Åstorp	Åstorp	Jitegatan 2	1988		4,650						4,650	3	0	8
Bälgen 9	Arboga	Arboga	Skandiagatan 3, 5, 7, 9, 11, 13	1992		18,983						18,983	14	14	100
Hallsta 3:7	Hallstahammar	Hallstahammar	Industrigatan 1, 6, 8	1955		48,439						48,439	13	13	100
Hanåsa 15:62	Högsby	Högsby	Bruksvägen 48 B	1983		200						200	0	0	100
Hillerstorp 3:51	Gnosjö	Hillerstorp	Brögatan 24	1989/1998		765						765	1	1	100
				/2000											
Holje 116:116	Olofström	Olofström	Västra Storgatan 2 B	1970		51,631						51,631	11	11	100
Hyveln 4	Sövesborg	Sövesborg	Silparevägen 3	1983		762						762	0	0	100
Kopparslagaren 1	Härjedalen	Sveg	Torggatan 1	1976		3,328		135				3,463	1	1	100
Limmared 26:2	Tranemo	Limmared	Vallgatan 4	1970/1988		1,149						1,149	0	0	100
Oxen 11	Kumla	Kumla	Västra Drottninggatan 40	1968/1978		2,451						2,451	1	1	100
				/1995											
Plankan 1	Eksjö	Eksjö	Kapellvägen 4 A	1982/1986		560						560	0	0	100
				/2002/2004											
Regnbågen 4	Osby	Osby	Regnbågsvägen 12	1973/1976		21,970						21,970	8	8	100
Sandåker 1	Ulricehamn	Ulricehamn	Vistavägen 4	1971/2000/		727						727	1	1	100
Slakthuset 7	Tranås	Tranås	Verkstadsgatan 2	1953/1990		1,270						1,270	0	0	100
Snöflingan 3	Osby	Osby	Molnvägen 2	1976		14,277						14,277	5	5	100
Svartå 1:157	Degerfors	Svartå	Industrivägen 11	1944		10,094						10,094	2	2	74
Torslunda 4:27	Mörbylånga	Färjestaden	Järnvägsgränd 3	2004		2,198						2,198	2	2	100
Populations less than 25,000, Office															
Lekatten 8	Nordmaling	Nordmaling	Affärsvägen 3 A-E	1991	307	120	350				362	1,139	1	0	29
Norrberge 1:74	Timrå	Sörberge	Sundsvalls-Härnösand flygplats Sörberge	1992			1,237				2,023	3,260	3	2	76
Norrberge 1:74,	Timrå	Sörberge	Sundsvall-Härnösands flygplats	1992			725				725	1	0	52	
Orren 6	Sollefteå	Sollefteå	Kungsgatan 10	1967	348	81	2,697			1,277	4,403	4	3	80	
Sköllersta-Kärr 1:34	Hallsberg	Pålsboda	Köpmangatan 3	1978		230	635				865	0	0	62	
Populations less than 25,000, Other commercial															
Färgaren 8	Sollefteå	Sollefteå	Strömgatan 3	1900											
Mejeriet 17	Filipstad	Filipstad	Tingshusgatan 10 B	-											
Mejeriet 18	Filipstad	Filipstad	Tingshusgatan 10 A	-											
Tranemo 1:29	Tranemo	Tranemo	Kvarngatan	-											
HEMSÖ'S PROPERTY HOLDINGS															
Stockholm region															
School															
Beckomberga 1:11	Stockholm	Bromma	Beckombergvägen 299	1930				742				742	1	2	100
Beckomberga 1:12	Stockholm	Bromma	Beckombergvägen, Byggnad 11	1950				1,205				1,205	2	2	100
Beckomberga 1:13	Stockholm	Bromma	Beckombergvägen, Hus 12	1930			1,150					1,150	2	2	100
Beckomberga 1:14	Stockholm	Bromma	Beckombergvägen 314	-			735					735	1	1	100
Befästningskullen 8	Solna	Solna	Anders Lundströms gata 3-5	2004			1,694					1,694	3	3	100
Bällsta 2:1087	Vallentuna	Vallentuna	Zetterlundsväg 140	-			1,500					1,500	3	3	100
Fräsen 2	Täby	Täby	Maskinvägen 4	1999/2005			1,009					1,009	2	2	92
Förgasaren 4	Täby	Täby	Enghälsvägen 12	1979/2005			440					440	0	0	100
Gunnebo 15	Stockholm	Spånga	Salagatan 42	1992			464	1,639				2,103	4	4	86
Karleby 2:2	Södertälje	Södertälje	Gärtnavägen 4	2004			29	1,475				1,504	3	3	100
Markan 1	Botkyrka	Tullinge	Kanslivägen 22-24	1947				828				828	2	2	100
Märsta 1:242	Sigtuna	Märsta	Idrottsvägen 19B	2009				441				441	1	1	100
Ponny 1	Sundbyberg	Sundbyberg	-	2011											
Sandbacken Mindre 42	Stockholm	Stockholm	Sandbacksgatan 10	1900/1999			4,000			8	4,008	9	9	100	
Sicklaån 39:4	Nacka	Nacka	Helgesons väg 10	1970			1,200					1,200	3	3	100
Sigtuna 2:227	Sigtuna	Sigtuna	Skolbacken 61	2001				815				815	2	2	100
Vilunda 19:2	Upplands- Väsby	Upplands- Väsby	Love Almqvists torg 1	2011				7,452				7,452	15	15	100
Vilunda 6:55	Upplands- Väsby	Upplands- Väsby	Drabantvägen 3-5	2006				1,500				1,500	3	3	100
Ölsta 1:1	Sigtuna	Sigtuna	Steningehöjden	2012				330				330	1	1	100
Care															
Akka 8	Stockholm	Bromma	Tranebergsplan 1-3	1986	116		170	1,702				1,987	3	3	98
Banslätt 1	Botkyrka	Tullinge	Römossevägen 25	1983	272		2,057	254	1,715			4,297	5	5	93
Bylegård 37	Täby	Täby	Jarlabankes väg 48	1903/1993								979	2	2	99
Forellen 2	Tyresö	Tyresö	Bollmoravägen 14-20	1981	279	65	673		2,319			3,335	4	4	99
Fuxen 6	Täby	Täby	Kemistvägen 11-13	1976					551			551	1	1	100
Illern 9	Huddinge	Huddinge	Stuvsta Torg 4-6, Stuvsta Torg 10-14	1988	205		70		1,358			1,633	3	3	100
Jullovet 1	Stockholm	Älvsjö	Annebodavägen 4-6	1982	12				655			667	1	1	100
Källhäll 1:32	Järfälla	Järfälla	Kopparvägen 2B	1981		11	475		586			1,071	2	2	90
Medicinaren 14	Huddinge	Huddinge	Diagnosvägen 8	1970				587	502			1,089	1	1	62
Ribby 1:451	Haninge	Västerhaninge	Klockargatan 13-27	1981	270	250	1,043	767	1,204			3,533	4	3	86
Stilgutaren 1	Täby	Täby	Larmvägen 12-16	2004					279			279	1	1	85
Tapostrom 1:50	Ekerö	Ekerö	Byggsvägen 8	1992			155		1,202			1,357	2	2	100
Vendelsö 3:1716	Haninge	Haninge	Skomakarvägen 20	1991					763			763	1	1	100
Ösby 1:76	Värmdö	Gustavsberg	Skärgårdsvägen 7	1988	307	59	972		1,093			2,430	4	4	100
Retirement home															
Blåvalen 1	Södertälje	Södertälje	Talhöjdsvägen 1-3	1927/1986			102		921	2,566		3,589	5	5	100
Ekeby 2:275	Vallentuna	Vallentuna	Ekebyvägen 40	1992						1,468		1,468	2	2	100
Flyghöjden 2	Stockholm	Skarpnäck	Skarpnåcks Torg 1	2003						1,440		1,440	2	2	100
Glaven 10	Stockholm	Stockholm	Stadshagsvägen 5	1996			71			1,721		1,792	3	3	100

