

Annual Report **2012**

“We create value by satisfying customer needs for premises, managing and improving properties and optimising our property portfolio”

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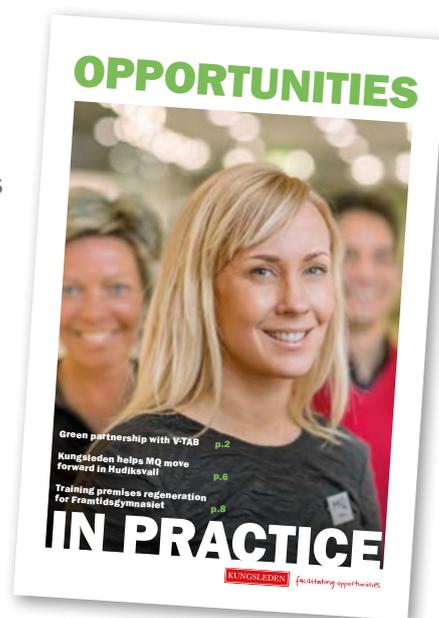
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The formal annual accounts are on pages 44–90.

Cover: Susanne Winqvist, Business Manager

Read more about how **Kungsleden creates value** in partnership with its customers. Clothing retailer MQ is a good example: by collaborating with Kungsleden, the company succeeded in advancing its positioning in Hudiksvall, northern Sweden.



p.14–17

Kungsleden focuses on properties in the industrial/warehouse, office and retail segments in Swedish growth regions. Read more about progress on its various markets.

The year in brief

RESULTS IN BRIEF

- Net sales increased by 3 per cent to SEK 2,110 (2,047) m and gross profit increased by 4 per cent to SEK 1,328 (1,277) m with a larger property portfolio.
- Profit from property management increased by 2 per cent to SEK 485 (474) m.
- Profit before tax was SEK 1,165 (693) m and profit after tax was SEK 352 (638) m, or SEK 2.60 (4.70) per share. The decrease in profit after tax is due to provisions for tax risks, while profit before tax increased due to the sale of the Hemsö Fastighets AB shares.
- Cash flow from operating activities decreased to SEK 163 (585) m after Kungsleden made SEK 340 m of payments to the Swedish Tax Agency for provisioned proceedings.
- Profit for calculating dividends for the full year 2012 was SEK 1,917 (703) m, corresponding to SEK 14.00 (5.20) per share.
- As of 31 December 2012, the property portfolio consisted of 278 (324) properties with a book value of SEK 15,777 (15,693) m.
- The Board of Directors is proposing a dividend of SEK 1.00 (2.60) per share. This marks a change from the intention, stated in October, of not proposing a dividend. Even if uncertainty regarding tax proceedings persists, the Board of Directors considers that financial strength has increased significantly after the sale of Hemsö.

PROFIT FROM PROPERTY MANAGEMENT

SEK m	2012	2011
Gross profit	1,328	1,277
Sales and administration costs	-257	-244
Net financial position	-586	-559
Profit from property management	485	474

SIGNIFICANT EVENTS

- New lettings in like-for-like portfolio terms and the sale of properties in Härnösand, northern Sweden, with high costs in relation to revenues, helped increase the operating surplus margin by 1.5 percentage points to 68.2 (66.7) per cent.
- 59 (18) properties were sold for SEK 1,666 (1,199) m with a profit of SEK 16 (56) m. Sales affected profit for calculating dividends by SEK 125 (114) m. 11 (44) properties were purchased for SEK 1,549 (4,200) m after deducting for deferred tax.
- Tax rulings affecting Kungsleden companies and external companies increased the risk of negative outcomes for Kungsleden in a number of ongoing tax proceedings. Accordingly, SEK 340 m of provisioning was charged to profit for calculating dividends, and a tax cost of SEK 985 m was charged to the Income Statement.
- A major portion of the loan portfolio was refinanced in the year. Current credits and credit facilities have an average maturity of 2.2 years.
- Kungsleden reached an agreement to sell the remaining 50 per cent of the shares of Hemsö to AP3 (the Third Swedish National Pension Fund) including repayment of a shareholder loan for a total purchase price of SEK 3,320 m. This transaction created a capital gain of SEK 631 m and affected profit for calculating dividends by SEK 1,507 m. Kungsleden simultaneously purchased 11 properties from Hemsö for SEK 1,549 m, at a property yield of 7.0 per cent.

SEK **3,320** m

High available liquidity created after the Hemsö transaction

68.2%

Operating surplus margin up to

Ottar 6, Västerås

Facilitating opportunities

Facilitating opportunities defines the way we stand out in the property sector. What our customers emphasise is that we're entrepreneurial—we're there, innovative and easy to deal with. Facilitating opportunities means we see opportunities in properties, sites and premises that other people don't.

By being there, being innovative and easy to deal with, Kungsleden can create value for customers and owners. Our starting-point is sustainable high and stable returns with diversified risk and stable cash flow as a key ingredient.

Kungsleden owns, manages and improves 278 properties with a value of SEK 15,777 m. Kungsleden focuses on industrial/warehouse, retail and office properties in Swedish growth regions. The gross leasable area of our properties is 2,442,000 sq.m., which equates to about 342 football pitches.

The fact that Kungsleden is driven by a strong entrepreneurial spirit, with decentralised decision-making promotes dedication and drive. This often simplifies our collaboration with tenants, enabling fast, effective solutions. The environment is a good example of this collaboration, where we co-operate to minimise energy burdens, through means including Green Leases. Our objective is to offer properties where our company's customers can operate and develop.

Kungsleden's customers are a cross-section of Swedish business.

Manufacturing, transportation and retail are some of the sectors where we are active. Our biggest tenant is ABB, which represents 16 per cent of total rental revenue.

Facilitating opportunities is also about being in front and trying to see things from new perspectives. This might be finding solutions to customer needs, being innovative in the way we do business, or utilising digital channels in our letting work. Why not visit us at kungsleden.com?

KUNGSLEDEN'S VALUES



INNOVATIVE

Our experience of properties, transactions and customer needs, combined with an entrepreneurial culture, makes us opportunities oriented. This helps create value for customers and shareholders.



BEING THERE

We are active on the property market and in constant contact with tenants and customers. Our local presence and responsiveness to tenant needs enables us to identify and develop business opportunities that benefit customers and owners.



EASY TO DEAL WITH

We don't complicate things unnecessarily, but are straightforward and easy to deal with. Our culture features participation, which gives our people room to act.

“ Our knowledge and understanding of needs for premises, combined with the encounter and level of service we offer, are what our customers really appreciate and value.

Source: customer satisfaction survey 2012

KEY FACTS

Number of properties	278
Property value	approx. SEK 15.8 billion
Gross leasable area	approx. 2,400,000 sq.m.
Rental revenue per year	approx. SEK 1.8 billion
Number of employees	255
Founded in	1994
IPO	1999
The share	KLED, listed on NASDAQ OMX Stockholm Mid Cap



Left to right: Frida Stannow Lind, Manager of Development Properties, Ingrid Ljungqvist, Assistant Technical Manager, Malin Evertsson, Assistant Property Manager and Peter Versén, Technical Manager.

More concentration, focus on growth regions and cost savings create leverage

2012 marked a turning point for Kungsleden, which with its strong financial position, can now focus on managing and improving wholly owned properties and growing its portfolio.

Last year marked a clear turning point, and in some senses the end of a journey, for our previous initiatives in social services properties, for example. After building up, developing and creating the independent company Hemsö over a period of over ten years, in December, we reported the sale of our remaining 50 per cent of Hemsö to AP3 (The Swedish Third Pension Insurance Fund). We realised SEK 631 m in gains after tax through this

transaction, and freed up over SEK 3,300 m of liquidity. This transaction increases our financial room to act, not least for new investments in wholly owned properties.

In some senses, last year also marked a turning point in the tax disputes involving Kungsleden. Although it will certainly take some time before the courts rule definitively on these proceedings and their outcome isn't a foregone conclusion, for the sake of credibility, it was important that we could at least try to reduce their inherent uncertainty. Accordingly, in the autumn, we computed a conceivable worse case for the outcome of the tax



proceedings for Kungsleden, in current circumstances.

If all proceedings are ruled against the company, we estimate the maximum negative effect on equity at SEK 2,930 m over and above the provisions of SEK 1,050 m already made. The estimated maximum negative liquidity effect is SEK 2,920 m, in addition to the SEK 260 m already paid. After the sale of Hemsö, we dispose over cash and credit facilities corresponding to the maximum negative liquidity effect of the tax disputes.

Fundamental changes on the property market meant that our previous strategy needed overhauling, work that was also initiated in 2012. The conditions for generating good profits from transactions in the same way as previously no longer exist. Rather, long-term value creation through the management and improvement of properties is our model. I think executing our new strategy will take three to five years. Against this background, and after nearly seven years at the helm, I've come to the conclusion that it's time for someone new to take over.

SEVEN-YEAR SUMMARY

Kungsleden was in an expansion phase in the first years after I took over, when we were a net buyer of properties. In 2007, we generated a yield of 26 per cent, but even then, the warning signs were there, and we did point out that we would not be able to deliver such high returns over time.

The financial crisis marked a more defensive attitude, with a greater focus on risk reduction by banks and other players. The years after the Lehman crash saw portfolio stability and good management take a more central role. Interest hedges entered in 2008 and exogenous factors including tax proceedings often overshadowed our positive underlying progress over time.

I'd like to take this opportunity to thank all my colleagues, three Chairmen and Boards of Directors for the past seven years. It's been an exciting journey, I've encountered a lot of interesting people and transactions, and I'm sure that Kungsleden will remain a great place to work in the same way it has been for me.

NEW STRATEGY

Managing wholly owned properties has been a strong value creator for Kungsleden over time. This new strategy will

mean us concentrating on wholly owned properties in Swedish growth regions. Value creation is achieved by satisfying needs for premises, managing and improving properties and optimising our property portfolio.

Going forward, Kungsleden will focus on properties that generate high risk-adjusted returns in the industrial/warehouse, office and retail segments in Greater Stockholm, the Mälare Valley, south-western Sweden and growth locations in northern Sweden. By focusing on three property types and markets that we really know well, we'll be even better at satisfying customer needs in these segments. This will strengthen our management further, and over time increase the profits we generate from our property portfolio.

This focusing can be viewed as an extension of the process that has been ongoing for several years. Hemsö was sold to AP3 in two stages in 2009 and 2012, while the German retirement home portfolio was sold to Hemsö in 2010. We will also sell Nordic Modular Group when market conditions are right.

NEW GOALS FOR KUNGSLEDEN

If 2012 marked the end of our previous focus, 2013 is the start of something new. We estimate there will be scope of SEK 5 to 6 billion to invest in properties over the next three years. We see good investment opportunities at a property yield of approximately 7.5 per cent.

We'll be setting a target for Kungsleden's profit from property management in 2015, with phase targets in 2013 and 2014. We'll also be reviewing our costs to achieve savings of 10 per cent.

With the current market and interest rate levels, achieving our target of a minimum return on equity of 15 per cent has been difficult. In the long term, Kungsleden should generate a return on equity exceeding the return the stock market requires of the company. In the short to medium term, and in current circumstances, we estimate this requirement at not less than 10-12 per cent.

OUR FIRST SUSTAINABILITY REPORT

Energy consumption is our single biggest climate impact. This is why it was natural for us to put a sharp focus on energy issues in our environmental work in the year. To reduce energy consumption, we review all properties each year. In the past three years, we have more than halved our CO₂

emissions in absolute terms, and in 2012, our costs for electricity, water and heating were down by nearly 3 per cent on 2011.

In 2012 and the coming years, sustainability work will focus on energy, environmental partnerships, environmental risks and health and safety issues. This year, we present our first GRI-compliant Sustainability Report, to sharpen our focus on sustainability issues still further, which will remain important to Kungsleden in the future.

NEW DIVIDEND POLICY

The Board of Directors intends to adopt a new dividend policy effective 2013 to better reflect long-term value creation. In tandem with this change, we will no longer be presenting estimates of profit for calculating dividends.

In a few years' time, once our definitive tax position has become clear, our target is for dividends of 50 per cent of profits from property management. However, in the coming years, dividends will be lower, adapted to our requirements for a liquidity contingency and investments.

For the financial year 2012, the Board of Directors is proposing a dividend of SEK 1.00 per share. Even if the sale of Hemsö significantly strengthened our finances, the Board of Directors judges that uncertainty surrounding tax proceedings and the need to deliver on our new strategy justifies continued caution.

OUTLOOK

The prospects of future value creation are good. With the acquisitions we expect to complete, we anticipate our cash flow returning to the same levels as prior to the sale of Hemsö within 18-24 months, even with a higher liquidity reserve for tax proceedings. Simultaneously, we anticipate profits from property management being restored within three years to the level prior to the sale of our final 50 per cent of Hemsö.

With a strong cash flow from property management, our underlying earnings capacity will increase, which in time, will be still more visible in our profits when the outcome of tax proceedings is clear and interest hedging costs have tapered off.

Stockholm, Sweden, March 2013

Thomas Erséus
Chief Executive

Get to know Kungsleden

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“Kungsleden’s business model and lettings market work well even in a more challenging market. In 2012, the demand for premises was especially high in Greater Stockholm and the Mälare Valley.”

SEK **485** m

Profit from property management

89.3%

Economic occupancy

Cecilia Gannedahl
HR & Corporate
Communications Manager

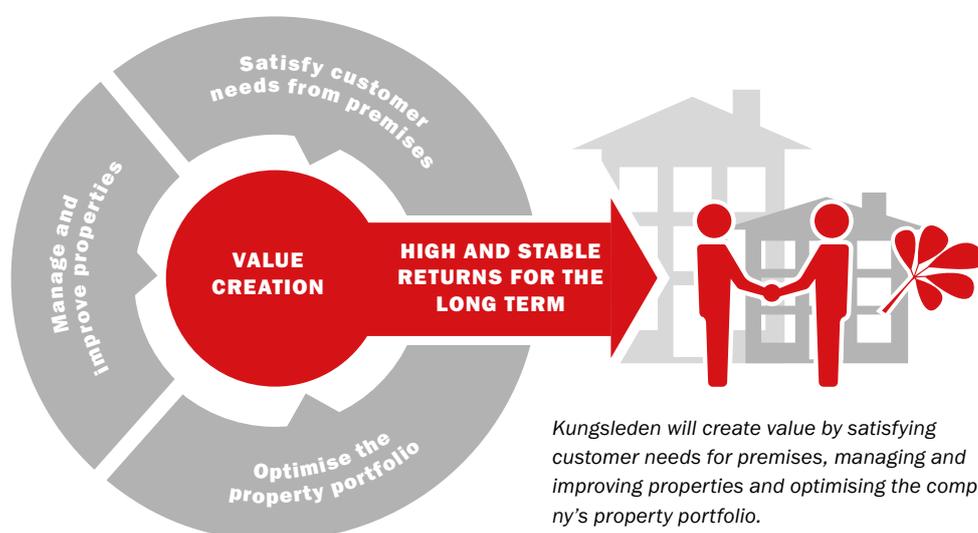
Holar 4, Kista



Business concept, targets and strategy

In the light of fundamental changes on the property market and a desire to concentrate its business, Kungsleden overhauled its business concept and strategy in 2012. Kungsleden's new strategy is designed to clarify how Kungsleden creates value. Managing Kungsleden's wholly owned properties has been a strong contributor to the company's profits over time. A business that is based on in-depth knowledge of property, and close, long-term customer relations.

KUNGSLEDEN'S STRATEGY



Kungsleden will create value by satisfying customer needs for premises, managing and improving properties and optimising the company's property portfolio.

VISION

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

BUSINESS CONCEPT

Kungsleden will own, manage and improve properties in Sweden's growth regions, and generate high and stable returns for the long term.

STRATEGY

Kungsleden will create value by satisfying customer needs for premises, managing and improving properties and optimising the company's property portfolio.

Satisfying customer needs for premises

- Providing properties where customers can operate and progress.
- Creating strong customer relationships through responsiveness, flexible actions and short decision-paths.

Manage and improve properties

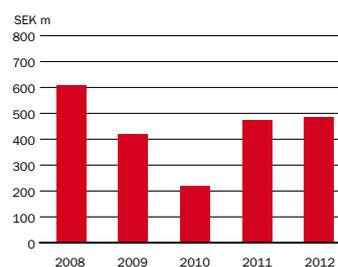
- Actively manage and improve properties to increase stable cash flows, and thus the value, of the property portfolio.
- Attract good tenants and endeavour to secure long lease contracts, high occupancy levels and a balanced cost level.

Optimising the property portfolio

- With good knowledge of the market and strong relationships with participants on the market, identify and exploit purchase and sales opportunities to increase risk-adjusted returns.

A platform for creating value for shareholders, customers, employees and wider society is a strong corporate culture where people enjoy their work, develop and deliver.

PROFIT FROM PROPERTY MANAGEMENT



FINANCIAL TARGETS

The overall financial target is to maximise cash flow growth within the financial limits set to secure a strong balance sheet for the short and long term. The greatest financial restriction for the short term is maintaining a liquidity contingency. Kungsleden will maintain cash and committed credit facilities of an amount corresponding to the worst case of tax proceedings (see Note 2) until the company knows their definitive outcome. The total is SEK 2.9 bn, with an estimated cost of 1 per cent per year, or SEK 29 m.

The equity ratio should be over 30 per cent, and the guideline loan to value ratio is 60 per cent on new property pur-

chases. Through Kungsleden's strategy, which focuses on value creation, the company will be managed towards a targeted group-wide profit from property management for 2015, with phase targets in 2013 and 2014. These phase targets and final target will be expressed at segment level, for properties and Nordic Modular. Profit for calculating dividends will no longer be a target.

For the long term, Kungsleden will generate a return on equity exceeding the return the stock market requires of the company's share. The return on equity target of 15 per cent applied to date is hard to attain in current market conditions. In the short to medium term, in current circumstances, the estimated

required return on Kungsleden is not less than 10–12 per cent.

Dividend policy

The dividend policy is differentiated considering the requirement for liquidity contingency resulting from tax proceedings:

- In the medium term, Kungsleden will be able to pay out 50 per cent of profit from property management, which corresponds to the current practice of listed property companies.
- While the outcome of tax proceedings remains unclear (probably until the end of 2015) a lower share of profit from property management will be paid out.



Kristina Borgström, Assistant Property Manager
and Malin Sloan, Assistant Technical Manager

Business model

Kungsleden's business model relates to owning, managing and improving properties that generate high risk-adjusted returns of the industrial/warehouse, office and retail types. One important precondition for Kungsleden creating value is to be active in growth regions in Sweden. Long-term value creation and improving stable cash flows is achieved through active management and enhancement. Simultaneously, Kungsleden optimises its property portfolio through purchases and sales, to increase risk-adjusted returns.

Kungsleden endeavours to enhance its property portfolio by increasing the return from properties and limiting their risks. The company addresses the industrial/warehouse, office and retail property types. By focusing on three property types, Kungsleden improves its knowledge of customer needs and market conditions. This helps strengthen customer relations and improve Kungsleden's capability to manage and improve its properties. Kungsleden prioritises its presence in growth regions. It focuses on Greater Stockholm, the Mälare Valley, south-western Sweden and growth locations in northern Sweden.

VALUE CREATION IN PROPERTY MANAGEMENT AND THE IMPROVEMENT PROCESS

The primary value-creating components are management efficiency, customer care and lettings, as well as the progress of operating net. Close collaborations and good relationships are prerequisites for satisfied customers. This is facilitated by responsiveness, flexible actions and short decision-paths.

Management efficiency

- Being there for tenants, working via local offices.
- Optimising property care through local contractors.
- Collaborating with central staff units on contract issues and regulatory requirements.

Customer care and lettings

- Adapt properties according to tenants' needs for premises.
- Attract good tenants and achieve stable rents.
- Endeavour to secure long-term contracts and ensure the right cost profile.

Progress of operating net

- Actively negotiate contracts to optimise revenues and costs, on a businesslike basis.
- Evaluate property development potential, such as building permits.

Improve and develop

- Work on development potential such as potential building permits and other property development potential.
- Development of undeveloped land, through extensions or other usages.

VALUE CREATION THROUGH PORTFOLIO OPTIMISATION

Active portfolio optimisation involves Kungsleden purchasing or selling properties with the aim of increasing the risk-adjusted returns of its property portfolio. Maximising risk-adjusted returns is about Kungsleden's skill in selecting the right type and property at each given buying opportunity. By prioritising those properties with the highest expected returns in relation to their weighted risk, and diversifying risk in choices of types and regions, Kungsleden will achieve an optimal property portfolio.

The right price of a property not only depends on its type, performance or location, but also its specific site within a location. Fluctuations in rent levels are often lower outside city centres, and therefore, so is risk. To make an aggregate appraisal of property value, Kungsleden conducts an analysis of all unique risk factors linked to each property. Examples of risk factors are tenant strength, the flexibility of premises, environmental factors and lease contract duration. There is a constant trade-off between risk and return. When Kungsleden judges that the value of a property exceeds the price, the company purchases if the yield exceeds what could



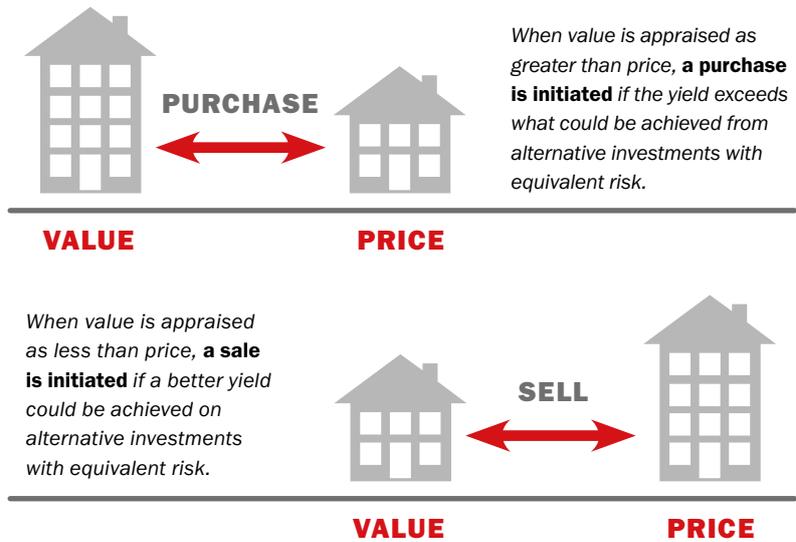
Kungsleden's focus is to own, manage and improve industrial/warehouse, office and retail properties in Greater Stockholm, the Mälare Valley, south-western Sweden and growth locations in northern Sweden. Currently, 90 per cent of Kungsleden's property portfolio is located in these regions. The points indicate the locations of Kungsleden's properties in these growth regions.

be generated from alternative investments. Correspondingly, a sale is initiated when the appraised value is less than the price if the yield on alternative investments is better.

In a property transaction, Kungsleden's appraisal may differ from other players on the market, assuming a lower risk on the cost side, or a greater opportunity on the revenue side, for example. Market required returns vary in an interval over time, and Kungsleden's objective is to purchase a property in this interval when yields are at their highest, and sell when yields are at their lowest.

Due to Kungsleden purchasing packages of properties from time to time, the property portfolio could also include some properties that lie outside its strategy in terms of geography and/or type. Kungsleden's objective is for at least 90 per cent of the value of the total property portfolio over time to be in industrial/warehouse, office and retail properties in Greater Stockholm, the Mälare Valley, south-western Sweden and growth locations in northern Sweden.

EXAMPLES OF PORTFOLIO OPTIMISATION



Karin Hedvall, Assistant Technical Manager

Our customers

Kungsleden's customers represent a cross-section of the Swedish business community, including small enterprises and large corporations. Manufacturing, transportation and retail are some of the sectors where our customers are active.

Kungsleden's ten largest customers represent approximately 32 per cent of the company's total rental value. ABB is the single largest tenant, with total annual rental value of SEK 295 m. Kungsleden's customers represent many different sectors such as manufacturing, transport, construction, education, finance, restaurants and hotels. Customer satisfaction surveys indicate that what primarily attracts customers to Kungsleden is its understanding of their needs for premises, combined with the encounter and level of service they receive.

Kungsleden's foundation of values—of being there, being innovative and easy to deal with—applies especially in its collaboration with customers. Strong customer relationships are primarily created through responsiveness, flexible actions and short decision-paths. Many customers emphasise the simplicity of their collaboration with Kungsleden.

Due to decentralised decision-making, managers and tenants can work out good, sustainable solutions for premises together.

Kungsleden's customers mainly lease industrial/warehouse, office and retail premises. By focusing on three types of



The customer satisfaction survey indicates that Kungsleden's knowledge and understanding of their premises needs, combined with the encounter and level of service offered, are rated highly.

property, Kungsleden achieves superior knowledge of customer needs and market conditions. This helps strengthen customer relations and enhances its capability to manage and improve properties.

With its six local offices, Kungsleden is close to its customers. Its aim is to provide premises that are tailored to customer's operations, and that can be altered according to customer needs. Kungsleden has decided to outsource the local care of properties to local contractors. This enables a high level of personal service in all regions.

It is important for Kungsleden to influence its tenant mix so that the composition of its customers and premises is favourable. This enables Kungsleden to achieve healthy, mutual relationships, where the customer chooses Kungsleden and Kungsleden chooses its customer mix.

LARGEST TENANTS

	Rental revenue, SEK m	Share of rental revenue, %
ABB	295	16.1
Bring Frigoscandia AB	62	3.4
Överskottsbolaget	55	3.0
The Swedish National Fortifications Administration	38	2.1
ICA	38	2.1
Region Gotland	32	1.8
V-TAB	30	1.6
BYGGmax AB	29	1.6
Coop Sverige Fastigheter AB	18	1.0
Axfood Sverige AB	18	1.0
Total, ten largest tenants	615	33.7
Other tenants	957	52.3
Nordic Modular	256	14.0
Total	1,828	100.0

NET LETTINGS, ROLLING BY QUARTER



ABB

bring
FRIGO

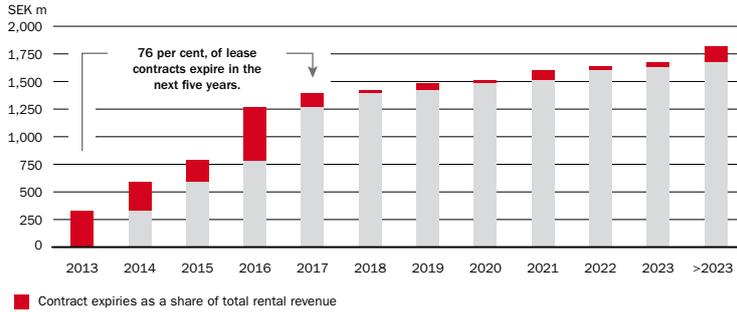
ÖB



FORTIFIKATIONSVERKET

ICA

MATURITY STRUCTURE OF LEASE CONTRACTS



The average remaining contract term as of 31 December 2012 was 4.9 years.

SATISFIED CUSTOMERS

Kungsleden's property management work includes regular surveys of what customer's regard as especially important, and how well Kungsleden is satisfying customer expectations. 19 per cent of Kungsleden's customers responded to this year's customer satisfaction survey, conducted by an external researcher.

The customer satisfaction survey indicates that Kungsleden's knowledge and understanding of their needs for premises, combined with the encounter and level of service offered, are rated highly. In response to what extent Kungsleden satisfies customer expectations as a landlord, Kungsleden scored 7.2 on

a 10-point scale. Its average for recommending Kungsleden was 7.2 in the survey, where 10 means very likely. Customers who had conducted refurbishments or extensions rated Kungsleden 7.6 for collaboration. To summarise, it is fair to say that Kungsleden



I perceive Kungsleden as being willing, and not unwilling, to help us, the tenant. We only ever get good, fast service, which makes us feels secure, not insecure."

—a tenant

scores highly in items associated with the company's actions, which is very consistent with Kungsleden facilitating opportunities.

Apart from its customer satisfaction survey, Kungsleden's customers can submit their views directly to their property manager or on the company's website. Customer satisfaction surveys are conducted in alternate years. Kungsleden meets its large customers at least once a year.

Maintaining a high occupancy level is an important component of Kungsleden's management work. Accordingly, Kungsleden's management organisation works actively to attract tenants and endeavours to secure long lease contracts. In 2012, vacancies were fairly stable. At year-end 2012, the vacancy level in the total property portfolio was 6.8 per cent excluding Nordic Modular.



Peder Naréus
Electrolux Home, Umeå

Scan the QR card and watch Peder Naréus report on the major rebuild of Electrolux Home in Umeå, northern Sweden.

OPPORTUNITIES



Green partnership with V-TAB

p.2

Kungsleden helps MQ move forward in Hudiksvall

p.6

Training premises regeneration for Framtidsgymnasiet

p.8

IN PRACTICE

KUNGSLEDEN

facilitating opportunities

GREEN PARTNERSHIP WITH V-TAB IMPROVES HEALTH AND SAFETY, AND CUTS COSTS



“Partnering with tenants on energy saving is one way to achieve better results than if everyone was acting independently. This enables us to help each other on investments and share savings, while tenants can also identify other energy saving projects more easily,” said Maria Sandell, Kungsleden’s Environmental Manager.

“Tenants get a reduced total cost of premises, while landlords gain properties with better installations,” added Maria.

2

OPPORTUNITIES IN PRACTICE

BACKGROUND

Kungsleden holds regular meetings with its tenants, whose aims include facilitating partnerships on sustainability issues. A number of segments of a lower technical standard had been identified at printing group V-TAB’s property in Örebro, west of Stockholm.

SOLUTION

On Kungsleden’s initiative, all ventilation control and regulation equipment was replaced. The new ventilation

technology improved options for regulating indoor air, and saving energy. Pressure control was also installed, enabling different ventilation flows in different rooms, reducing ventilation in seldom-used spaces.

Niclas Noord, V-TAB’s Site Manager in Örebro, is noting how more customers have started to raise environmental demands, and is hoping for continued partnership with Kungsleden contributing to a more sustainable world—environmentally and financially.

OUTCOME

This partnership project on energy and environmental issues resulted in a better indoor climate and yearly savings



“There are several projects we want to run with Kungsleden at other plants. We’re always working on improvements conforming to Svanen principles for print-works, so environmental issues are always high on the agenda,” commented Niclas Noord.

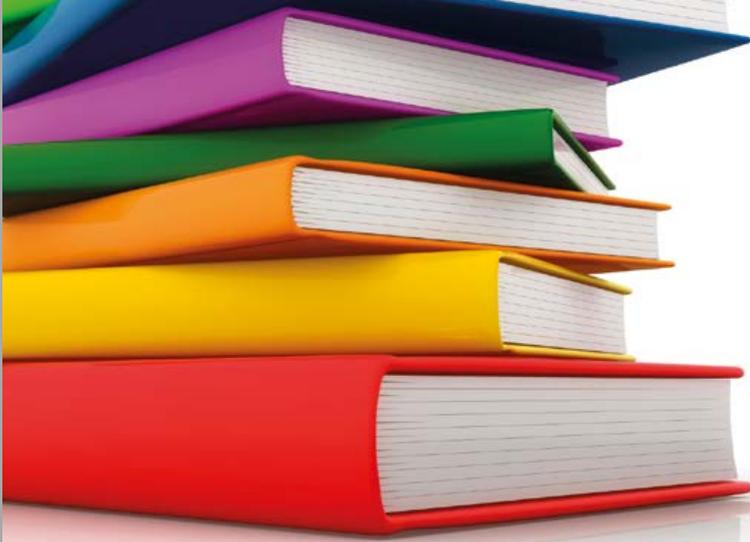


of 400 MWh, some 30,000 kg of CO₂ or at least SEK 295,000 in reduced energy costs.