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./ ware- house	Offices	School	Care	Retire- ment home	Other				Total area
Rosenhill 12	Västerås	Västerås	Eriksborgsgatan 11	1960/2004				3,198				3,198	4	4	94
Rystads-Gärstad 8:41	Linköping	Linköping	Gurkvägen 2-4	2008				331				331	1	1	100
Västerås 1:250	Västerås	Västerås	Björnövågen 12	1940			399	1,307				1,706	3	3	94
Populations over 100,000, Care															
Grånby 12:6	Uppsala	Uppsala	Grånby Bilgata 2	2006				133	1,240		8	1,380	3	3	100
Norrahammar 28:108	Jönköping	Norrahammar	Postgatan 1-9	1971/2003	89				1,220			1,309	2	2	100
Sävja 56:1	Uppsala	Uppsala	Västgötaresan 60	1990	94		724	551	220			1,588	3	3	100
Vårdträdet 7	Jönköping	Gränna	Hävdevägen 31	1999	65				759			823	1	1	100
Populations over 100,000, Retirement home															
Birka 1	Västerås	Västerås	Forntidsgatan 4	1993					1,508			1,508	1	2	100
Brotbergsgata 6:30	Västerås	Västerås	Lillhäradsvägen 20 A-F	2002					709			709	1	2	100
Diademet 3	Norrköping	Norrköping	Gamla Övägen 27	1993					1,813			1,813	2	2	100
Dragarbrunn 9:4	Uppsala	Uppsala	S:t Olofsgatan 44 B	2000					2,010			2,010	3	3	100
Gångjärmet 1	Norrköping	Norrköping	Plåtslagaregatan 8	2009					2,693			2,693	6	6	100
Hanen 4	Västerås	Västerås	Hagalidsvägen 2	1964/1996					1,370			1,370	2	2	100
Järven 6	Norrköping	Norrköping	Bergslagsgatan /2004				600		2,027		3	2,630	4	4	98
Klockarkärleken 3	Västerås	Västerås	Rönnebergastigen 7	1999					1,969			1,969	1	1	100
Kolaren 5	Västerås	Västerås	Träddragargatan 31	1950/2004					526			526	1	1	100
Konstantinopel 6	Norrköping	Norrköping	SKOMAKAREGATAN 11	2000					1,592			1,592	3	3	100
Kvarngården 14:5	Uppsala	Uppsala	Torkelsgatan 42	2000					1,793			1,793	3	3	100
Landeryd 6:5	Linköping	Linköping	Slatterforsvägen 2A-H	1994				111	2,060	304		2,475	2	2	97
Landeryd 6:61	Linköping	Linköping	Ridhusgatan 10	1974					633			633	1	1	100
Liljgårdsskolan 11	Linköping	Linköping	Ridhusgatan 2A	1996					731	103		833	1	1	99
Luthagen 81:1	Uppsala	Uppsala	Norrlandsgatan 2	2001					1,370			1,370	2	2	100
Löten 6:6	Uppsala	Uppsala	Ferlingsgatan 31B	2011					808			808	2	2	100
Lövågen 29	Västerås	Västerås	Råby Centrum	2001	633				2,295	1,804		4,731	6	6	100
Martinprocessen 9	Västerås	Västerås	Välljämngatan 494	2002					255			255	0	1	100
Norrberga 4:82	Linköping	Sturefors	Blåbärsvägen 82	1988					173			173	0	0	100
Ostbiten 1	Linköping	Linköping	Rydsvägen 9C	1994					627			627	1	1	100
Rickoberga 9:14	Uppsala	Uppsala	Geijersgatan 61	2001					1,600			1,600	3	3	100
Riket 22	Linköping	Linköping	Järvalavägen 52C	1994					803			803	1	1	99
Sandbyhov 30	Norrköping	Norrköping	Sandbyhovsgatan 21	1920-70/2000	1,368	15	2,553		1,206	8,709	12	13,862	17	17	100
Skjutfältet 9	Västerås	Västerås	Hästhovsgatan 27	2000					2,957			2,957	3	3	100
Skogsduvan 1	Västerås	Västerås	Skogsduvevägen 11	1993/1999					554			554	1	1	100
Skyttegillet 7	Västerås	Västerås	Reylgatan 12	1961/2000					334			334	0	0	100
Trähästen 2	Linköping	Linköping	Skogslöckegatan 11F	1994					523			523	1	1	100
Valbyrån 5	Linköping	Linköping	Kärnavägen 3-11	1996					1,328	47		1,375	1	2	99
Valsåtra 3:10	Uppsala	Uppsala	Bernadottevägen 1	2009					3,033			3,033	6	6	100
Vedbo 61	Västerås	Västerås	Hörnortersvägen 20	1977/1999				2,000	3,740			5,740	9	9	100
Vetebullen 2	Linköping	Linköping	Kärna Centrum 1	1985					1,073			1,073	1	1	100
Ängsklockan 1	Västerås	Västerås	Värilöcksgatan 6	1993					1,599			1,599	1	1	100
Östra Daggrösen 1	Västerås	Västerås	Daggrösgatan 1	1993					1,754			1,754	1	1	100
Dinsläken	Hiesfeld	Hiesfeld	Kurt-Schumacher-Str. 154	2006					4,059			4,059	6	6	100
Duisburg Karl-Lehr Strasse	Duisburg	Duisburg	Karl-Lehr-Str. 159	2003					4,331			4,331	6	6	100
Duisburg Brauerstrasse	Duisburg	Duisburg	Brauerstr. 43	2002					4,148			4,148	6	6	100