The Örebro print-works have been free of volatile organic compounds (VOCs) since 2012, which means solvents are no longer used. The premises are of about 4,500 sq.m., and hold ISO 14001 and Swedish Svanen (Swan) environmental certification. As a contributor to paper recycling, the print-

works is affiliated to Reparegistreret, the sector’s producer responsibility solution for plastic, metal, paper/board and corrugated board packaging.





FÖRLAGS-SYSTEM

BACKGROUND

Förlagssystem provides logistics solutions for around 400 publishers, book clubs, Internet book retailers and bookstore chains. It also holds most Swedish titles and the biggest-selling foreign books in stock. In volume terms, this equates to around 55,000 pallets of books.

In 2011, Förlagssystem concentrated its warehousing and logistics operation at a large, single newbuild 35,000 sq.m. facility in Falun, central Sweden. But a huge new deal in early-2012 meant that Förlagssystem needed another 10,000 sq.m. of warehouse space.

SOLUTION AND OUTCOME

The solution was to remain in Kungsleden's logistics property in Falun, which Förlagssystem had vacated during its coordination process. The new assignment required a rapid start-up of operations in the new-again warehousing premises. Kungsleden got going, completely converting its kitchen, enhancing ventilation, face-lifting office space and refurbishing floors in the storage areas.

“Despite Kungsleden being a big company, I was surprised how they made everything so trouble-free,” commented Håkan Nykvist, Förlagssystem’s Logistics and Estates Manager.

“We’re delighted that Förlagssystem has decided to sign a new lease contract with us in Falun. Our partnership’s worked really smoothly and simply with their managers on the project,” responded Kjell Bergman, Kungsleden’s Regional Manager.

Förlagssystem signed a new, four-year contract on total area of 10,800 sq.m.

NATIONAL PRISONS & PROBATION ADMINISTRATION IN HÄRNÖSAND, NORTHERN SWEDEN

BACKGROUND

A need for premises for the Swedish National Prisons & Probation Administration arose during the co-ordination of activities in Härnösand, northern Sweden. The primary requirements were that new premises had to be secure, flexible and effective. The Administration considered a range of alternatives with the aim of finding a solution that would suit its regional office and a halfway house.

Kungsleden was already landlord of the Administration’s training operations, housed in a property close to the E4 motorway, about ten minutes’ walk from the town centre.

After an appraisal, the Administration decided to co-locate its regional office, halfway house and training operation. This brought another opportunity to share conference and meeting premises, while the relocation distance was only 200 m.

SOLUTION AND OUTCOME

Kungsleden renovated frontages, made some minor operational adaptations and security enhancements. The regional office transferred in November, while the halfway house moved in December 2012. From 1 December onwards, the Administration increased areas from 1,100 to 2,160 sq.m. on a six-year contract.



“The dialogue with Kungsleden was positive. They were very responsive to our wants and needs, and make a very good collaboration partner,” commented Cathrin Ahlgren, Staff Manager of the Swedish National Prisons & Probation Administration in Härnösand.

“We want good dialogue with our tenants so we can offer better letting solutions for them. This is what we mean by being there,” added Johan Jarl, Kungsleden’s Assistant Property Manager.

OVERCOMING OBSTACLES BRINGS A SUCCESSFUL AID START-UP IN KUNGSBACKA, GOTHENBURG

BACKGROUND

Erikshjälpen is a non-profit aid organisation primarily funded by private donations. A chain of some 50 second-hand stores located around Sweden is a key part of its operation. Erikshjälpen really needed the right premises for a reasonable cost for a new start-up in Kungsbacka, Gothenburg, in 2012.

Kungsleden had a large property available, which previously housed a print shop. The challenge was that the oldest parts of the property dated from the 1950s, and its condition required fairly extensive modification and renovation to be able to house new tenants. A limited timescale to opening was another challenge.

“We pointed out that obstacles could show up on the way, and tried to solve these problems as quickly as possible. We were always open and clear about what was happening and what we’d done. Another ambition was to try to find different ways to keep costs down together,” said Johan Lann Vallin, Kungsleden’s Assistant Property Manager.

SOLUTION

The adaptations involved the demolition of interior walls, levelling floors, rewiring, ventilation and lighting and roof repairs. The drains and heating also needed work, because previously, printing presses had been a key heat-source.

Despite these challenges, Erikshjälpen saw the potential of these premises. They were highly visible, with large spaces, and easily accessible with plenty of parking. Negotiations started in early-2012, with the aim of opening on 1 September.

OUTCOME

“We felt a little downbeat when opening was imminent and we still didn’t have everything ready. There were problems outside, tarmac-ing and road access, painting and removal of previous wall installations. There was a lot of give and take. But with the benefit of hindsight, I can say the start-up was a great success, with better-than-expected sales, and in the way we’ve reached out to people. We’re getting very positive feedback from customers,” added Store Manager Björn Josefsson.

Erikshjälpen signed a ten-year contract on the store premises, of nearly 2,500 sq.m. Moving in is gradual as areas are completed. Kungsleden thinks the preparation process, and people occupying the property, has stimulated interest in its other parts. The fact that Erikshjälpen is an aid project was a positive factor when evaluating the property development.





MQ ON THE ADVANCE IN HUDIKSVALL, NORTHERN SWEDEN

BACKGROUND

Competition is intense in retailing, and clothing is no exception. If they want to move forward, store chains like MQ must keep working on their offering, visibility and accessibility.

A retail unit became available at Fyren shopping centre in Hudiksvall, northern Sweden, and because it was an attractive site, a lot of tenants were interested. MQ also thought the site was good, but there was a challenge in it having more than a year left on its current lease elsewhere in the town.

The new store was the right size, and is also the first unit visitors see when entering the shopping centre from the street. Accordingly, MQ decided it was significantly better than their previous location. Negotiations began with Kungsleden to try to find a solution together.

SOLUTION

Various alternatives were considered by each organisation with the aim of finding a profitable solution for both parties. After a few rounds of negotiation, a solution was found, with MQ converting the store, part-funded by Kungsleden with an investment grant. The negotiations went smoothly, with the store chain feeling it got good treatment and fast responses from Kungsleden.

OUTCOME

The store opened on 26 October and at year-end, sales were on target.

6



Left to right: Gunilla Önberg-Åkerlund, Retail Centre Manager, Cristoffer Högberg, Kungsleden's Project Manager of Development Properties and Isabelle Ahlqvist, Store Manager for MQ

“Basically everyone knows where the MQ store is in a small town like Hudiksvall, so you might think location isn’t so important. But this move shows that location is actually crucial, even in smaller towns. You get spontaneous trade in a completely different way when you do this type of relocation,” commented Olof Fredman, MQ’s Start-up Manager.

“We did this because we knew MQ operates professionally, creating great stores that satisfy all Swedish standards and regulations,” added Cristoffer Högberg, Kungsleden’s Assistant Property Manager.



FRAMTIDS

GYMNASIET—

THE VOCATIONAL SENIOR HIGH SCHOOL



Andreas Dufva, Kungsleden's Assistant Property Manager and Ann-Sofi Forsberg, Principal, Framtidsgymnasiet

BACKGROUND

Framtidsgymnasiet, a forward-thinking vocational senior high school, needed new educational premises in Nyköping, south west of Stockholm, for its engineering programs. Kungsleden had large industrial premises available, but some of the space had been empty for many years and required substantial adaptation from its previous industrial use to make it operational again. The premises previously had several temporary usages, including a tyre warehouse.

The project presented a variety of challenges, but if successful, would bring attractive benefits for both parties—Framtidsgymnasiet's owner Academedia would gain attractively located, practical premises close to the waterfront and city centre, while for Kungsleden, there were benefits in extending the property's tenant mix.

SOLUTION

Discussions began to find solutions in the spring, and a joint action-plan was identified fairly quickly, which started immediately with the help of architects to produce suitable space for workshop, welding, plumbing and theoretical programs. The project involved new break rooms and offices for a total of some 150 students, managers and other staff.

OUTCOME

Andreas Dufva, Kungsleden's Assistant Property Manager, reports that while it was possible to retain some of the industrial parts of the property, the project basically involved a complete interior renovation.

“Everything's happened really quickly. We think the property's value will gain by us getting other tenants. We want to contribute to changing the zoning plan for the area positively, so that in future, other operations can move in, which is why we've had an exemption granted for the school,” said Andreas.

“Everything has worked really well and gone according to schedule. The work's being done by a good, positive team. The alternative would have been to stay in our old premises, or somewhere else in Nyköping, but that didn't feel as attractive,” added Mikael Petterson, Estates Manager of Academedia, who owns Framtidsgymnasiet.

Academedia, an education provider and major Kungsleden tenant, signed an eight-year contract in Nyköping, starting January 2013.

Market overview

Demand for industrial and warehouse premises in the Stockholm region is good, and rental progress is expected to be stable in the coming years as a result of fairly limited supply. Gothenburg is expected to make fairly poor progress until exports recover, while rent levels and the Öresund region are expected to be stable. For retail premises, rent differences between successful and less successful start-ups are continuing to widen.

OFFICES

Rent levels for the most central parts of Stockholm: Gothenburg and Malmö are sensitive to cyclical variations and have the most volatile rental levels. Office markets in the suburbs resemble markets in other major Swedish cities, with stable rent levels over time.

Major cities

Stockholm's strong office market that featured in 2012 is expected to sustain in 2013. Suburban locations are benefiting because many businesses regard central locations as too expensive. Outside the city centre, the office market is heterogeneous with large differences in vacancies and standards. Demand here is more stable over time.

In Gothenburg, rent levels have risen faintly in recent years. Rent growth in outlying areas is forecast to be stable, with levels increasing somewhat in the coming years.

In the Öresund region, where the lettings market is generally stable, Malmö and Lund represent the biggest office market. In the coming years, Västra hamnen and Universitetsholmen are expected to be the leading office markets in Malmö. Rent levels will be stable, with Newsec expecting that if anything, vacancies will be affected by market progress. Business closures affected Lund negatively, although a brighter outlook is anticipated eventu-

ally due to forthcoming start-ups of research facilities.

INDUSTRIAL/WAREHOUSE

The demand for premises in the Greater Stockholm region is good, and a fairly limited supply of industrial and warehouse premises means that rent growth will be stable in the coming years. The supply of unexploited land is limited, and there is some conversion of centrally located industrial estates to other usages, such as retail and housing.

Access to industrial land close to the central parts of Gothenburg is better than in Stockholm, implying somewhat lower rent levels. Until Swedish exports have had time to recover from the recession, rent levels are expected to make fairly weak progress.

The Öresund region, mainly the region from Malmö to Helsingborg, is one of Sweden's primary industrial and logistics locations, with good infrastructure. Rent levels are expected to make stable progress in the coming years.

RETAIL/STORES

The retail lettings market is primarily controlled by private consumption. In 2012, retail levels were stable, and the trend is towards a growing gap between successful and less successful start-ups is continuing. Rent levels were stable in 2012, but vacancies are increasing in less successful start-ups.

Property locations and image will play a more important role, primarily in the Stockholm and Malmö regions, where retail start-ups are in rapid expansion. Generally, retailing in the Gothenburg region is more stable due to fewer new start-ups occurring in recent years.

YIELD CHANGE ON THE PROPERTY MARKET?

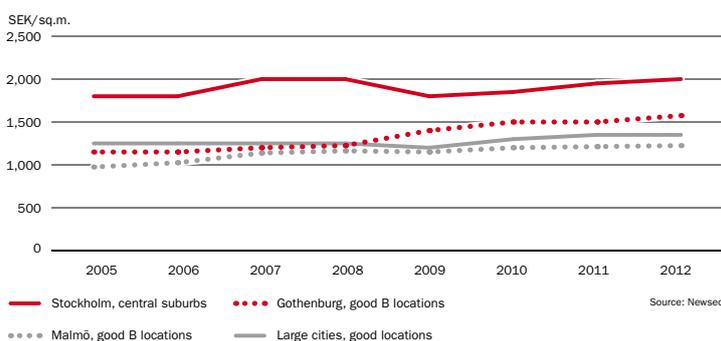
If, as forecast, effective interest rates increase, required returns in segments with historically low required property yields like housing and offices in prime sites should increase. What may accentuate this scenario is if properties simultaneously lose their the unique capacity to create real growth when other asset classes like equities and bonds recover.

This means that segments with low required property yields may be restricted when the economy strengthens and interest rates rise through the difference between required property yields and real interest rates reducing. Segments with higher required property yields benefit from stronger GDP growth. An improved economy creates better funding opportunities and investor risk appetites increase. This creates downward pressure on required returns and the difference between required returns on different property segments may decrease again.

ENVIRONMENTALLY CERTIFIED PROPERTIES

Environmentally certified properties become more attractive because more tenants are conscious of sustainability, and actually becoming subject to the formal requirement of operating in sustainable premises. These properties have lower costs and higher rent, offering superior profitability, higher value and a guarantee of a reduced environmental impact, which Newsec thinks, make sustainable properties a good investment overall.

MARKET RENTS



Kungsleden's market

Despite significant economic concerns in Sweden and the debt crisis in southern Europe, any impact on Kungsleden's lettings market has been limited. Greater Stockholm and the Mälare Valley performed especially well in the year, which contributed to net lettings of SEK 15 m, and the average rent of the portfolio increasing to SEK 755 (719) per sq.m.

Demand for premises was high in Greater Stockholm and the Mälare Valley. Västerås performed especially strongly, with the tenant base including large corporations like ABB and Westinghouse. In south-western Sweden, demand was unchanged on 2011, although unevenly spread

geographically. Of northern Sweden's growth locations, Umeå stood out with its high demand.

Kungsleden's starting-point is supplying premises where customers can operate and progress. Accessible locations with parking and easy access to and from motorways or other major

routes are in demand for office and warehousing purposes.

Ongoing tenant adaptations are made when the customer's operations change or expand. The capacity to adapt premises also facilitates new lettings. The total vacancy level was about 10 per cent at year-end.