Duisburg Fuchsstrasse	Duisburg	Duisburg	Fuchsstrasse 31	2004					4,825			4,825	6	6	100
Emden	Emden	Emden	Rotdorming 1	2002					3,351			3,351	6	6	100
Lichtenstein	Callenberg	Callenberg	M. Götz-Str. 14	2000					5,993			5,993	6	6	100
Langenfeld	Immigrath	Immigrath	Langforter Str. 1-3	2006					4,073			4,073	8	8	100
Duisburg Hufstrasse	Hamborn	Hamborn	Hufstrasse 2	2006					4,099			4,099	8	8	100
Hünxe	Hünxe	Hünxe	Bensumskamp 27	2000					3,800			3,800	6	6	100
Wetter	Wetter	Wetter	Steinstr. 3	2008					4,004			4,004	6	6	100
Barßel	Barßel	Barßel	Muhlenweg	2007					4,550			4,550	5	5	100
Bochohl 1	Bochohl	Bochohl	Böwings Stegge 8	2003					4,965			4,965	7	7	100
Bochohl 2	Bochohl	Bochohl	Böwings Stegge 6	2005					3,859			3,859	6	6	100
Liederbach	Oberliederbach	Oberliederbach	Im grossen Garten	2008					4,424			4,424	9	9	100
Butzbach	Butzbach	Butzbach	Johann-Seb.-Back-Str. 26	2008					6,859			6,859	6	6	100
Lauterbach	Lauterbach	Lauterbach	Bilsteinweg 1	2008					5,998			5,998	8	8	100
Bensheim	Bensheim	Bensheim	Eifelstrasse 21 bis 25	2009					6,470			6,470	10	10	100
Gamla Uppsala 94:6	Uppsala	Uppsala	Topeliusgatan 18	2011					2,748			2,748	6	6	100
Populations over 100,000, Other public															
Blomman 12	Norrköping	Norrköping	Nygatan 110	1903/1956 /1975		21	2,016					2,037	2	2	97
Oxelbergen 1:2	Norrköping	Norrköping	Odalgatan 19	1976/1999 /2000	23	964	10,996		513		583	13,078	10	9	89
Stigbygel 5	Umeå	Umeå	Ridvägen 10	1974					7,827			7,827	12	12	100
Stinsen 1	Norrköping	Norrköping	Stockholmsvägen 6	1960					7,626		1,522	9,148	13	13	100
Taktipinnen 1	Norrköping	Norrköping	Folkborgsvägen 1	1975		23	8,990	336				9,349	8	8	100
Populations 50,000 to 100,000, School															
Alstrum 6:3	Karlstad	Karlstad	Ulvsby-Åstorp 603	1954		62	1,612					1,674	1	1	100
Hagtornen 10	Borås	Borås	Värbergsvägen 38	1967	175	856	2,179	2,461				5,671	4	4	97
Halla-Stenbacken 1:88	Uddevalla	Uddevalla	Västgötagävan 30	1913/1930/1945/1971/2000-1/2002-05		2,141	4,058	7,910			4,674	18,772	16	14	91
Jägaren 11	Växjö	Växjö	Vallgatan 12E	1956/1969 /1982				1,751	3,408			5,159	6	6	99
Karlskrona 3:3	Karlskrona	Karlskrona	Arenavägen 1-11	-		1,558	4,007	7,834			2,017	15,416	11	11	97
Källtorpsbacken 1	Trollhättan	Trollhättan	Stromsviksvägen 50-54	-				223				223	0	0	100
Nyfors 1:24	Eskilstuna	Eskilstuna	Tinavallsgränden 5	2007				714				714	1	1	100
Roten 6	Sundsvall	Sundsvall	Tallrotsgatan 2	1980/2004				1,500				1,500	2	2	100
Samariten 11	Borås	Borås	Klinikvägen 48	1900				6,005				6,005	6	6	100
Sinclair 12	Uddevalla	Uddevalla	Klimtvägen 3	1949	913	746	6,768				110	8,537	8	7	88
Populations 50,000 to 100,000, Care															
Antilopen 1	Trollhättan	Trollhättan	Hjortmossegatan 3-7	1920/2003					566		40	606	0	0	100
Flåtö 3	Uddevalla	Uddevalla	Bidevindsvägen 9	1950/1990					315			315	0	0	100
Fonden 49	Borås	Borås	Sörmarksgratan 199-205	1978/1998			68		1,639	588		2,294	2	2	100
Gladan 1	Trollhättan	Trollhättan	Slättbergsvägen 56	1980/2004					701			701	1	1	100
Iduna 2	Uddevalla	Uddevalla	Spelmansgatan 5	1950/1990					273			273	0	0	100
Kräkhult 1:61	Borås	Dalsjöfors	Uppgeårdsgatan 2	1977/1978	45	615			1,251	1,078	133	3,121	2	2	96
Kuratorn 3	Trollhättan	Trollhättan	Lasarettsvägen 2	1990					404			404	1	1	100
Källstorpslyckan 1	Trollhättan	Trollhättan	Stromsviksvägen 16	1989/2005					648			648	1	1	100
Linkärven 5	Uddevalla	Uddevalla	Lingatan 12	1985					484			484	1	1	100
Milstolpen 8	Borås	Borås	Smörhulegatan 2	1981/1995	52	125			1,085			1,262	1	1	100
Rydboholm 1:477	Borås	Viskafors	Hagkällevägen 2	1981/2000	48				1,033			1,081	1	1	90
Sandhuits-Rydet 1:256	Borås	Sandared	Strandvägen 11	1989					782			782	1	1	100
Sik 1:183	Borås	Fristad	Tärnavägen 6	1977	68			160	1,090</						