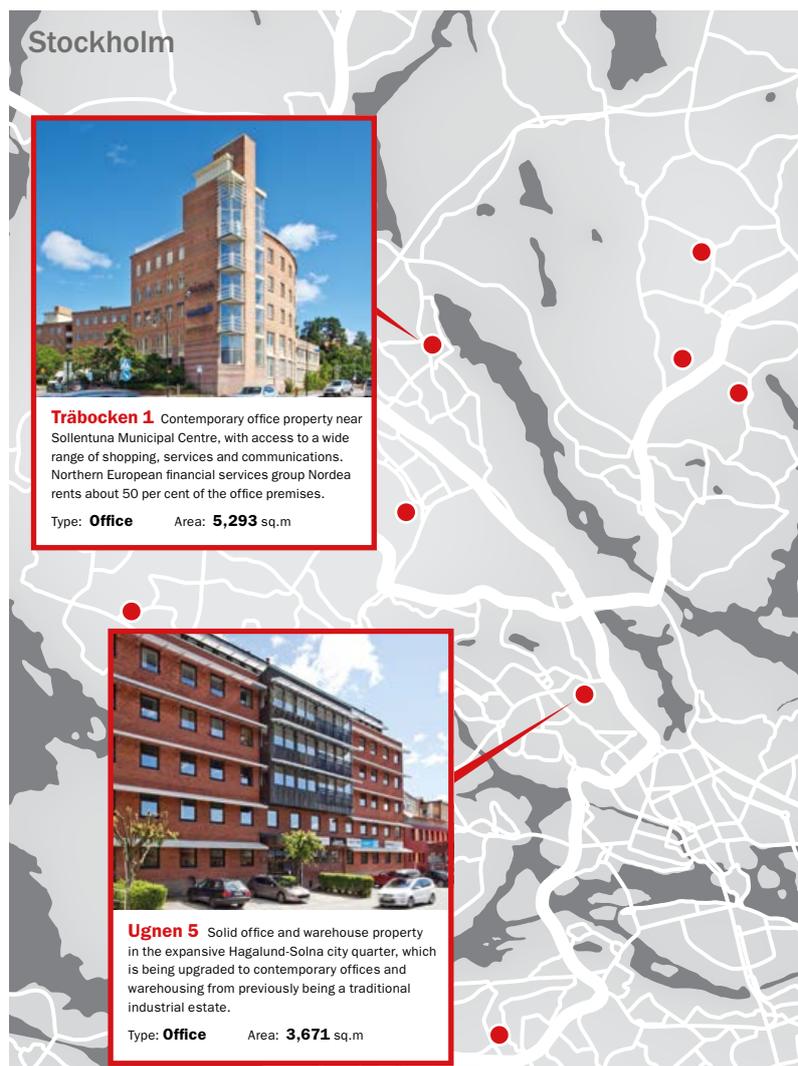
Greater Stockholm



Demand remained positive for most premises types, although some stagnation in rental growth was apparent with longer decision-making processes for new lettings. The number of terminations to vacate remained unchanged, contributing to positive net lettings for the year. The trend of especially high demand for premises of up to approx. 500 sq.m. continued, including general logistics, industrial and warehouse premises in good locations for communications.

Kungsleden offers a range of premises types in greater Stockholm such as offices, warehousing, industrial, logistics and retail premises. These properties are located outside city centres, distributed evenly north and south of the city. The effects of market-related fluctuations in rent and vacancy levels are less than in city centre locations, which helps reduce the downside in poorer economic conditions.

For rental values, each vacated tenant implies a cost for vacancy, marketing and conversion. Accordingly, Kungsleden puts a lot of effort into customer care to retain its current tenants as far as possible.



Mälare Valley

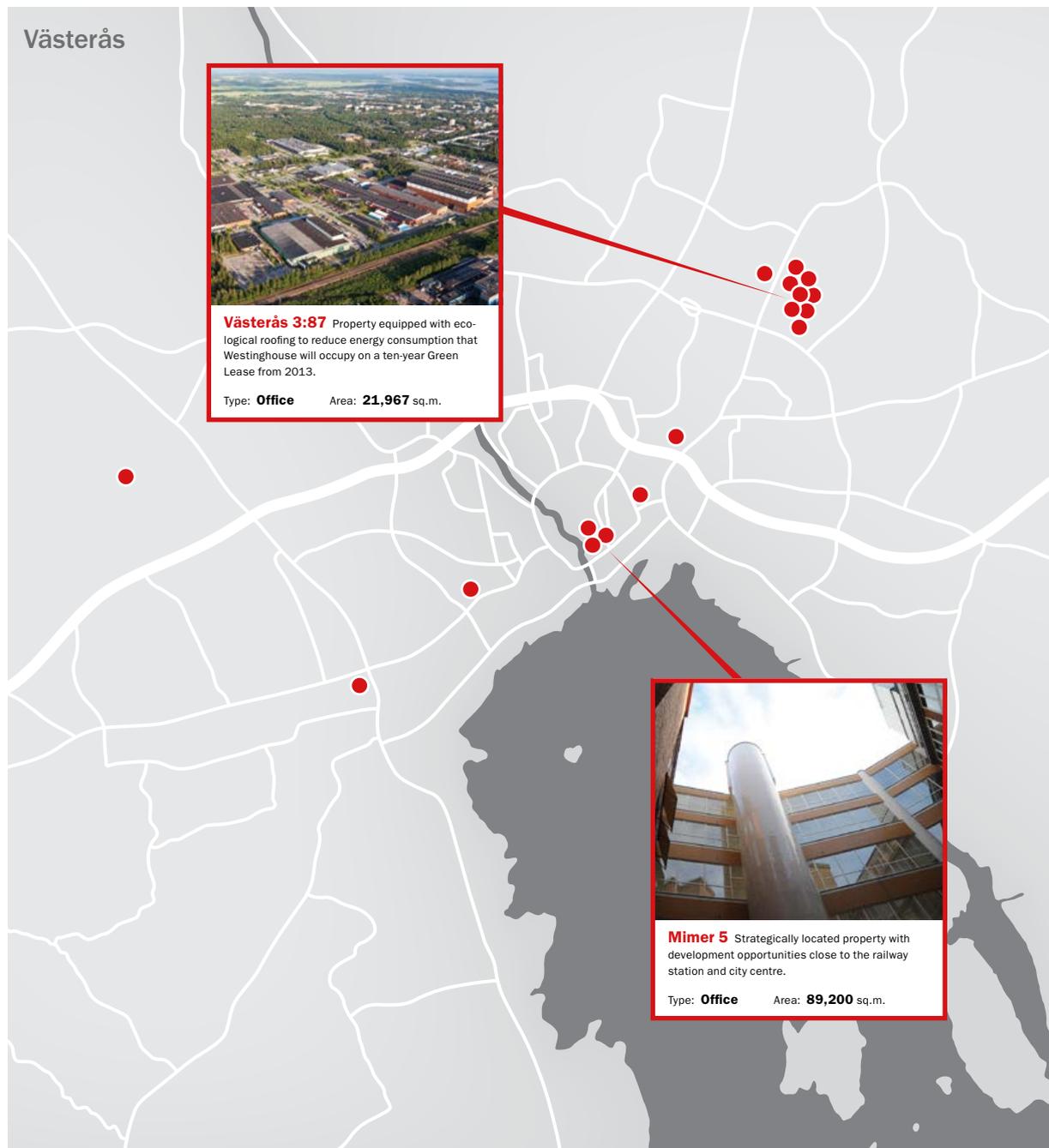


The lettings market in the Mälare Valley featured increased demand pressure for premises, especially in Västerås, which contributed to increased rent levels in more attractive locations. One of the reasons for positive demand progress was that the City of Västerås is working actively to develop the city and its infrastructure with the aim of facilitating business start-ups in the region.

The primary demand was for contemporary, effective office premises close

to Västerås central station and the E18 motorway. Interest in Kungsleden's industrial and warehouse premises on Finnslätten outside Västerås was also high, where in some cases, customers can lease their own buildings.

Kungsleden worked actively on improving its properties in the region in the year. In certain cases, it can supplement its offerings with new builds, were Kungsleden holds building permits.



South-western Sweden



Viewed over the year, activity was inconsistent, with longer decision-making processes and a somewhat hesitant attitude from current and potential tenants. Despite a challenging market, several major new tenants were added in western Sweden.

The demand for logistics and industrial premises was especially high. Offices and warehouse premises in the 200–500 sq.m. range were also in demand, especially in southern Sweden.

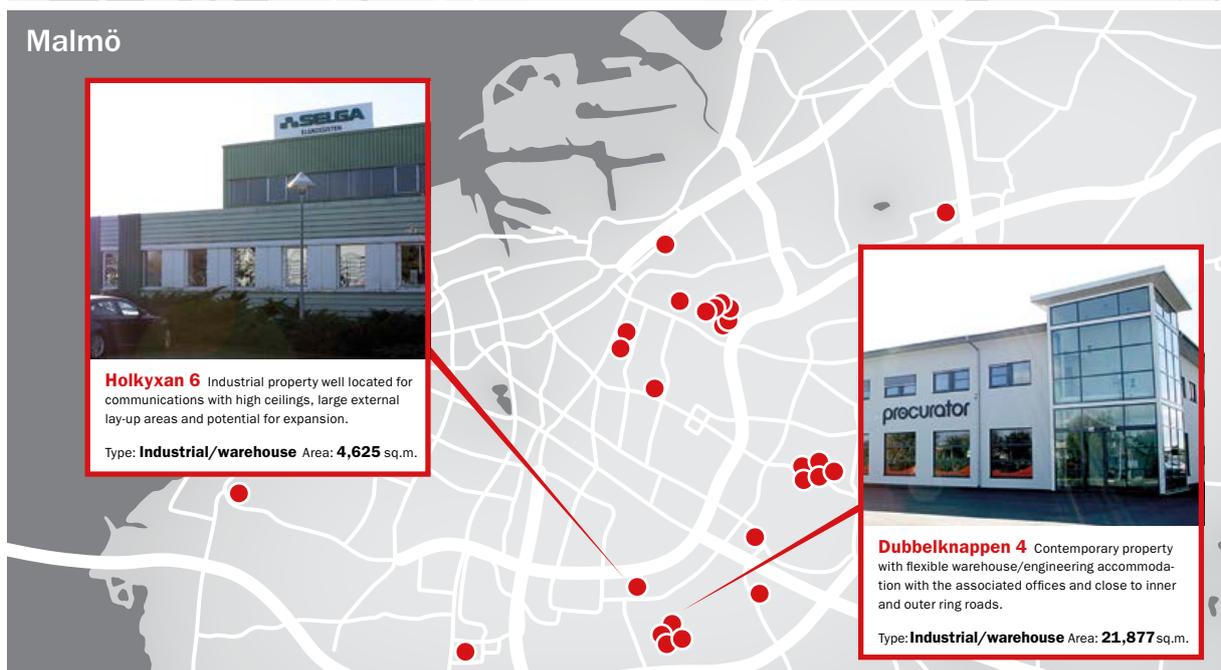
Goal-oriented letting work and no major contract terminations contributed to positive net lettings in the region.



Gothenburg

Kryptongasen 4 Industrial and warehouse premises in a good logistics location. Functional and flexible floor-plans that match demand in the region well.

Type: **Industrial/warehouse** Area: **8,236** sq.m.



Malmö

Holkyxan 6 Industrial property well located for communications with high ceilings, large external lay-up areas and potential for expansion.

Type: **Industrial/warehouse** Area: **4,625** sq.m.

Dubbelknappen 4 Contemporary property with flexible warehouse/engineering accommodation with the associated offices and close to inner and outer ring roads.

Type: **Industrial/warehouse** Area: **21,877** sq.m.

Growth locations in northern Sweden



The strength of the lettings market varied between northern Swedish growth locations. Generally, the fourth quarter saw a slowdown in this region.

Investments in mining, and Facebook opening its Luleå data centre contributed to greater activity in Norrbotten. The University town of Umeå also made strong progress ahead of IKEA's upcoming start-up. In Sundsvall, activity was more restrained. The location of the forthcoming Högbrons södra interchange close to Kungsleden's properties is positive.

Gävle had a difficult time after Ericsson's previous vacations, but new businesses are moving into the location. The current expansion of the Port of Gävle is helping increase interest in Kungsleden's logistics property.

Kungsleden has a good presence along the northern Swedish coast, with flexible premises and competitive rent levels. Offerings include office premises in Sundsvall, logistics and warehouse premises in Luleå and Gävle and a varied selection in Umeå. In Hudiksvall, Kungsleden has retail premises in a retail centre that performed positively in the year.



Kungsleden's assets

Kungsleden's assets	19
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Nordic Modular	24
Hemsö	25

“As a result of the sale of Hemsö, Kungsleden's assets have been concentrated on wholly owned properties, focusing on industrial/warehouse, office and retail.”

Anders Kvist
Deputy Chief
Executive, CFO



8.0%

Property yield calculated as earnings capacity

Bönavägen 55, Gävle

SEK 15,777m

Total book value of properties

Kungsleden's assets

In 2012, Kungsleden decided it would concentrate its portfolio on the growth regions of south-western Sweden, Greater Stockholm, the Mälare Valley and growth locations in northern Sweden. The property portfolio was concentrated onto wholly owned properties in tandem with the sale of Hemsö. In net terms, the number of properties decreased to 278 (324). The value of properties increased to SEK 15,777 (15,693) m, mainly as a result of value-enhancing investments.

PROPERTY PORTFOLIO

Kungsleden's property portfolio is divided by type according to its main usage: industrial/warehouse, office, retail and other. Industrial/warehouse is the largest type, which represented 38 (40) per cent of portfolio value as of 31 December 2012.

By focusing the portfolio on four regions and three types, Kungsleden will achieve greater management efficiency, while enhancing the building up of competence, and contributing to stronger customer relations.

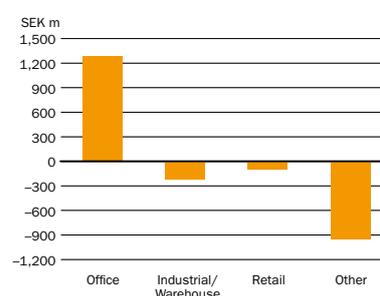
At year-end, some 90 per cent of the portfolio was located in the four focus regions, which is part of Kungsleden's new strategy. There was especially high concentration in three municipalities: Västerås, Malmö and Helsingborg.

Continued improvement and optimisation

Work on optimising the portfolio intended to increase risk-adjusted returns continued in 2012. Kungsleden was a net seller for a value of SEK 100 m. The single biggest purchase was 11 properties from Hemsö with a total purchase price of SEK 1,550 m. Annual rental value was SEK 163 m with leasable area of 143,000 sq.m.

59 (15) properties were also sold for SEK 1,666 (1,198) m with total area of 266,000 (142,000) sq.m. and rental value of SEK 208 (96) m. The two largest property sales, apart from the part-ownership of Hemsö, was 39 public properties for just over SEK 900 m in the third quarter, and a package of 9 properties for SEK 380 m in the fourth quarter.

NET CHANGE BY TYPE, 2012



In net terms for the year, this means the number of properties decreased by a total of 46 (30), rental value decreased by SEK 9 m, while area decreased by 127,000 sq.m.

These transactions produced a property portfolio that is better positioned to achieve higher total returns.

Improvements of the existing portfolio have been achieved through means including development projects on undeveloped land, extensions and conversions, and by utilising existing building permits.

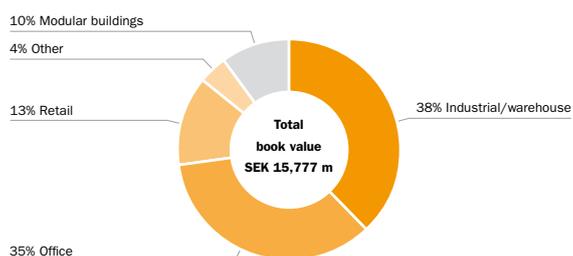
NORDIC MODULAR

Nordic Modular consists of Temporent, Flexator and Nordic Modular Leasing. Temporent lets temporary premises in modules, mainly to municipalities and large corporations. Flexator also sells modular buildings based on standardised systems to use as storage units or offices, retirement homes, schools and pre-schools. Nordic Modular Leasing offers leasing as an alternative to purchasing.

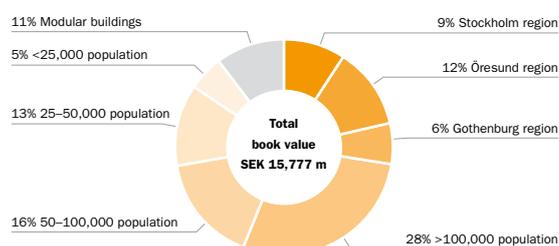
Nordic Modular progressed well in 2012, and its modular lettings were up on the previous year, with operating net increasing by SEK 18 m.

As part of Kungsleden concentrating its business on wholly owned properties, Nordic Modular will be sold when there is an opportunity, and on favourable terms.

PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2012



PROPERTY PORTFOLIO BY SIZE OF LOCATION, 31 DECEMBER 2012



EARNINGS CAPACITY, WHOLLY OWNED PROPERTIES

Type	No. of properties	Area, 000 sq.m.	Book value, SEK m	Operating net, SEK m	Property yield, %	Economic occupancy, %
Industrial/warehouse	116	1,197	6,058	511	8.4	91.0
Office	88	672	5,579	424	7.6	90.2
Retail	56	266	2,071	158	7.6	94.0
Other	18	76	560	37	6.7	91.4
Total	278	2,211	14,268	1,130	7.9	91.1

Earnings capacity shows the appearance of the Income Statement if the property portfolio as of 31 December 2012 had been held throughout 2012. This table does not include modular buildings.

Kungsleden has owned Nordic Modular since January 2007, and it has returned an average of over 20 per cent on equity over time.

The company has a strong cash flow and makes a positive contribution to Kungsleden's earnings.

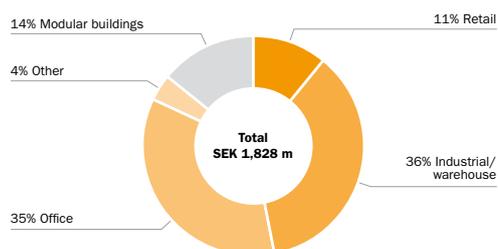
Read more about Nordic Modular at www.nordicmodular.com.

PART-OWNERSHIP OF HEMSÖ

Social services properties were also a segment of the group until year-end. Such properties mainly consist of retirement homes, schools and care facilities. These properties were mainly held within Hemsö, which was 50:50 joint owned by Kungsleden and AP3. In mid-December, Kungsleden sold the

remaining 50 per cent of Hemsö to AP3. This transaction was part of the implementation of Kungsleden's new strategy, which focuses on wholly owned properties in growth regions.

CONTRACTED ANNUAL RENTS, 31 DECEMBER 2012



AVERAGE REMAINING CONTRACT TERM

Type	Years
Retail	5.3
Industrial/warehouse	4.3
Office	4.6
Other	6.2
Total	4.9



Andreas Norberg, Project Manager, Transactions and Malin Evertsson, Assistant Property Manager

Valuation method

Kungsleden conducts internal valuations continuously as an integrated component of its business process, where an individual appraisal is conducted on each property to determine the value that could be raised on sale. With the aim of quality-assuring and verifying internal valuations, an external appraiser also conducts regular valuations.

Kungsleden applies a valuation method that is basically a version of the location-price method. The applied required return is based on information on property transactions on those markets where Kungsleden is active, and bidding processes that Kungsleden has participated in.

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 valuations that form the basis of book value, a valuation of cash flow of each individual property is also prepared as a reference. This is achieved by calculating the present value of the property's estimated cash flows in the forecast period, and the present value of the market value at the end of the forecast period, termed residual value. Present value calculations are based on a five-year forecast period. The fifth year in the calculation should reflect an assessed long-term sustainable cash flow for the property.

Future rent payments for each property are calculated on the basis of applicable rent contracts. Rent payments of future rent periods and for vacant premises are computed individually for each property. The cash flow of operating and maintenance costs is judged similarly. Cost histories of each property are used as the basis for judging future costs. Age, maintenance status and usage are also considered when judging future costs.

An inflation assumption of 2 per cent has been applied. The actual cost of capital for each property is considered for valuing cash flow. The value of cash

flow for Kungsleden is used as a strategic base for whether the property should be held or sold.

INTERNAL VALUATION

Kungsleden's property portfolio is valued measured at fair value, 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 that could be achieved through sale is conducted for each property.

EXTERNAL VALUATION

Regular appraisals by an external, independent party are also conducted with the aim of quality assuring and verifying internal valuations. A complete external valuation is conducted every third year, including property inspections, for a representative selection of

properties, amounting to 50-70 per cent of total portfolio value. Updates of previous valuations, termed desktop valuations, of properties held at the beginning of the year, are also conducted in intervening years. Normally, these external valuations are conducted in the autumn, with December as the base point. Complete valuations are always conducted for new properties and properties with special circumstances.

In 2012, and with the base point of December, DTZ and Savills conducted desktop valuations of most of the properties held for the full year. Complete valuations were also conducted on the Swedish properties purchased in the year. Overall, this means that 89 (91) per cent of total book value was valued externally. Excluding modular buildings, 99 (97) per cent of properties were valued externally. The external valuations are comparable with, and corroborate, internal valuations.

OPERATING NET AND PROPERTY YIELD FOR EACH PROPERTY TYPE

SEK m	Book value	Operating net	Property yield, %	Internal required property yield, %
Industrial/warehouse	6,058	511	8.4	3.8–13.1
Office	5,579	424	7.6	4.6–12.4
Retail	2,071	158	7.6	5.0–9.8
Other	560	37	6.7	6.0–8.2
Total	14,268	1,130	7.9	

PROPERTY VALUES

SEK m	Industrial/warehouse	Office	Retail	Other	Valued properties	Not externally valued ¹	All properties
Book value	5,961	2,071	5,576	467	14,075	1,702	15,777
External valuation	5,931	2,041	5,600	498	14,070		

1. Of un-valued properties, SEK 1,509 m is modular buildings, SEK 164 m two properties in Germany and SEK 29 m a small number of buildings and land parcels.

Earnings capacity

Earnings capacity illustrates the appearance of the Income Statement as if the property portfolio as of 31 December 2012 had been held for the full year. This facilitates judging the group's future earnings capacity, because purchases and sales of properties in the year alter the property portfolio so that historical earnings are a less accurate indicator of the future. The purpose of calculating earnings capacity is also to demonstrate how alterations to the portfolio in the year have affected various key figures.

For newly purchased properties, the concept of earnings capacity is a combination of calculated operating net and 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 conducted. From the seventh to the eleventh month, earnings capacity is actual outcomes from completion translated to 12-month equivalents.

From the twelfth month 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 the earnings

capacity of properties. Property yield is a profitability measure, but also an indicator that properties are reasonably valued.

At year-end, property yield was 8.0 per cent, basically unchanged on the previous year. Generally, variations in property yield depend on the following:

- 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/or purchased properties' yields are higher than, average portfolio yields.
- Positive value changes to the book value of properties 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. Operating net increased by SEK 22 m on properties held for 12 months, which primarily relates to modular buildings. The change in property yield in 2012 on properties held throughout the period is marginal. Both economic occupancy and the operating surplus margin increased in properties held for the whole period.

PURCHASE AND SALE

Purchases and sales of properties increased the property yield of the portfolio by 0.2 percentage points after value changes. Overall, the property yield of purchased properties was 7.2 per cent while sold properties had a property yield of 6.6 per cent. Two Polish properties were sold in the year, at a property yield of 11.3 per cent. Basically, the operating net was not affected by purchased and sold properties in net terms.

VALUE CHANGES

Value changes are another underlying explanation for the progress of property yields. Value changes of SEK -60 m in 2012 relating to modules affected property yields marginally.

CHANGES IN THE PERIOD

	2011 31 Dec	Properties held for the full year	Purchased properties	Sold properties	2012 31 Dec
No. of properties	324	2	11	-59	278
Leasable area, 000 sq.m.	2,569	-5	143	-266	2,442
Book value, SEK m	15,693	184	1,550	-1,650	15,777
Rental value, SEK m	2,072	36	163	-208	2,063
Rental revenue, SEK m	1,849	36	151	-193	1,843
Operating net, SEK m	1,234	22	112	-110	1,257
Economic occupancy, %	89.2	0.8	-0.3	-0.4	89.3
Property yield, %	7.9	-0.1	0.1	0.1	8.0
Operating surplus margin, %	66.7	0.8	-0.4	1.1	68.2

EARNINGS CAPACITY BY TYPE

	Industrial/ warehouse	Office	Retail	Other	Modular buildings	Total
No. of properties	116	88	56	18	–	278
Leasable area, 000 sq.m.	1,197	672	266	76	231	2,442
Book value, SEK m	6,058	5,579	2,071	560	1,509	15,777
Rental value, SEK m	741	708	227	65	322	2,063
Rental revenue, SEK m	674	639	214	59	257	1,843
Operating net, SEK m	511	424	158	37	127 ¹	1,257
Economic occupancy, %	91.0	90.2	94.0	91.4	79.8	89.3
Property yield, %	8.4	7.6	7.6	6.7	8.4 ¹	8.0
Operating surplus margin, %	75.7	66.4	73.9	63.2	49.5 ¹	68.2

EARNINGS CAPACITY BY SIZE AND LOCATION

	Stockholm region	Gothenburg region	Öresund region	Other cities by population, 000				Modular buildings	Total
				>100	50–100	25–50	<25		
No. of properties	31	25	40	53	40	50	39	–	278
Leasable area, 000 sq.m.	155	148	244	684	306	414	260	231	2,442
Book value, SEK m	1,479	996	1,890	4,496	2,548	2,030	828	1,509	15,777
Rental value, SEK m	161	110	193	625	303	241	108	322	2,063
Rental revenue, SEK m	154	87	165	581	278	219	102	257	1,843
Operating net, SEK m	110	52	128	388	195	172	85	127 ¹	1,257
Economic occupancy, %	95.8	79.3	85.6	92.9	91.7	90.7	94.4	79.8	89.3
Property yield, %	7.4	5.2	6.8	8.6	7.6	8.5	10.3	8.4 ¹	8.0
Operating surplus margin, %	71.3	59.3	77.3	66.8	70.1	78.8	83.8	49.5 ¹	68.2

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

EARNINGS CAPACITY, SEK m

	2012 31 December	SEK/ sq.m	2011 31 December	SEK/ sq.m
Rental revenues	1,843	755	1,849	719
Operation and maintenance costs	–530	–217	–561	–218
Property tax	–52	–21	–49	–19
Ground rent	–4	–4	–5	–2
Operating net	1,257	513	1,234	480



Hanna Tomasson, Assistant Technical Manager

Nordic Modular

Nordic Modular is a Nordic leader in the letting, manufacture and sale of modular buildings. Buildings with a high level of prefabrication enable flexible and cost-efficient, high-standard solutions for municipalities, county councils and businesses.

Nordic Modular's origins extend back to 1956 when its first factory was established. The group currently consists of three business lines:

- Temporent lets modules and modular systems, mainly used as offices, schools or pre-schools.
- Flexator manufactures and sells everything from advanced buildings for permanent usage to basic units for construction sites. The focus is on self-developed mobile buildings offering cost benefits to customers.
- Nordic Modular Leasing lets mobile buildings on long-term contract in Sweden. Buildings with terminated leases are re-leased or sold as used. Operations also cover subsidiary Hagtornet's lettings of student accommodation.

RAISING QUALITY AND STANDARDS

The modular concept enables greater efficiency through the construction process so that building costs are lower. Historically, temporary buildings were primarily associated with more basic accommodation or units on building sites. But with advances in design and materials, the final standard of the building is no longer determined by whether it is based on a modular concept, but rather, on design and choice of materials. This means that now, it is often hard to distinguish a Flexator pre-school, office or retirement home from buildings on static foundations.

STRATEGY

- The focus should be on mobile modular buildings with the highest possible level of prefabrication.
- Enhanced product image through development and design.
- Increased customer awareness of the benefits of the concepts.
- Organic growth of letting.
- Facilitate start-ups on new markets

and extending business through acquisitions.

- Utilise competence within different parts of the group through conscious management collaboration to develop existing and new operations.

Some three-quarters of customers are municipalities and county councils, with businesses representing the remainder.

DRIVERS

The primary driver for Temporent is the long-term increase in the demographic trend affecting demand for schools and pre-schools. The business cycle is the primary underlying explanation for the demand for office premises for business customers.

For Flexator, demographics, with long-term population growth and an ageing population, are an important demand driver for buildings for retirement homes, care, pre-school and schools. The demand for storage units is dependent on construction, and especially housing construction.

Profitability requirements, variations in the access to credit and interest rate levels affect Nordic Modular Leasing's demand.

MARKET IN 2012

The market was inconsistent in 2012. At the beginning of the year, Flexator was affected by Sweden's new Planning and Building Act, which triggered temporary uncertainty. This Act has made appeals against construction projects more common, causing delays on new construction projects. The number of building starts for new housing reduced in the year.

Temporent's order intake decreased in the year. Simultaneously, the return flow of modules reduced at about the same rate, which meant that net lettings still increased. Overall, progress was satisfactory.

Nordic Modular Leasing secured one of its biggest orders to date in the year. The customer is Volvo Cars, who will

move in during 2013. The number of new lease contracts reduced in 2012, so rental revenues decreased somewhat.

ORGANISATION

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

NORDIC MODULAR

SEK m	2012 Jan-Dec	2011 Jan-Dec
Rental revenues	257	244
Property costs	-44	-49
Gross profit, module lettings	213	195
Sales revenues, modules	270	288
Production costs, modules	-249	-258
Gross profit, module sales	21	30
Trading net		
Sales and administration costs	-63	-60
Profit/loss from participations in Hemsö		
Net financial position	-58	-58
Unrealised value changes		
Properties	-60	-60
Financial instruments	-5	-42
Profit before tax	48	5
Tax	-13	-1
Net profit for the year	35	4

SEK m	2012 Jan-Dec	2011 Jan-Dec
Reversal of unrealised value changes and tax	78	103
Profit for calculating dividends	113	107

SEK m	2012 Jan-Dec	2011 Jan-Dec
Properties	1 509	1 550

Hemsö sale improves Kungsleden's financial position

Just before year-end, Kungsleden sold the remaining 50 per cent of Hemsö Fastighets AB to AP3 (The Swedish Third Pension Insurance Fund) for SEK 3,320 m, including repayment of a shareholder loan of SEK 1,500 m. This price exceeded book value by approximately SEK 631 m including transaction costs, and the transaction increased Kungsleden's shareholders' equity by nearly SEK 850 m. This transaction was part of Kungsleden focusing on wholly owned properties in growth regions.

Strengthening Kungsleden's liquidity by SEK 1,750 m was an additional effect of this transaction. In tandem with the deal, Kungsleden also purchased 11 properties, with a significant office component, from Hemsö for around SEK 1,500 m. This purchase also meant that Kungsleden's borrowing capacity extended by over SEK 1,000 m.

Hemsö's portfolio consisted of 357 social services properties with tax-financed operations such as retirement homes, school and care as well as other public activities. The portfolio was spread geographically nationwide, albeit with some concentration on major regional cities.

As of 31 December 2012, Hemsö's property portfolio consisted of a total 357 properties with a book value of SEK 22,951 m and area of 1,707,000 sq.m. In 2012, these properties generated rental revenue of SEK 1,900 m and an operating net of SEK 1,364 m.

A STABLE AND PROFITABLE PORTFOLIO

The accumulation and development of social service properties was a good investment for Kungsleden. Kungsleden started building its portfolio in 2001, and by the end of 2008, it represented as much as 58 per cent of Kungsleden's book value. In the early years, the portfolio was a division in Kungsleden, Public Properties. At the end of 2008, Kungsleden signed an agreement with AP3 to sell half of its holding. Independent company Hemsö was then formed in May 2009, which relocated to its own premises in spring 2011.

Kungsleden's ownership of Hemsö, most of whose customers are municipalities and county councils on long lease contracts, helped engender stability, not least during the financial crisis. Kungs-

leden's share of Hemsö's annual profit averaged SEK 300 m since 2009.

STRONGER KEY FIGURES

The following table illustrates Kungsleden's financial position at year-end, and pro forma on the transaction completion date of 15 February 2013, when Kungsleden received payment for the sale of Hemsö. The shareholding and shareholder loan were derecognised before year-end, and were replaced by a receivable from AP3 for the payment. The primary difference as of the completion date is that cash and bank balances

increased substantially, simultaneous with the receivable from AP3 disappearing. On the liabilities side, other liabilities decreased in tandem with Kungsleden paying for the properties purchased by Hemsö, achieved through increasing bank borrowings and some decrease in cash and bank balances.

Kungsleden's financial key figures improved significantly after the Hemsö transaction. For the sake of transparency, the table includes two alternative measures for loan to value ratio and equity/asset ratio: with and without considering the liquidity positions.