Property portfolio

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.						Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %		
					Retail	Industr./ ware-house	Offices	School	Care	Retire- ment home				Other	Total area
Halmstad 10:35	Halmstad	Halmstad	Frennarpsvägen 131	2004						1,656		1,656	2	2	100
Kristinelund 49:2	Gävle	Gävle	Norra Järvstävågen 20a-b	1980	102		341		1,456	6,090		7,988	8	7	95
Linet 1	Norrtälje	Norrtälje	Torpvägen 5A-C	1992						2,157		2,157	2	2	100
Pjäsen 12	Gotland	Visby	Pjäsgatan 12	2004						3,300		3,303	5	5	100
Rosenhäll 1	Uddevalva	Uddevalva	Osterled 2	1972	26	107	90		3,774	3,789	324	8,108	7	7	97
Röten 9	Sundsvalv	Sundsvalv	Tomtegränd 5 A-C	1993						2,185		2,185	2	2	100
Sköle 1:17	Sundsvalv	Matfors	Skölevägen 15	1983						3,003		3,003	3	3	100
Skörden 3	Sundsvalv	Sundsvalv	Åvägen 7-9	1975						4,013		4,013	3	3	100
Strömsbro 4:2	Gävle	Gävle	Sanatorievägen 17	1910/2002						2,921		2,921	2	2	100
Södertull 13:14	Gävle	Gävle	Flemminggatan 11-17	1970/1996						5,009		5,009	4	4	100
Vallbacken 24:3	Gävle	Gävle	Vallbacksgatan 8	1970/1995						2,469		2,469	2	2	100
Varva 2:20	Gävle	Gävle	Norra Prästvägen 12a-b	1970/1992						2,782		2,782	2	2	100
Populations 50,000 to 100,000, Other public															
Karlslund 5:2	Östersund	Östersund	Fyrvallavägen 1-4	-		2,333	16,435	5,169			4,201	28,139	28	27	96
Osdal 3:2	Borås	Borås	Lagercrantz plats 9A	-		265	6,074	2,332			647	9,318	10	9	87
Osdal 3:7	Borås	Borås	Pickesjövägen 1-5	2005-2006								925	2	2	100
Vaktmästaren 4	Norrtälje	Norrtälje	Hemvägen 8	1960/2000	600							600	0	0	116
Visborg 1:15	Gotland	Visby	Visborgsallen 2-49	-			8,953				2	8,955	16	16	100
Populations 25,000 to 50,000, Office															
Torsvik 5	Härnösand	Härnösand	Järnvägsgatan 2	1992		227	8,229				147	8,603	8	7	86
Magasinet 2	Härnösand	Härnösand	Magasingsgatan 5	1910/2003		55	858					913	1	1	81
Populations 25,000 to 50,000, School															
Akvilejan 4	Härnösand	Härnösand	Brännvägen 29	1972/1991/2002				1,339				1,339	1	1	100
Bondsjö 2:312	Härnösand	Härnösand	Slättervägen 3	1954/1966/1975				2,807				2,807	2	3	100
Bondsjö 2:338	Härnösand	Härnösand	Daghemsvägen 2	1976/1979/1985				653				653	1	1	100
Borgaren 18	Nyköping	Nyköping	Stora torget 3	1955/1977/2000		348	541	5,110			150	6,149	8	8	99
Brunne 12:18,	Härnösand	Brunne	Brunne 431, Brunne 135	1989								2,906	3	3	100
Eleven 1	Härnösand	Härnösand	Gymnastikgatan 4	1966/1971								3,671	4	4	100
Fastlandet 2:84	Härnösand	Härnösand	Hospitalsgatan 12	1953/1970/1980/1988/2006		23	8,029	1,563	673	1,379	585	12,252	11	10	91
Fastlandet 2:90	Härnösand	Härnösand	Murbergsvägen	1947/1968				1,575				1,575	1	1	100
Folkskolan 3	Härnösand	Härnösand	Brunnshusgatan 4	1912/2001			5,971					5,971	7	7	100
Geresta 1	Härnösand	Härnösand	Rosenbäcksgatan 39	1998/2007				10,392				10,392	10	10	100
Hopparen 1	Härnösand	Härnösand	Murbergsvägen 25	1950/1974/1979				884				884	1	1	100
Hörnan 2	Härnösand	Härnösand	Sehlstedtsvägen 1	1985/1991				753				753	1	1	100
Idun 1	Härnösand	Strängnäs	Sundbyvägen 14	1922/2004				1,790				1,790	2	2	100
Inspektorn 11	Härnösand	Härnösand	Brunnshusgatan 18	1882/1903				23,819			268	24,087	17	14	84
Intendenten 1	Hässleholm	Hässleholm	Wendesvägen 5-7	1991				790				790	1	1	100
Intendenten 2	Hässleholm	Hässleholm	Finjagatan 18	1960				1,145				1,145	1	1	100
Liv 1	Ystad	Ystad	Björnstjernetgatan 1A-C	1900/2000		18	1,447		36			3,372	4	4	87
Läraren 1	Härnösand	Härnösand	Kastellgatan 35	1955/1979				3,953				3,953	3	3	100
Orren 12	Härnösand	Härnösand	Institutgatan 16 B	1980/1990/1991				238				238	0	0	100
Oxen 1	Härnösand	Härnösand	Sköldgatan 1	1968/1988/2005				805				805	0	0	100
Prylen 1	Härnösand	Härnösand	Skolgränd 2	1968/1983/2003				829				829	0	0	100
Skolan 1	Härnösand	Härnösand	Norra Ringvägen 23	1947/1966/1968		807		5,422	725		477	7,431	5	2	28
Solen 15	Härnösand	Härnösand	Södra vägen 22	1892/1979				10,869				10,869	8	8	100
Stallet 10	Vänersborg	Vänersborg	Johannesbergsvägen 47A	1988											
Stallet 3	Vänersborg	Vänersborg	Johannesbergsvägen 15A-B	1988				1,680					2	2	94
Stallet 4	Vänersborg	Vänersborg	Johannesbergsvägen 17A-B	1988							216	1,896	2	2	
Stallet 5	Vänersborg	Vänersborg	Johannesbergsvägen 21-33	1988											
Stallet 8	Vänersborg	Vänersborg	Johannesbergsvägen 21-33	1988											
Stallet 9	Vänersborg	Vänersborg	Johannesbergsvägen 45A-B	1988											
Stenhammar 1:223	Härnösand	Härnösand	Tjärdvägen 114	1994				1,139				1,139	1	1	100
Stenhammar 1:224	Härnösand	Härnösand	Kontrastvägen 171	1981/1982				242				242	0	0	100
Vangsta 1:102	Härnösand	Härnösand	Trumpetgatan 50	1976/1980/1993				830				830	1	1	100
Västansjö 1:41	Härnösand	Hälledal	Folketshusvägen 7	1963/1964/1990				327				327	0	0	100
Västansjö 1:86	Härnösand	Hälledal	Folketshusvägen 9	1971/1974				3,742				3,742	2	2	100
Åland 22:1	Härnösand	Ålandsbro	PI 652	1989/1991				4,093				4,093	3	3	100
Ön 2:63	Härnösand	Härnösand	Rosenbäcksgatan 15	1963		135	218	3,813			1,124	5,290	4	3	88
Populations 25,000 to 50,000, Care															
Apelsinen 1	Alingsås	Alingsås	Säterigatan 122	1977	48		1,481					1,529	1	1	78
Bofinken 8	Härnösand	Härnösand	Gådevägen 11	1980								495	0	0	100
Dunshult 7:1	Skövde	Skövde	Hästsövägen 2	1983	19	113					15	418	0	0	88
Erska 1:111	Alingsås	Sollebrunn	Centrumgatan 6	1977								930	1	1	91
Flockiljan 1	Nyköping	Nyköping	Narcissvägen 2	1993								199	0	0	100
Fritsla 14:8	Mark	Fritsla	Förläggarevägen 29	1952/1978								404	0	0	86
Grindäng 1:13	Nyköping	Stigtomta	Skolvägen 44	1993								182	0	0	100
Grottan 2	Nyköping	Nyköping	Svartvägen 21	2001								215	0	0	100
Grävlingen 28	Vänersborg	Vänersborg	Belfragegatan 2	1946/1976			198				373	1,470	1	1	85
Häcken 13	Härnösand	Härnösand	Källvägen 10	1996								787	1	1	100
Iggesund 14:269	Hudiksvall	Iggesund	Skolgatan 1	1980	51		502				45	1,585	2	1	80
Kattastrand 3:2	Härnösand	Härnösand	Solumsvägen 6	1960/1983				210				355	0	0	100
Klockstapeln 4	Skövde	Skövde	Knoppaliden 3	1986								344	0	0	100
Klövern 7	Vänersborg	Vänersborg	Östergatan 1	1910/1966/1977		25	5,256					5,757	5	5	97
Lasarettet 8	Karlskrona	Karlskrona	ErikDahlbergsvägen 30A-F	1880			2,693				933	5,812	5	4	89
Lejonet 21	Katrineholm	Katrineholm	Skogsgatan 8B-8F	1991								268	0	0	100
Läkaren 5	Falköping	Falköping	Sankt Olofsgatan 8	1948/1995/2003			65					1,660	1	1	80
Månen 110	Vänersborg	Vänersborg	Restadvägen 24-28	1981						2,021	77	2,098	2	2	91
Njord 32	Falköping	Falköping	Parlgatan 49	1945								307	0	0	30
Nälberga 1:246	Nyköping	Tystberga	Björkgårdsvägen 1-3	1993								199	0	0	100
Rådhuset 6	Härnösand	Härnösand	Norra Myrkogatan 3	1959/1970			2,821					2,821	2	2	100
Sandstenen 4	Nyköping	Nyköping	Ekebacken 4	1992								219	0	0	100
Sågen 10	Härnösand	Härnösand	Kiörningsgatan 20	1955/1998				755				755	1	1	100
Torget 1	Härnösand	Härnösand	Stora Torget 2	1863/1984								798	1	1	100
Tunnbindaren 4	Härnösand	Härnösand	Storgatan 9	1971							4,075	4,075	3	3	100
Tärnan 4	Vänersborg	Vänersborg	Torpvägen 23	1974	65							799	1	1	68
Varpen 1	Mark	Kinna	Kristinebergsgatan 56	1993								247	0	0	100
Venus 7	Härnösand	Härnösand	Lönegrensgatan 2 & 8	1950/1989/1991						1,231		2,055	1	1	100