STATEMENT OF FINANCIAL POSITION—PRO FORMA

SEK m	31 December 2012 from financial statement	31 December 2012 pro forma after Hemsö transaction
ASSETS		
Properties	15,777	15,777
Other non-current assets	666	666
Receivable from AP3	3,363	–
Other current assets	373	373
Cash and bank balances	721	3,549
Total assets	20,900	20,365
LIABILITIES AND EQUITY		
Equity	7,726	7,726
Interest-bearing liabilities	9,704	10,720
Derivatives	1,125	1,125
Other non-interest-bearing liabilities	2,345	794
Total equity and liabilities	20,900	20,365

KEY FIGURES—PRO FORMA

	31 December 2012 from financial statement, %	31 December 2012 pro forma after Hemsö transaction, %
Loan to value ratios		
Interest-bearing liabilities/properties	62	68
Net loan liability ¹ /properties	57	45
Equity/assets ratio		
Equity/total assets	37	38
Equity/total assets based on net loan liability ¹	38	46

¹ Net loan liability consists of interest-bearing liabilities less cash and bank balances.

Our responsibilities

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“Apart from the environment, Kungsleden’s Sustainability Report also covers ethical and social responsibility. The focus is on a strong corporate culture, with ambitious targets to reduce energy consumption.”

Maria Sandell
Environmental
Manager

< **50** %
CO₂ in three years



Långhuset 1, Malmö

Environment and sustainability

Working on corporate social responsibility and environmental responsibility have been self-evident to Kungsleden for a long time. In recent years, Kungsleden's sustainability work has evolved beyond environmental issues to also cover health and safety, as well as other social and ethical issues. The result is that for the first time this year, Kungsleden is presenting its first Sustainability Report compliant with Global Reporting Initiative (GRI) guidelines. As a major property owner, Kungsleden exerts a significant impact on its surroundings, and accordingly the opportunity to make significant efforts for sustainable development.

KUNGSLEDEN'S SUSTAINABILITY REPORT

This Sustainability Report emphasises what Kungsleden and its wholly owned subsidiaries achieved from an environmental and social perspective in the calendar year 2012. Kungsleden takes full responsibility for such information generated within the group, and that the company has control over, whose outcome can be influenced. Operations that were sold in the year are not included in this Report, while operations that have been acquired are included. On occasion, this may give rise to significant changes in reported outcomes.

RESPONSIBILITY AND CONTROL OF SUSTAINABILITY WORK

Obviously, Kungsleden accepts responsibility for its own operations and the properties it owns. In addition, Kungsleden maintains an active dialogue with its customers and suppliers to contribute to sustainable development in a wider context.

Ultimate responsibility for environmental and energy policies rests with the Chief Executive and group management. A full-time Environmental Manager, who works on environmental, health & safety and energy issues, as well as their communication and implementation in property management, transactions and projects provides support.

Kungsleden overhauled its strategy in 2012, which also involved the reformulation and adoption of the sustainability strategy by the group management and Board of Directors.

Kungsleden has an overall environmental and energy policy and adopts new environmental targets for its operations each year. A new health and safety policy was also prepared in 2012. Overall targets linked to customers and

employees are formulated yearly, and measured at group level.

IN DIALOGUE WITH STAKEHOLDERS

Kungsleden affects, and is affected by, surroundings close to the company. Accordingly, being aware of what tenants, shareholders, employees and other parties expect from Kungsleden is important. Kungsleden has identified its most significant stakeholders using a model to map its stakeholders, executed by an interdisciplinary working group of Kungsleden employees and consultants in this segment. The following stakeholders have been identified as most significant: tenants, the media, bloggers/tweeters/debaters, interest groups, municipalities, county council boards, central government, shareholders, employees, suppliers and Fryshuset. These stakeholders are also consistent with the groups that

Kungsleden communicates actively with via various media.

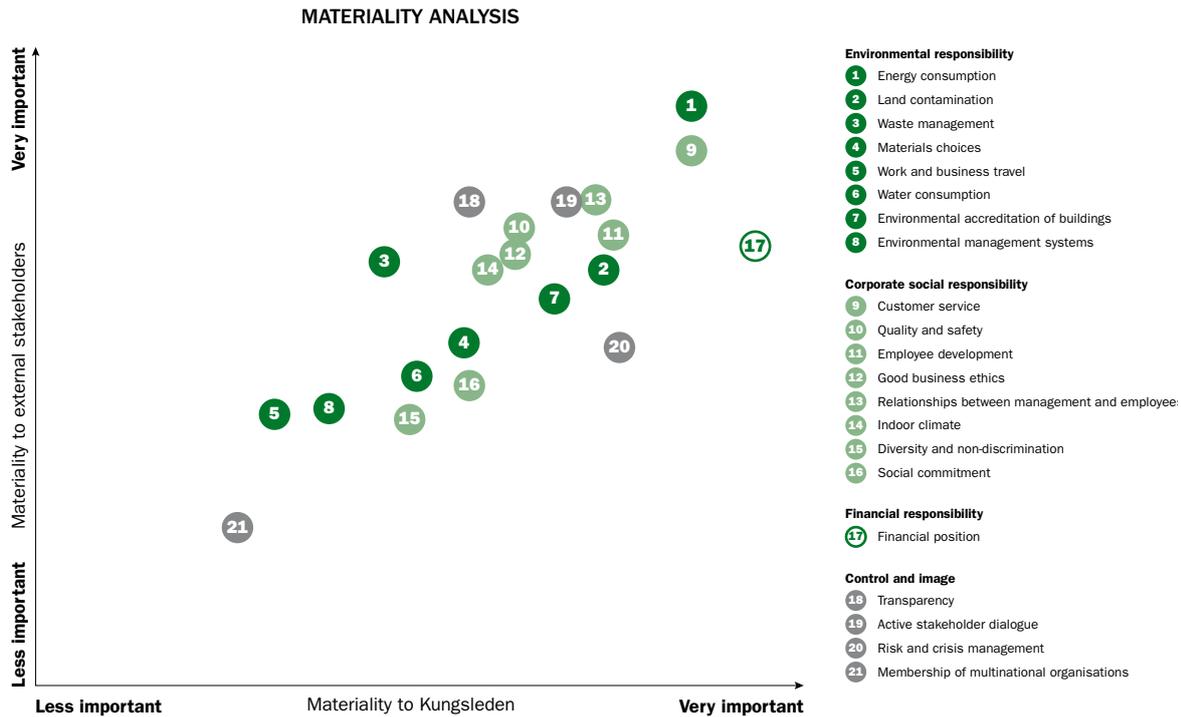
In spring 2012, Kungsleden decided to conduct a sustainability survey designed to collect stakeholders' views of sustainability issues and related segments for feedback.

The outcome was used to prioritise future target segments, but also to prioritise areas of interest for reporting and feedback. The sustainability survey was available at Kungsleden's website and was distributed in printed format at the Annual General Meeting and Capital Markets Day in the year. In addition, the survey was disseminated via Kungsleden's twitter channel and in a tenant newsletter. Those stakeholders in most active dialogue on these questions were identified in tandem with the stakeholder mapping process, and correspond to the stakeholders expected to use Kungsleden's sustainability report.

KUNGSLEDEN'S SUSTAINABILITY VISION



- We act responsibly towards the environment and our customers, business partners, regulatory authorities, employees and shareholders, and are perceived as a responsible corporate citizen.
- We are convinced that we can contribute to building a sustainable society by being a role model and going our own way.
- Sustainability issues are high on the agenda. Kungsleden takes the initiative, and is the driving-force that listens!
- Maintaining our trust from customers, shareholders, employees and other stakeholders is a prerequisite for our ethical conduct.



FOCUS SEGMENTS IN 2012

Stakeholders' and Kungsleden's priorities of sustainability issues are stated in the materiality analysis above. Stakeholder priorities are based on the results of the sustainability survey. Average scores on a five-point scale for each aspect have been transferred to the materiality analysis. All segments reported in this analysis are more or less material to the company's internal and external stakeholders and the issue's scope in reporting is based on relative materiality. Material aspects for external stakeholders have been defined as; material segments that stakeholders have shown an interest in, key segments reported and discussed frequently for the sector and relevant laws and regulations. For internal stakeholders, material aspects have been defined as; Kungsleden's core values, strategies and targets, material risks for Kungsleden and Kungsleden's success factors. High-priority issues from an external and internal perspective in 2012 were energy consumption, customer service, financial position and progress, employee development and relationships between management and employees, as well as active stakeholder dialogue. Accordingly, these segments were selected as focuses for the Sustainability Report.

FOCUSED ENERGY WORK

Energy consumption has a big impact on the environment and operating costs of the property portfolio. Energy burden is the single biggest climate burden from Kungsleden's operations. All electrical power Kungsleden purchases is hydropower of certified origin. In 2012, hydropower was from Brokke Power Station in Norway, and in 2013, hydropower will be sourced from Harrsele Power Station in the Umeå River, Sweden. To reduce energy consumption, Kungsleden has conducted an annual review of all properties according to its own model of an 'energy crackdown.' This means intelligent measures are recognised and can be executed without unnecessarily long lead-times. All actions generating yearly savings of over 30,000 kWh are listed for the relevant year. In 2012, Kungsleden conducted total savings and rationalisation gains corresponding to 1.5 GWh (5,375 GJ) of annual savings, which have required total investment of approximately SEK 4 m. The average payback time for these investments is about 4.5 years.

GREEN LEASE

In 2012, Kungsleden launched the Green Lease for its existing tenants and on new contract signings. The Green Lease is a product where landlord and tenant undertake to collaborate on

energy savings, materials choices and to discuss potential improvements regularly.

Kungsleden conducts and meets the cost of energy mapping as the first phase of any Green Lease. The measures identified in the energy mapping are then discussed by the tenant and Kungsleden together, and how they should be managed. In this way, there is no risk of any measure being 'lost in transit.' Kungsleden signed a total of 12 Green Leases in the year, energy mapping is ongoing for all these contracts, and accordingly, no actual energy-saving actions have been executed yet.

Energy consumption is followed up monthly for each region. Assistant Property Managers review consumption statistics for each property to map trends and analyse changes and patterns. This enables potential problems to be identified at an early stage.

REDUCED CLIMATE BURDEN

Kungsleden has more than halved the CO₂ emissions that its operations generate in absolute terms in the past three years. This is largely based on Kungsleden's initiative to reduce energy consumption, realigning heating sources from oil boilers to other types of heating and new electricity contracts with hydropower of certified origin that generate lower emission volumes. All actions are the result of voluntary initiatives.

GREENBUILDING ACCREDITATION

Kungsleden has worked on GreenBuilding accreditation, a EU-wide system to reduce energy consumption in buildings as another part of its energy work. To attain GreenBuilding certification, energy consumption must be reduced by at least 25 per cent, or 25 per cent less than Swedish newbuild requirements for energy. Kungsleden had GreenBuilding certified three properties in previous years. In 2012, another three were submitted for accreditation to the Sweden Green Building Council (SGBC), which Kungsleden has been a member of since 2010. Most of the buildings that will exist for the next hundred years are already built. Accordingly, to make any major difference to the environment, focused energy work on existing properties is necessary.

RESPONSIBILITY IN EVERY CONTEXT

Kungsleden appoints a large number of contractors and suppliers each year.

Most are regular counterparties that Kungsleden has close contact with. In the year, Kungsleden invited its contractors in all five regions to information events on sustainability. At these events, Kungsleden informed them about the laws and regulations

applicable to the environmental segment and the occupational health and safety segment, and on the processes and expectations Kungsleden has for managing them. To facilitate the work of its suppliers and contractors, Kungsleden also presented aids and tools for contractors to satisfy the standards set by Kungsleden and legislation. Kungsleden intends to conduct several similar events going forward to maintain an open dialogue on these issues with contractors. Kungsleden has developed new contract terms for subcontractors and suppliers with a sharper focus on occupational health and safety and environmental issues. Kungsleden visits construction sites to ensure compliance with applicable regulatory requirements. In the year, Kungsleden did not identify any instance of non-compliance with laws and regulations. Accordingly, Kungsleden did not incur any significant sanctions. Nor were any measures taken against Kungsleden for anti-competitive behaviour, restrictive practice breaches or monopolistic conduct.

OCCUPATIONAL HEALTH AND SAFETY IN FOCUS

There was a big focus on occupational health and safety issues in 2012 to minimise accidents and the risk of incidents among employees, contractors and suppliers. Kungsleden has developed new templates and routines

to manage health and safety risks on projects. All employees occupying premises and construction sites have access to safety equipment such as helmets and high-visibility vests, as well as documentation stating their identity and place of work. Kungsleden's Assistant Property Managers and Technical Managers took a two-day course on occupational health and safety focusing on risk assessments and measures to minimise risks. After this training, staff are authorised to serve as construction occupational health and safety co-ordinators for planning and project management (BASP) and executive construction occupational health and safety coordinators (BASU) on projects. In 2012, Kungsleden also conducted a full-day training package focusing on electrical safety. Kungsleden has several properties with high-voltage plant, where there is an additional emphasis on electrical safety and responsibility as a landlord.

Occupational health and safety also covers tenants. Kungsleden's premises should be expedient, and not cause any detriment to people's health or the environment. As a matter of routine, Kungsleden measures radon levels in all its properties. The final properties that had not previously had readings taken were measured in 2012. Accordingly, radon has now been measured at all of Kungsleden's properties. There are no



Malin Evertsson, Assistant Property Manager and Peter Versén, Technical Manager

regulatory requirements to measure radon levels in properties at present when there is no suspected human health hazard.

Kungsleden regularly conducts OVK (mandatory ventilation) inspections of its property portfolio to ensure satisfactory air quality. 100 OVK inspections were conducted in 2012. Kungsleden complies with the authorities' recommended inspection intervals.

DECONTAMINATION OF PROPERTIES

Kungsleden has been working on removing caulking compounds containing PCBs for several years. At present, only four properties with caulking compounds containing PCBs remain in the property portfolio, against 21 in 2008. PCB is a long-lasting chlorinated

molecule that can spread from buildings to the adjacent land and water, to be absorbed by plants and animals. Accordingly, removing PCBs from properties is important.

Environmental impact, health and safety are also considered in the purchase and sale of properties. Kungsleden has had a process for mapping the environmental, health and safety risks of properties for several years to be able to evaluate risks and potential actions before conducting a purchase. Kungsleden also makes disclosures to purchasers when selling properties. Kungsleden also conducts an assessment of health, environmental and safety considerations when converting, managing and potentially selling, according to its predetermined process.

AWARDS

Kungsleden won several awards and prizes in the year.

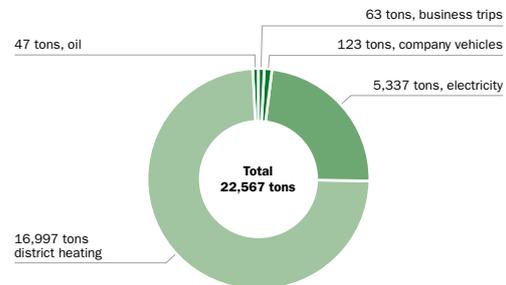
- One of Sweden's best employers in the Great Place to Work survey.
- Winner of the Universum Award, which focuses on employer branding for students.
- The CDP (Carbon Disclosure Project), where Kungsleden participates in the CDP's survey of greenhouse gas emissions each year. Kungsleden scored 74 of a maximum 100 points, which can be set against the property sector average of 58.
- Green Tenant Award; Kungsleden shared fourth place in the Green Tenant Award arranged by Nextport and Tengbom.

THE ENVIRONMENTAL YEAR IN FIGURES

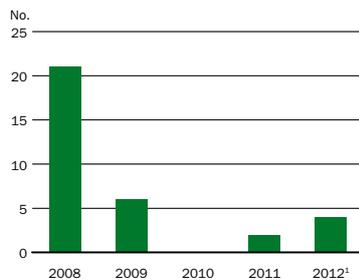
ENVIRONMENTAL IMPACT

	2012	2011
Direct energy consumption, GJ (oil)	626	318
Direct energy consumption, GWh (oil)	0.17	0.09
Indirect energy consumption, GJ (district heating and electricity)	587,672	709,100
Indirect energy consumption, GWh (district heating and electricity)	163	197
Direct emissions of greenhouse gases, tons (oil)	47	24
Indirect emissions of greenhouse gases, tons (district heating and electricity)	22,334	31,918
Other emissions, tons (travel)	186	
Consumption of electrical energy, GWh	60	111
Electricity consumption efficiency, kWh/sq.m.	34	38
CO ₂ emissions per sq.m. for heating, kg/sq.m.	17	30
CO ₂ emissions per sq.m. for electricity consumption, kg/sq.m.	4	4

CO₂ EMISSIONS IN 2012

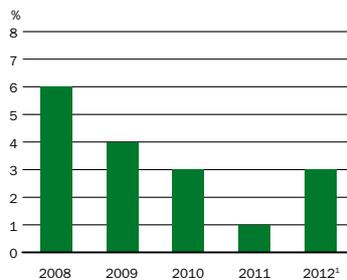


PROPERTIES WITH CAULKING COMPOUNDS CONTAINING PCBs



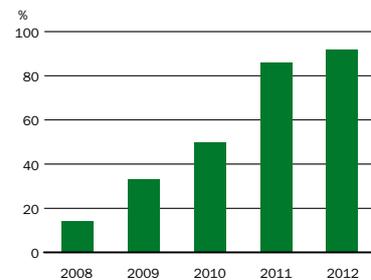
¹ Additional sampling of previously decontaminated properties indicated PCB content remaining in two properties.

SHARE OF PROPERTIES WITH OIL HEATING



¹ The number of properties decreased but the number with oil heating was unchanged.

SHARE OF HYBRID VEHICLES OF COMPANY VEHICLES



Kungsleden as a workplace

A lot of Kungsleden's decisions are taken at the edges of its organisation, which presents stimulating challenges, while simultaneously promoting energy and innovation.

CORPORATE CULTURE AND VALUES

Kungsleden is driven by a strong entrepreneurial spirit, where employee participation is central. Decision-making is at the edges of its organisation, creating great dedication and pride internally. Kungsleden's employees have the satisfaction of taking decisions themselves, conducting premises adaptations for tenants, for example. With a clear framework of clearly expressed values and businesslike practice, people can work more freely and take the initiative. Facilitating opportunities means Kungsleden is there, innovative and easy to deal with, in its contact with customers and work internally.

Kungsleden measures dedication and job satisfaction, and their underlying drivers, in its annual employee satisfaction surveys, conducted since 2007. Apart from daily work, this is about competence development, leader-

ship, communication and branding. Kungsleden has worked actively in these segments, which has been a contributor to the company rating as one of Sweden's best workplaces in the great place to work survey for three consecutive years. Kungsleden's clearer, stronger corporate culture is not only measurable, but also noticeable within its organisation. For example, in the year, the organisation has worked to eliminate the 'ins and uns' (flexible not inflexible, willing not unwilling) and made things better for customers and tenants with simple and easy, simple solutions. Hybricon, an environmentally conscious innovation enterprise in Umeå, northern Sweden was able to move into Kungsleden premises after Kungsleden made the unsustainable sustainable. Industrial premises were modernised, and the tenant signed a Green Lease. Read more about Green Leases on pages 28–29.

CAREERS AND DEVELOPMENT

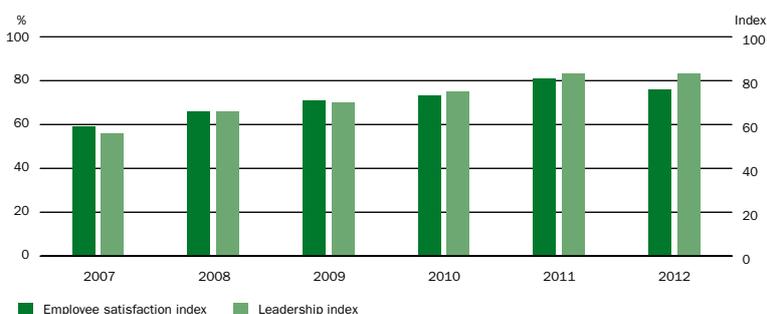
Kungsleden's organisational structure and business model mean that work is in constant development at Kungsleden. All employees have a competence development plan, evaluated yearly as part of their appraisal interview and ongoing feedback between employee and manager. Progress at Kungsleden is a shared responsibility between managers and employees. Prospects of developing and trying different duties are one of the reasons for Kungsleden's high job satisfaction.

Development within Kungsleden may be about changing jobs between regions and functions, transferring from a specialist to a leadership role, or greater responsibility with the opportunity to learn in a new field. Managers and leaders are supported through channels including coaching training, resulting in a leadership index of a high and stable 83 in 2012.

EMPLOYEE SATISFACTION SURVEY 2012

Results segment (selection)	Kungsleden	Swedish average
I always look forward to going to work	79	64
I could recommend other people to apply for a job at Kungsleden	85	67
At my workplace we conduct ourselves according to Kungsleden's values	84	na
Total happiness at work index	76	66

EMPLOYEE AND LEADERSHIP INDEX 2007–2012



The employee satisfaction survey was conducted in collaboration with Synovate in 2007–2010. The survey was conducted by Ennova from 2011 onwards, and is reported as a happiness at work index.

KEEP-FIT AND HEALTH

It is common knowledge that good health has a positive effect on sickness absence and performance at work. Kungsleden encourages physical activity within and outside the company by making keep-fit subsidies available to all staff, offering massage facilities during working hours, as well as activities involving everyday exercise. Kungsleden also offers its employees regular health checks. In 2012, sickness absence at Kungsleden was 2.75 (3) per cent.

Kungsleden's yearly employee satisfaction surveys demonstrate that it is a healthy and safe workplace. In its most recent survey, Kungsleden had no cases of discrimination. All employees apart from the Chief Executive are covered by collective bargaining agreements.

EQUAL OPPORTUNITIES

Kungsleden uses an equal opportunities plan designed to achieve a fair division between the sexes and age groups in different parts of its organisation. Equal opportunities at Kungsleden are about

JOB CATEGORIES, WHITE COLLAR

	Men	Women	Total
Property management	31	17	48
Administration	9	29	38
Total	40	46	86

LENGTH OF SERVICE, WHITE COLLAR

	Men	Women	Total
< 1 yr.	4	2	6
1–3 yrs.	7	9	16
> 4 yrs.	29	35	64
Total	40	46	86

AGE PROFILE, WHITE COLLAR

	Men	Women	Total
< 30	2	2	4
30–39	8	20	28
40–49	12	17	29
> 50	18	7	25
Total	40	46	86

NUMBER OF NEW EMPLOYEES BY AGE GROUP AND SEX

	Men	Women
< 30	1 Property Management	
30–39	1 Property Management	2 Central staff
40–49	1 Property Management	
> 50	1 Management	

At year-end 2012, the Kungsleden group had a total of 272 (312) full-time employees. Of this total, 186 (186) were employed by Nordic Modular. Subsidiaries operate as independent entities. Of the remaining 86 (83) employees, at year-end, 48 (43) worked on property management and 38 (40) on administration. In administration, the share of women was somewhat higher than men, while the opposite applied in property management. Overall, the share of women at year-end was 53 (54) per cent.

Staff turnover, defined as the number of permanent employees terminating employment in the year divided by the average number of employees, was 3.5 per cent. In 2012, there were two internal appointments in the company.

everyone having the same value and being treated with respect and courtesy regardless of their sex, age, origin or social class. Candidates of both sexes should be represented in all search and selection processes.

SOCIAL COMMITMENT

In collaboration with Fryshuset

Kungsleden's social commitment extends further than the company's core business of property management. Kungsleden has decided to commit to social projects and support young people, where employees of the company can do voluntary work for one working day a year. Kungsleden has been the main sponsor of youth work charity Fryshuset's operations, donating SEK 2 m annually, for the past three years. Fryshuset creates collective spaces, where young people are seen, heard and where they count. Its

foundation is some 40 different operations in the segments of passionate interests, social perspectives, education and labour market, and schooling. The organisation currently has a presence in Stockholm, Gothenburg and Malmö, and is represented nationwide through a network of youth organisations.

Kungsleden's commitment to Fryshuset has helped boost pride internally. Apart from activities where Fryshuset and Kungsleden employees meet up, discussions are also ongoing about how customers could get involved. Read more about Fryshuset at www.fryshuset.se

SOCIAL AND ETHICAL RESPONSIBILITY

Kungsleden has formulated an ethical policy, which is the foundation of the company's business relationships and its internal work. This policy includes

topics such as bribery and corruption, integrity and fraud, as well as working cash in hand and child labour.

No form of bribery or corruption is acceptable within Kungsleden. As an employer and property company, the company respects human rights as defined by the UN. Kungsleden has also created a code of conduct for its suppliers and a list of standards used on purchasing.

A whistleblower function has been created to ensure that potential fraud discovered by an employee is appropriately dealt with. If the first-line manager or senior manager is unable, or unsuitable, to deal with the issue, the employee can approach the Chairman of the Audit Committee. No legal measures for anti-competitive behaviour were taken against the organisation, or any fines for legal infringements.



Gunilla Virdeborn, Property Controller
and Tobias Nilsson, Assistant Property Manager

GRI index

In this Report, Kungsleden has worked from the latest version of GRI guidelines for sustainability reporting, G 3.1. To some extent, the Construction and Real

Estate Sector Supplement (GRESS) has been applied. Kungsleden judges that its Sustainability Report satisfies level C standards. This report has not been

endorsed externally. The contact for the Sustainability Report and its content is Maria Sandell, Kungsleden's Environmental Manager.

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“Low operating risk with high predictability of profit from property management from long lease contracts at high property yields, combined with a well-balanced equity ratio target, provides a healthy balance sheet.”

Linda Eriksson
Finance Manager

7%

of total interest-bearing liabilities mature in 2013



Financing

Kungsleden bases its business model on properties being financed with equity and external borrowings, with the division balancing the desire to attain a good return on invested capital with the need for a healthy balance sheet. Kungsleden's equity as of 31 December 2012 was SEK 7,726 m and interest-bearing liabilities were SEK 9,704 m, corresponding to a loan to value ratio of 62 per cent. The company utilises a financial strategy approved by its Board of Directors to manage its financing work and financial risks.

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 2012 were SEK 20,900 m, of which properties were SEK 15,777 m. Total assets are funded with equity, interest-bearing liabilities and non interest-bearing liabilities. The division between these funding sources depends on factors such as the cost of the different sources of funding, the risk in the property portfolio and 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 2012:

- Equity was 37 per cent (SEK 7,726 m).
- Interest-bearing liabilities were 47 per cent (SEK 9,704 m).
- Non interest-bearing liabilities were 16 per cent (SEK 3,470 m).

Equity

The share of equity in relation to total assets, the equity ratio, was 37 (27) per cent. The equity ratio should not be less than 30 per cent. Return on equity is profit after tax in relation to average equity. The objective is for the return on equity to be 10-12 per cent over time. The higher return on equity is achieved by purchasing properties that generate yields that are higher than funding costs, and thus achieving a financial leverage effect.

Interest-bearing liabilities

Because interest-bearing liabilities are a cheaper source of funding than equity, Kungsleden endeavours to achieve a well-balanced share of external borrowings within the limit of the granted risk mandate and finance policy. Interest-bearing liabilities comprised 47 (61) per cent of total funding as of 31 December 2012. Low operating risk, with high predictability of profits from property management from long lease contracts, high property yield and diversification in terms of property type and geography, combined with a well-balanced equity ratio target,

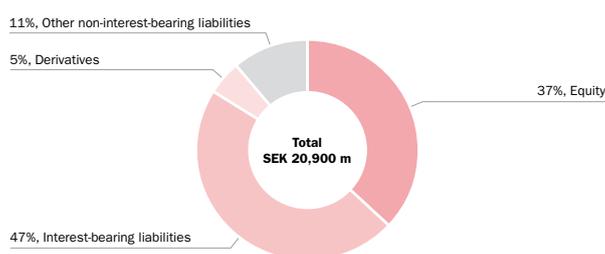
provides a healthy balance sheet. This enables equity to be utilised effectively, creating higher returns than would be possible otherwise, without risk levels being excessive.

The loan portfolio is based on bilateral agreements with banks, a syndicated credit facility and unsecured bond issues. At present, all Kungsleden's lenders are Swedish or Nordic banks. Loan agreements are often signed with maturities of one 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 2.3 years at year-end.

At year-end, the nominal amount of the loan portfolio was SEK 9,704 (10,665) m, a decrease after property sales. Un-utilised credit facilities were SEK 1,160 (3,060) m, where the decrease on the previous year is mainly due to the size of the major syndicated loan facility reducing from SEK 6,000 m to SEK 4,500 m after re-financing arranged in the year.

With the aim of diversifying Kungsleden's funding, the company has long been an active issuer of unsecured bonds on the capital markets. At present, the company has three outstanding bond issues with total principles of SEK 1,599 (1,599) m. These bond issues were originally on three and five-year maturities respectively, and mature in 2014 and 2015. The yield on these issues is based on Stibor 90 days plus a fixed margin between 2.75 and 3.50 per cent.

CAPITAL STRUCTURE



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

As of 31 December 2012, SEK m	Utilised credits	Un-utilised credits	Total credits
2013	667	260	927
2014	1,459		1,459
2015	5,600	900	6,500
2016	1,978		1,978
Total	9,704	1,160	10,864
Average conversion term, years	2.3		2.2

Kungsleden works continuously on the maturity structure of its credit portfolio. This is achieved through ongoing discussions with existing and potential lenders and by utilising 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 has resulted in a shorter average fixed-interest period than historically, which will probably continue in the coming years.

SEK 667 m of loans mature in 2013, corresponding to 7 per cent of total interest-bearing liabilities. Work on loan maturities in 2013 is ongoing, and Kungsleden judges it will be able to re-arrange these loans on market terms.

Kungsleden usually pledges properties and shares as security for its bank borrowings. In addition, loan agreements can also include covenants on interest coverage ratios and loan to value ratios. All such covenants were satisfied as of 31 December 2012. The group's interest coverage ratio for 2012 was a multiple of 2.8 (2.3) and its loan to value ratio for secured credit facilities was 51 (57) per cent as of 31 December.

Fixed-interest terms and derivatives

Kungsleden's loan agreements mainly accrue interest with three-month Stibor as a base. To limit the interest risk from fluctuations in market interest rates, Kungsleden utilises various types of interest derivative. The derivative portfolio had a nominal amount of SEK

9,350 (11,650) m, in the form of interest swaps.

In the year, Kungsleden cancelled swaps with a nominal amount of SEK 1,800 m, to better reflect the volume of its loan portfolio. In addition, existing swaps with a nominal amount of SEK 1,000 m were reduced to SEK 500 m, and simultaneously extended by seven years, to benefit from low long swap rates. At year-end, the average remaining fixed-interest period was 5.1 (5.7) years.

The average interest rate was 6.8 (5.5) per cent as of 31 December 2012. Of the average interest rate of 6.8 per cent, some 2.5 percentage points are due to interest rates being fixed in market conditions when interest rates were higher than at present. The fact that interest rates have increased since the previous year-end is mainly due to significantly higher margins and arrangement fees in tandem with a high share of the group's borrowings being re-financed in the year.

With a derivative portfolio of SEK 9,350 m, interest-bearing liabilities of SEK 9,704 m were largely interest hedged, and accordingly, interest costs were not significantly affected by altered market interest rates. The risk section in Note 2 includes a sensitivity analysis illustrating the effects of exchange rate fluctuations.