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leaseable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %						
					Retail	Industr./ ware- house	Offices	School	Care	Retire- ment home	Other				Total area					
Vinstocken 2	Härnösand	Härnösand	Norra Kyrkogatan 2	1955/1983 /2000								2,904	2	2	100					
Åklagaren 9	Skövde	Skövde	Advokatvägen 23	1989								173	0	0	93					
Ångaboskolan 2	Alingsås	Alingsås	Sundsbergsvägen 7	1989								744	1	1	100					
Populations 25,000 to 50,000, Retirement home																				
Brunne 12:21	Härnösand	Härnösand	Brunne 157	1993								2,923	3	3	100					
Högsjö-Dal 2:90	Härnösand	Härnösand	Hälledalsvägen 53	1948								3,510	2	2	99					
Sländan 12	Härnösand	Härnösand	Brännsvägen 67	1970/1981 /1985								5,634	4	4	100					
Sörbyn 17:1	Vänersborg	Brålanda	Törnrogsgatan 8:22	1986	45		8					2,224	3	3	100					
Åland 1:91	Härnösand	Ålandsbro	Nämndemansvägen 4A	1969								2,219	4	3	91					
Ön 2:58	Härnösand	Härnösand	Volontärvägen 39	1992								5,727	6	6	100					
Populations 25,000 to 50,000, Other public																				
Brädgården 2	Nyköping	Nyköping	Folkungavägen 2	1984								5,282	993	6,275	10	10	98			
Byggmästaren 4	Vänersborg	Vänersborg	Regementsgatan 34	1984									787	1	1	100				
Granåsen 3	Skövde	Skövde	Skåningstorp svägen 12	1989/1995									510	0	0	100				
Populations less than 25,000, School																				
Bjursnäs 2:35	Laxå	Laxå	Ramundervägen 52	1951	81	229	941						1,250	1	1	93				
Dona 1:38	Lysekil	Lysekil	Rinkenäsgratan 2-4	2012			4,500						4,500	7	7	100				
Häggen 2	Skara	Skara	Gråbrödragatan 7	1998									248	0	0	95				
Häggen 3	Skara	Skara	Gråbrödragatan 15	1950									912	1	1	100				
Medora 168:115 (Renting)	Älvkarleby	Skutskär	Klamparvägen 1A	-									1,250	1	1	100				
Stenbocken 1	Skara	Skara	Malmgatan 10	1949	25	178	1,423						229	1,854	3	3	100			
Populations less than 25,000, Care																				
Balder 2	Kristinehamn	Kristinehamn	Kristinas väg 37 A1	2007									377	1	1	100				
Björken 10	Karlsborg	Karlsborg	Björkstigen 2	1972/2000									148	959	1,107	1	1	100		
Dingle 1:103	Munkedal	Dingle	Ostra vägen 3	1945									172	0	0	11				
Dingle 1:87	Munkedal	Dingle	Trädgårdsgatan 9	1984	21	33	261						33	261	314	0	0	72		
Dyrtoptorp 1:129	Färgelanda	Färgelanda	Håvestensvägen 5	1977/1991/ 2001	9	120	831	2,426					831	2,426	3,385	3	3	100		
Eken 6	Åmål	Åmål	Skolgatan 4	1922/1937/ 1966/2001	46								2,060	1,446	3,552	6	6	99		
Flugsvampen 7	Herrljunga	Herrljunga	Horsbyvägen 16	1978/1999/ 2001	107								1,149		1,433	1	1	97		
Foss 12:24	Munkedal	Munkedal	Centrumvägen 34	2007									959	959	1	1	100			
Heljeröd 1:15	Sotenäs	Hunnebostrand	Heljerödshemmet PI 1395	1931/1987/ 1992									562	562	0	0				
Kullen 18	Lilla Edet	Lilla edet	Järnvägsgatan 8	1980/1985	122	2,850							1,555	80	4,606	5	5	98		
Misteln 13	Essunga	Nossebro	Ångsgatan 3	1985	67	50	99						667	10	892	1	1	96		
Moga 1:116	Svenljunga	Svenljunga	Klockaregatan 3	1950/1990									190	3,244	3,434	2	2	92		
Norr 5:10	Hjo	Hjo	Karlsborgsvägen 4	1965/1991									1,523	1,309	43	2,874	2	2	95	
Passagärden 1:32	Lilla Edet	Lödöse	Långgatan 11-13	1985									218		218	0	0	58		
Pilen 13	Mariestad	Mariestad	Drottninggatan 1	1946/1960/ 1983	60	5,998							778	28	6,863	6	5	89		
Reparatören 5	Köping	Köping	Ringvägen 88	2011									1,325	1,325	3	3	100			
Skytten 2	Skara	Skara	Gråbrödragatan 4-6	1975									845	845	2	2	84			
Slätten 15:7	Lysekil	Lysekil	Lasarettsgatan 1	1932/ 1948/ 2002	19	97	758	366	6,196				422	7,857	10	9	96			
Storfors 30:1	Storfors	Storfors	Hamnargatan 3-4	1960	51								442	3,056	3,549	3	3	100		
Svalan 7	Ulricehamn	Ulricehamn	Nygatan 7	1915/1977/ 1995/2003	110								870	2,664	20	3,663	3	3	89	
Sälgen 22	Skara	Skara	Malmgatan 36	1967/1971/ 1980/1982	117								1,954	2,454	2,384	264	7,173	6	6	91
Tanumshede 1:88	Tanum	Tanumshede	Ringvägen 1	1969/1980										822	822	1	1	90		
Tordveln 1	Mariestad	Mariestad	Brätternvägen 4	1984									405	405	0	0	100			
Tuntorp 4:34	Lysekil	Brastad	Läkarvägen 4	1981									167	572	739	1	1	85		
Tändstickan 1	Tidaholm	Tidaholm	Västra Drottningvägen 11	1982									314	1,881	2,194	2	2	97		
Vesperm 8	Mellerud	Mellerud	Rostocksgatan 31	1991										182	182	0	0	100		
Populations less than 25,000, Retirement home																				
Betaren 4	Finspång	Finspång	Profilvägen 8	1964/1993										996	996	1	1	100		
Björnsäter 5:7	Mariestad	Mariestad	Kinnekullevägen 40	1950/1984										1,992	1,992	1	0	18		
Blinkarp 1:9	Svalöv	Röstånga	Blinkarp 863	1944									50	1,185	1,350	1	1	95		
Hårstorp 3:366	Finspång	Finspång	Hårstorp svägen 13	1972/1990										1,440	1,440	2	2	100		
Lyrestads Klockarbol 5:39	Mariestad	Lyrestad	Sjötorpsvägen 2	1958/1991										2,142	2,142	2	2	100		
Röinge 3:4	Hörby	Höör	Röingevägen 1	1967										975	975	1	1	100		
Tegelbruket 3	Finspång	Finspång	Östermalmsvägen 55	2002										1,638	1,638	3	3	100		
Ullervad 14:19	Mariestad	Mariestad	Ullervadsvägen 4A	1963/1988										3,010	3,010	4	4	100		
Östermalm 1:12	Finspång	Finspång	Södra Storängsvägen 50	1950										4,255	4,255	4	4	100		
Populations less than 25,000, Other public																				
Metes 2	Skara	Skara	Veterinärgratan 4	1959										596	596	1	1	100		
Solen 1	Mariestad	Mariestad	Stockholmsvägen 132	2005										362	362	0	0	100		
Torp 1:21	Karlsborg	Mölitorp	Prästgatan 20	2005										277	277	0	0	100		
Svik 1:15	Lysekil	Lysekil	Tumstocksvägen 2	1970										836	836	0	0	100		

Acquired properties

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
ACQUIRED PROPERTIES, KUNGSLEDEN															
Stockholm region															
Industrial/warehouse															
Njursta 1:21	Upplands Väsby	Upplands Väsby	Jupitervägen 2	1972		13,484						13,484	8	8	100
Office															
Holar 4	Stockholm	Kista	Skalholtsgatan 6-8	1985		144	7,148					7,292	15	15	100
Gothenburg region															
Office															
Barken 6	Ale	Uddevalle	Junogatan 9	-			3,890					3,890	4	3	95
Other cities															
Populations over 100,000, Industrial/warehouse															
Finnslätten 1	Västerås	Västerås	Tvärleden	1958-1959/1966-1970/1987 etc.		77,730	62,743				3,297	143,770	131	126	97
Finnslätten 4	Västerås	Västerås	Banmatarvägen	1975		7,496						7,496	6	6	100
Fasternes	Bielsko-Biala	Bielsko-Biala	Wyzwolenia 105 Str.	1962		20,633						20,633	13	13	100
Metal Structure	Bielsko-Biala	Bielsko-Biala	Wyzwolenia 84 Str.	1985		22,943						22,943			
Runthe	Bochum	Bochum	Industristrasse 20	1990		15,327						15,327	8	8	100
Västerås 3:85	Västerås	Västerås	Elmotorgatan	1975		2,145						2,145	2	2	100
Västerås 3:86	Västerås	Västerås	Elmotorgatan	1978		27,216						27,216	25	25	100
Västerås 3:88	Västerås	Västerås	Lugna gatan	-											
Västerås 3:89	Västerås	Västerås	Effektgatan	-											
Örjan 1	Västerås	Västerås	Saltängsvägen	1920/1964		52,126	1,239				546	53,911	38	37	97
Populations over 100,000, Office															
Isolatorn 3	Västerås	Västerås	Gideonsbergsgatan	1934/1972	325	11,750	31,397				2,281	45,753	43	41	95
Mimer 5	Västerås	Västerås	Stora gatan	1929-1930/1955/1960/1969 etc.		6,502	71,114	11,109			475	89,200	105	99	94
Ottar 5	Västerås	Västerås	Kopparbergsvägen	1929/1940		3,032	17,567					20,599	24	22	92
Ottar 6	Västerås	Västerås	Kopparbergsvägen 2	1929/1940			18,325					18,325	21	21	100
Spolaren 4	Norrköping	Norrköping	Linnégatan 28	1962		2,351	4,763			7		7,121	4	3	68
Västerås 3:84	Västerås	Västerås	Nätverksgatan	1984		6,620	25,652					32,272	32	32	100
Västerås 3:87	Västerås	Västerås	Fredholmogatan	1978/1983		1,137	19,801				1,029	21,967	16	10	62
Populations over 100,000, Other															
Västerås 5:9	Västerås	Västerås	Södra Ringvägen	-									0	0	100
Populations 50,000 to 100,000, Retail															
Storsten 2	Norrköping	Norrköping	Storstensvägen	2011	2,270							2,270	2	2	100
Populations 50,000 to 100,000, Industrial/warehouse															
Baggen 6	Sundsvall	Sundsvall	Hovgatan 6	1973		2,456						2,456	1	1	100
Hälsinggården 1:427	Falun	Falun	Lövsåsvägen 26	1968		10,800						10,800	5	5	100
Populations 50,000 to 100,000, Office															
Dockan 9	Växjö	Växjö	Västra Esplanaden 9 A-B	1973/1993	76	394	8,669	4,469	724		286	14,618	18	17	93
Geten 2	Sundsvall	Sundsvall	Fridhemsgatan 122	1964/1970		2,134	2,039				1,033	5,206	3	2	57
Skotet 1	Luleå	Luleå	Barvägen 11	1979		5,725	2,567					8,292	6	5	83
Populations 50,000 to 100,000, Care															
Läkaren 1	Trollhättan	Trollhättan	Lasarettsvägen 1-19	-		2,245	5,009	9,458	7,860	493	5,597	30,662	27	27	99
Populations 50,000 to 100,000, Other															
Verkö 3:27	Karlskrona	Karlskrona	Verkö industriområde	-											
Populations 25,000 to 50,000, Industrial/warehouse															
Forsheda 5:119	Värnamo	Forsheda	Galvanovägen 2, 4	1988		8,485						8,485	2	2	100
Motala Björkelund 1	Motala	Motala	Linjegatan 14	-		29,659						29,659	6	6	100
Murängen 2	Sandviken	Storvik	Hammarbyvägen 4	1976		9,605						9,605	4	4	100
Slätvaren 1	Värnamo	Värnamo	Margaretelundsvägen 8	1990		10,348						10,348	3	3	100
Stenfalken 1	Värnamo	Värnamo	Stenfalksvägen 1, 3	2002		12,889						12,889	8	8	100
Säversta 8:28	Bollnäs	Bollnäs	Anneforsvägen 11	1979		5,875						5,875	3	3	94
Åttersta 6:28	Sandviken	Åshamn	Bultvägen 20	1941		11,695						11,695	3	2	74
Öjebyn 119:1	Piteå	Öjebyn	Skyvägen 1	1968		19,357	420					19,777	5	4	94
Populations 25,000 to 50,000, Office															
Ribban 5	Nyköping	Nyköping	Brukslagarvägen 5, 7, 9	1965	3,993	31,878	2,414				1,659	39,944	23	19	83
Populations less than 25,000, Industrial/warehouse															
Alvesta 13:28	Alvesta	Alvesta	Ågårdsvägen 16	1973		9,745						9,745	4	4	100
Armaturen 10	Kungsör	Kungsör	Granlidsvägen 3	1967/1999		11,288						11,288	4	4	100
Bälgen 9	Arboga	Arboga	Skandiagatan 3, 5, 7, 9, 11, 13	1992		18,983						18,983	14	14	100
Hallsta 3:7	Hallstahammar	Hallstahammar	Industrigatan 1, 6, 8	1955		48,439						48,439	13	13	100
Holje 116:116	Olofström	Olofström	Västra Storgatan 2 B	1970		51,631						51,631	11	11	100
Svartå 1:157	Degerfors	Svartå	Industrivägen 11	1944		10,094						10,094	2	2	74

ACQUIRED PROPERTIES, HEMSÖ

Stockholm region

School

Markan 1	Botkyrka	Tullinge	Kanslivägen 22-24	1947				828				828	2	2	100
Ponnyn 1	Sundbyberg	Sundbyberg	-	2011											
Vilunda 19:2	Upplands Väsby	Upplands Väsby	Love Almqvists torg 1	2011				7,452				7,452	15	15	100
Ölsta 1:1	Sigtuna	Sigtuna	Steningehöjden	2011				330				330	1	1	100

Care

Fuxen 6	Täby	Täby	Kemistvägen 11-13	1976								551	1	1	100
Stilgjutaren 1	Täby	Täby	Larmvägen 12-16	2004								279	1	1	85

Retirement home

Åkerby 13	Täby	Täby	Kemistvägen 8	1985		42	630				282	954	1	1	86
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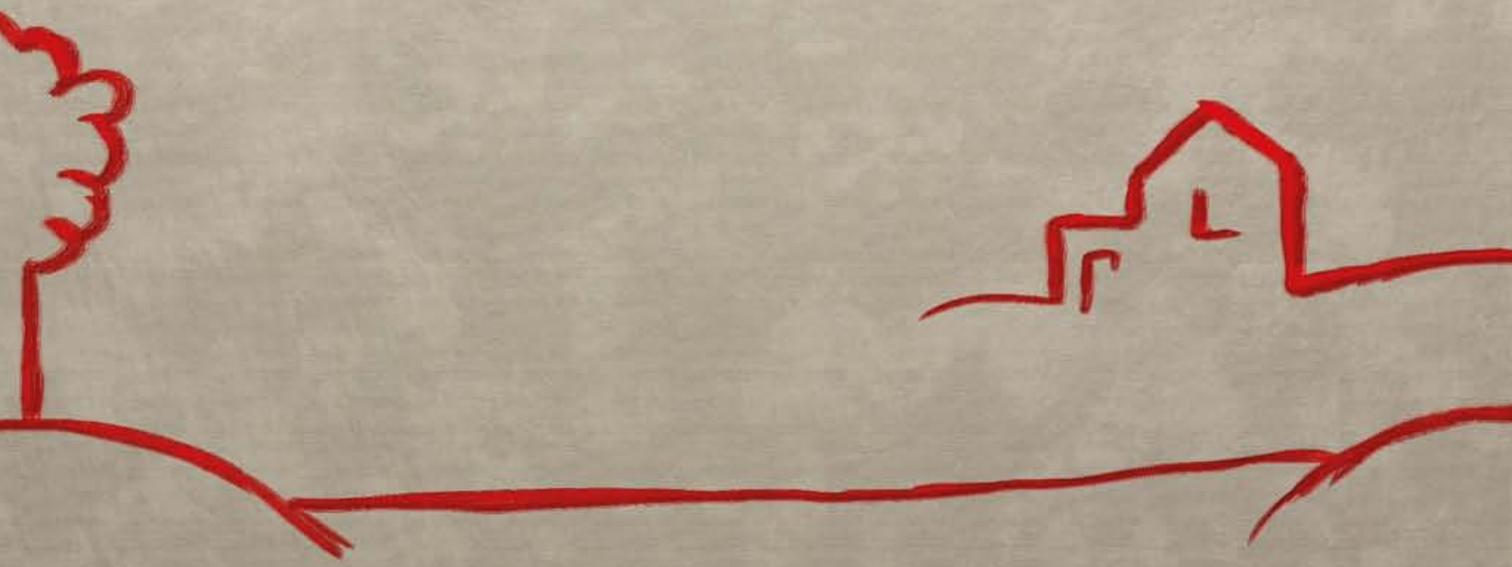
Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
Gothenburg region															
School															
Krokslätt 35:14	Gothenburg	Gothenburg	Ebbe Lieberathsgatan 19	1948		679	640	1,916			180	3,414	4	4	100
Other cities															
Populations over 100,000, School															
Drag 4	Norrköping	Norrköping	Dragsgatan 7	1850/1920				4,939				4,939	6	6	99
Drag 5	Norrköping	Norrköping	Dragsgatan 7	1850/1920				109				109			
Populations over 100,000, Retirement home															
Gamia Uppsala 94:6	Uppsala	Uppsala	Topeliusgatan 18	2011						2,748		2,748	6	6	100
Låten 6:6	Uppsala	Uppsala	Ferlingsgatan 31 B	2011						808		808	2	2	100
Lövågen 29	Västerås	Västerås	Råby centrum	2001	633					2,295	1,804	4,731	6	6	100
Populations less than 25,000, School															
Dona 1:38	Lysekil	Lysekil	Rinkenäsgratan 2-4	2012				4,500				4,500	7	7	100
Populations less than 25,000, Care															
Reparatören 5	Köping	Köping	Ringvägen 88	2011						1,325		1,325	3	3	100
Populations less than 25,000, Other															
Sivik 1:15	Lysekil	Lysekil	Tumstocksvägen 2	1970						836		836	0	0	100

Divested properties

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement home	Other				Total area
DIVESTED PROPERTIES, KUNGSLEDEN															
Stockholm region															
Retail															
Botvidsgymnasiet 4 & 5	Botkyrka	Norsborg	Fågelviksvägen 5	1971/2000	19,019	2,481	19,628	7,373			1,456	49,957	28	13	46
Imröret 10	Stockholm	Bandhagen	Högdalsgången 19	1959	4,416	705					9	5,130	5	5	100
Industrial/warehouse															
Kyffacket 1	Stockholm	Johanneshov	Hallmästarvägen 4-8	1955/1960 /1994		25,062						25,062	18	18	100
Kyrummet 1	Stockholm	Johanneshov	Hallmästarvägen 1-5	1969/1976 /1989											
Väsby 5:1	Sollentuna	Sollentuna	Kolonnvägen 2	1973		2,544						2,544	2	2	100
Office															
Tegelängan 1	Botkyrka	Norsborg	Tegelängsvägen 10	1988			1,356					1,356	1	1	100
Other															
Botvidsgymnasiet 1 & 6	Botkyrka	Norsborg	Fågelviksvägen	1971/2000						50		50			
Part of Jämet 6 mark	Tyresö	Tyresö	-	-											
Öresund region															
Retail															
Armringen 2	Malmö	Malmö	Agnesfridsvägen 190	1975	3,869	518	480					4,867	4	4	100
Office															
Nejljkebuketten 6	Malmö	Malmö	Derbyvägen 4	1987			1,739			26		1,765	2	2	91
Torshammaren 11	Malmö	Malmö	Hornyxegatan 6	1984			647					647	1	1	100
Other cities															
Populations over 100,000, Retail															
Idrottspriset 1	Linköping	Linköping	Rekrytgatan 3 och 5	1992	1,020		71					1,091	1	1	100
Rålsbussen 1	Umeå	Umeå	Industrivägen 4-8	1955	6,737	2,395	2,762			75		11,969	8	7	88
Populations 50,000 to 100,000, Industrial/warehouse															
Verkö 3:4	Karlskrona	Karlskrona	Verkö industriområde	1971/1977 /1998		37,233						37,233	27	27	100
Populations 50,000 to 100,000, Other															
Verkö 3:27	Karlskrona	Karlskrona	Verkö industriområde	-											
Populations 25,000 to 50,000, Other															
Sjöafall 1:85, 1:180	Nässjö	Fredriksdal	Cirkelvägen 30	-											
Närby 1:74, 1:75	Söderhamn	Söderhamn	-	-											
Närby 1:95	Söderhamn	Söderhamn	-	-											

DIVESTER PROPERTIES, HEMSÖ

Gothenburg region															
Retirement home															
Heden 28:2	Gothenburg	Gothenburg	Berzelligatan 11	1993						920		920	2	2	100
Other cities															
Populations less than 25,000, Care															
Krokstads-Hede 1:108	Munkedal	Hedekas	Dinglevägen 6	1950					111			111	0	0	97



Invitation to Annual General Meeting

The Annual General Meeting 2012 will be held on 19 April 2012 at 2:00 p.m. at hotel Rival, Mariatorget 3, Stockholm, Sweden.

APPLICATION

Shareholders wishing to participate in the Annual general Meeting must first, be registered in their own name (i.e. not nominee-registered) in the share register maintained by Euroclear Sweden AB by no later than 13 April 2012, and second, notify their intended participation by no later than 4 p.m. on 13 April 2012, on the enclosed application form or by writing to the company at the following address:

Kungsleden AB
FAO: Sinikka Arfwidsson
P.O. Box 70414,
107 25 Stockholm, Sweden
e-mail: arstamma@kungsleden.se
telephone: +46 (0)8 503 052 00
fax: +46 (0)8 503 052 01
or via www.kungsleden.se

In their applications, shareholders should state their name, personal/corporate identity number, address, daytime telephone number, number of shares represented and potential representatives and assistants participating.

For entitlement to participate in the Annual general Meeting and exercise their voting rights, shareholders with nominee-registered holdings must temporarily re-register their shares in their own names. Such registration must be recorded at Euroclear Sweden AB by no later than 13 April 2012, which means that the nominee must be informed in good time prior to this.

Distribution of Annual Report

A printed version of Kungsleden's Annual Report will be distributed to all new

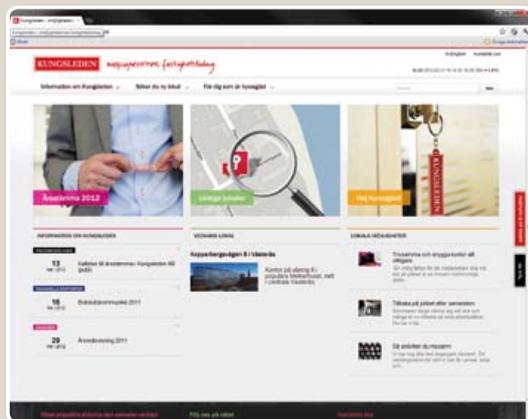
shareholders, and subsequently only to those shareholders that have expressly requested a copy.

DIVIDEND

The Board and Chief Executive propose that dividends of SEK 2.60 per share are paid to shareholders. The proposed record day for dividends is 24 April 2012. If the Annual general Meeting approves the proposal, Euroclear Sweden AB is expected to disburse the dividends on 27 April 2012.

kungsleden.se

For more information, go to our website



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Cecilia Gannedahl



View videos of Thomas commenting on each financial statement on the Reports & presentations page (in Swedish only)



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	2010	2009	2008	2007	2006
1. Nettoresultat efter skatt	2 125,8	2 354,2	2 031,8	2 323,2	2 394
2. Förvaltningskostnader	184,8	204,2	204,2	204,2	204,2
3. Finansieringskostnader	3 203,8	2 802,9	3 039,7	2 612,3	3 394
4. Fastighetskostnader	599,8	624,9	798,6	402,2	462
5. Resultat efter skatt	1 137,2	1 122,2	1 091,3	1 302,5	1 374
6. Resultat efter skatt	1 540,3	1 817,3	1 802,2	1 700,4	1 522
7. Resultat efter skatt	32,8	-135,3	12,4	579,8	85
8. Resultat efter skatt	-202,7	-288,4	-389,8	-313,8	-24
9. Resultat efter skatt	-748,8	-894,8	-984,1	-792,2	-68
10. Resultat efter skatt	624,8	-188,4	-1 853,4	1 371,2	1 13
11. Resultat efter skatt	1 186,1	200,4	-1 184,3	2 000,9	1 91
12. Resultat efter skatt	-246,1	-101,1	221,8	-221,4	-
13. Resultat efter skatt	862,8	291,3	-961,3	2 200,5	1 91

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