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 2012, the negative market value of loans and financial instruments was SEK -1,121 m against SEK -1,137 m at the beginning of the year.

SENSITIVITY ANALYSIS, INTEREST RATE FLUCTUATIONS

Effect on net financial position, SEK m	31 Dec 2012
Loan portfolio average interest changes +/-1 percentage point	-/+ 97
Short market interest rates (< six months) change, +/-1 percentage point	-/+ 4
Effect of unrealised value change/fair value reserve, SEK m	31 Dec 2012
Market interest rate change on all maturities, +/-1 percentage point ¹	+488/- 520

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 for all maturities.

MATURITY STRUCTURE, FIXED INTEREST PERIODS

As of 31 December 2012	Loans, SEK m	Interest derivatives, SEK m ¹	Average interest, derivatives, %	Average interest, loans and derivatives, %	Average fixed-interest term, years
2013	9,704				
2014		800	3.9		
2015		1,400	4.2		
2016		500	3.9		
2017		500	4.1		
2018		3,650	4.2		
2019		800	3.5		
2020		800	3.7		
2021		400	3.8		
2022		500	3.8		
Total	9,704	9,350		6.8²	5.1
Market valuation of loans and derivatives	1,121				
Total	10,825				

1 Kungsleden's interest derivatives involve the company receiving variable interest and paying fixed interest on longer maturities. The variable interest received in the derivatives matches the variable interest paid in underlying bank loans, thus creating a traditional interest fixing.

2 The group's average interest rate of 6.8 per cent is due to Kungsleden fixing interest rates in market conditions when interest rates were higher than today. The average interest rate in the table corresponds to the interest cost of loans, arrangement fees and derivatives in relation to current loan volumes at the reporting date.

The decrease in market interest rates with long maturities certainly increased negative market values by SEK 58 m, recognised as unrealised value changes on financial instruments. Against this, Kungsleden cancelled interest derivatives in the year, reducing negative market value by SEK 74 m. Other financial instruments (currency items and share swaps) changed by SEK -12 m, which resulted in total unrealised value changes in the Income Statement in the year being SEK -70 m.

Unrealised value changes do not affect cash flow. If derivatives are not realised before the end of their term, their value over time will diminish to zero.

Non interest-bearing liabilities

Non interest-bearing liabilities primarily consist of provisions, negative market values of derivatives, accrued costs and deferred income and other liabilities.

As of 31 December 2012, non interest-bearing liabilities represented 16 per cent of total financing, the majority being negative market values on interest derivatives and an un-paid purchase price for the purchase of 11 properties from Hemsö. Non interest-bearing liabilities and the asset items, receivables etc. and normal liquidity constitute the group's working capital.

LIQUIDITY MANAGEMENT

The scale of liquid financial assets should satisfy the requirement for transaction liquidity and a good liquidity reserve. At any time, liquidity should correspond to a minimum of three months' known payments including interest payments and loan re-arrangements. 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 of SEK 260 m are in place to enable flexible cash management. Due to ongoing tax proceedings, Kungsleden has decided to maintain available liquidity in the form of cash or credit facilities to cover a potential worst case, initially estimated at SEK 2.9 billion.

As of 31 December 2012, cash and cash equivalents were SEK 721 (816) m, and disposable liquidity including un-utilised overdraft facilities and the un-utilised portion of the syndicated loan agreement, was SEK 1,881 (3,744) m. After the sale of shares in Hemsö to AP3 on 15 February 2013, Kungsleden has available liquidity of approximately SEK 4.3 bn.

FINANCE POLICY

The finance policy regulates financing and the management of all financial risks within Kungsleden. Kungsleden's finance policy shall be approved by the Board of Directors annually. Additionally, the Finance function should continuously evaluate whether the circumstances of the company or its surroundings alter in a manner that justifies amending the policy. Kungsleden's finance policy:

- Formalises the division of responsibility and administrative rules.
- States guidelines and rules for how the financing activities of Kungsleden AB and subsidiaries (Kungsleden) shall be conducted.
- It is approved by the Board of Directors and states how the various risks in financing activities shall be limited, and the risks Kungsleden is permitted to take.

Offers guidance in the daily work of the Finance function. The policy also defines the overall objectives of financing operations in Kungsleden:

- Ensuring the company's short and long-term access to capital.
- Adapting the financial strategy and managing financial risks according to the company's operations so that a long-term stable capital structure is achieved and maintained.
- Achieve the best possible net financial position within stated risk limits.

- Ensure that Kungsleden is a financially strong company and an attractive business partner.

FINANCIAL INCOME AND COSTS

The Income Statement recognises interest income, interest costs and changes in the fair value of financial instruments. In 2012, interest costs were SEK -684 (-674) m. The increase is mainly explained by higher interest margins after re-arranging large parts of Kungsleden's loan portfolio in 2012. Simultaneously, extensions to interest derivative maturities in 2011 and 2012 and advance cancellations of derivatives affected the net financial position positively.

Interest income, other financial income and other financial costs amounted to SEK 98 (115) m net, with the largest item being interest income of SEK 105 (105) m relating to a shareholder loan to Hemsö.

Unrealised value changes in the Income Statement in the year amounted to SEK -70 m, the majority being an effect of a decrease in market interest rates on longer maturities, which affected the negative market value of interest derivatives.

FINANCIAL RISKS

Like other companies with external financing, Kungsleden is exposed to various financial risks, which are described with other risks in Note 2.



Ingrid Ljungqvist, Assistant Technical Manager
and Frida Stannow Lind, Manager of Development Properties

Risks and opportunities

To achieve Kungsleden's required return of 10–12 per cent on equity, some risk-taking is necessary. To achieve good risk control, various tools are utilised to identify, evaluate and limit risks continuously. Kungsleden works actively on diversifying risk in terms of premises and tenant types, geography and contract size. The target is balanced portfolio risk with a limited impact from exogenous factors.

TOTAL RISK OVERVIEW

Risk and risk minimisation are an integrated component of Kungsleden's business model, which addresses continuously developing the composition and quality of its property portfolio with the aim of improving its risk-adjusted returns. At any time, Kungsleden will endeavour to have the lowest overall risk possible. Risks and opportunities can be divided into two segments; changes in cash flow and values. In addition, there are specific risks in the finance and tax segments.

RISKS AND OPPORTUNITIES IN CASH FLOW

Risks in cash flow primary lie within rental revenues, property costs, interest costs, tax and environmental risks. Kungsleden was not aware of any significant environmental claims that could be addressed against the company as of March 2013. At year-end 2012, economic vacancy amounted to SEK 124 m, and offers potential in the form of possible lettings.

Kungsleden works actively on diversifying risks and reducing costs in all the above segments. As a consequence of Kungsleden reporting its properties and interest derivatives at what is termed fair value, these values are affected to a great degree by cyclical fluctuations and funding conditions.

RISKS AND OPPORTUNITIES IN VALUES

Risks in values can be divided into property values and the value of financial instruments. Kungsleden's reported market value is based on an internal appraisal conducted on each property, which involves an individual assessment of the value that could be raised through sale.

Financial risks

Financial risks mean fluctuations in the company's profit and cash flow as a result of fluctuations in market inter-

est rates, re-financing and credit risks and currency risks. The biggest financial risk is access to finance. Kungsleden works actively on various types of funding source to ensure its long-term funding within stated risk mandates. Loans of SEK 667 m, corresponding to 7 per cent of total interest-bearing liabilities, mature in 2013. Work on loan maturities in 2013 is ongoing, and Kungsleden judges that these loans can be re-financed on market terms.

Interest is the biggest cost item, which also includes an element of risk, depending on the progress of market

interest rates. Kungsleden mainly uses interest swaps to limit this cash flow risk.

Tax risks

Altered tax regulations, and in some cases, re-interpretations of existing rules, also constitute a significant risk for Kungsleden. Tax proceedings are ongoing in several cases for companies within the group for the income years 2004-2008, mainly relating to property purchases and sales. Kungsleden is contesting the tax claim rulings to date by the Swedish Tax Agency and courts, and all rulings have been, or will be, subject to appeal by the company.

SENSITIVITY ANALYSIS, CASH FLOW

	Change	Profit impact, SEK m
Rental revenues	+/-1%	+/- 18
Economic vacancy	+/-1 percentage point	+/- 20
Property cost	+/-1%	-/+ 6
Average interest on loan portfolio	+/-1 percentage point	-/+ 97
Short market interest rates (<6 months)	+/-1 percentage point	-/+ 4

SENSITIVITY ANALYSIS, PROPERTIES

	-10%	-5%	0%	5%	10%
Value change before tax, SEK m	-1,576	-788	-	788	1,576
Equity ratio, %	33.0	35.1	37.0	38.8	40.5
Loan to value ratio, %	68.4	64.8	61.6	58.7	56.0

SENSITIVITY ANALYSIS, INTEREST RATE FLUCTUATIONS

Effect on unrealised value change/fair value reserve, SEK m	31 Dec 2012
Market interest rate change on all maturities, +/-1 percentage point	+488/- 520

For a more detailed review of all risk segments, also see Note 2 on pages 67-71.

Kungsleden as an investment

Kungsleden as an investment

40

The share

42

“The overall target for 2013-2015 is to maximise cash flow growth within the financial restrictions set to secure a healthy balance sheet.”

Christina Krus
Business Controller

SEK **35.40**

Share price

7.3%

Dividend yield on the share

Kungsleden as an investment

Kungsleden presented its new strategy, which involved setting clear revenue and cost savings targets, at the beginning of 2013. Focusing the company continued in 2012, a process that makes it easier to see how Kungsleden creates value for the long term. The target is that cash flow should be restored to the level prior to the sale of Hemsö within 18-24 months, while profit from property management should be restored within three years. Progressively, as clarity is obtained on tax proceedings, underlying value creation will become clearer.

WHY INVEST IN KUNGSLEDEN?

- Kungsleden will own, manage and improve properties in the growth regions of Greater Stockholm, the Mälare Valley, south-western Sweden and growth locations in northern Sweden. The distinguishing feature of these regions is that growth is above the national average, which is an important prerequisite for value creation.
- By focusing on three property types, industrial/warehouse, office and retail, Kungsleden will increase its knowledge of customer needs and market conditions in these segments. This will lead to stronger customer relations, improved management and enhancement, and thus increase the value of the property portfolio.
- Increasing stable cash flows over time through active management and improving properties is central to Kungsleden. Work on increasing cash

flow is ongoing, which increases the value of the property portfolio.

- Ongoing portfolio enhancement and risk limitation through the purchase and sale of properties creates an attractive combination of good returns for low risk.
- The negative tax effects on equity and liquidity may be less than the worst-case scenario that Kungsleden has estimated for relevant tax proceedings.

KUNGSLEDEN AS A LONG-TERM INVESTMENT

In the long term, Kungsleden should generate a return on equity exceeding the required return the stock market sets on the company's share.

The overall target for 2013–2015 is to maximise cash flow growth within the financial restrictions set to secure a healthy balance sheet for the short and long term. The most important restric-

tion for the short term is liquidity contingency, which means that Kungsleden will maintain liquidity and granted credit facilities at an amount corresponding to the worst case of tax proceedings (see Note 2), until the outcome is clear.

This means that investment opportunities and the scope for share dividends will be limited. If the outcome of tax proceedings is favourable, liquidity reserves will be freed up for re-investment in new properties in growth regions. As a minimum, the loan to value ratio should be 60 per cent as a guideline for new credit facilities and the equity ratio should be over 30 per cent.

Kungsleden is being managed towards a final target for the whole group's profit from property management for 2015, with phase targets for 2013 and 2014. These targets are expressed at segment level for gross profit, and a group level for net financial position and central costs.

The target is for cash flow to be restored to levels prior to the Hemsö sale within 18-24 months, even with higher liquidity reserves. Profit from property management should be restored within three years.

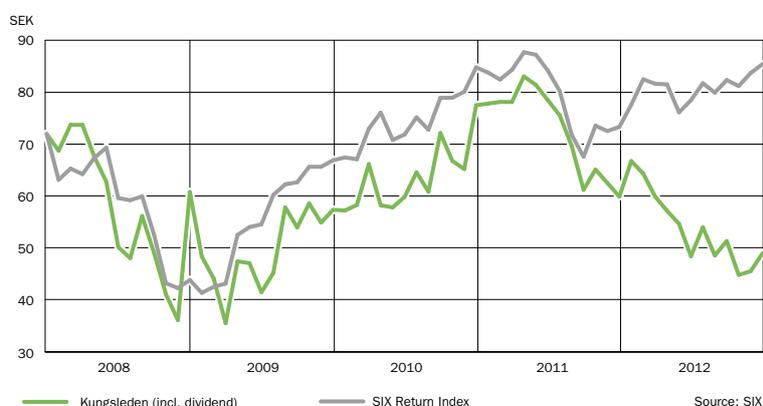
As part of Kungsleden's focus on wholly owned properties, Nordic Modular will be sold when there is an opportunity to do so on reasonable terms.

KUNGSLEDEN'S DISTINGUISHING FEATURES

Cash flow-oriented

Kungsleden is a cash flow-oriented company. Stable rental revenues are achieved by attracting good tenants and endeavouring to secure long lease contracts and high occupancy levels. Central staff units are in place for contract issues and regulatory requirements, which means Kungsleden's management organisation can focus on the right things. In addition, Kungsleden

TOTAL YIELD



has implemented strict control of central administrative costs, which confers operational leverage as its asset base grows.

A strong corporate culture

A strong corporate culture where people enjoy their work, develop and deliver is a foundation for creating value for shareholders, employees and wider society. Taking responsibility means taking the initiative and being committed, which for Kungsliden's people might be about questioning, or taking opportunities as they appear. Egalitarianism and a straightforward, honest dialogue will get you a long way, and the most important thing is to find solutions that customers are satisfied with.

Opportunities oriented

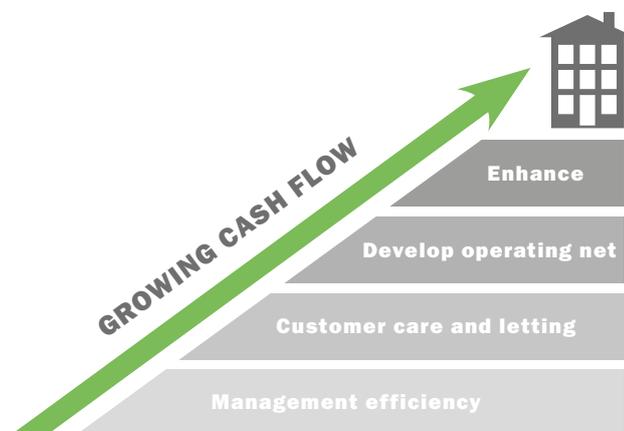
Kungsliden is an opportunities-oriented company, which in practice, means endeavouring to be innovative and easy to deal with. A strong entrepreneurial spirit, with decisions taken at the edges of the organisation, promotes dedication and drive, which are strong drivers within Kungsliden.

Dividend policy

In the medium term, 50 per cent of profit from property management should be paid out as dividends, which is also the practice among listed property companies. But while the outcome of tax proceedings remains unclear, which will probably be the case until year-end 2015, a lower share of profit from

property management will be paid out. Accordingly, the dividend policy will be differentiated during a transitional period, considering the need to maintain liquidity contingency due to tax proceedings, with more information on page 56 and Note 2.

HOW KUNGSLEDEN CREATES A GROWING CASH FLOW



Staffan Häggdahl, Technical Manager
and Ulrika Fransson, Assistant Technical Manager

The share

At year-end, Kungsleden had 19,749 shareholders, 50 per cent of them being individual investors. At year-end, the ten largest shareholders controlled 30 per cent of the capital and votes, an increase from 25 per cent at the previous year-end. Kungsleden is one of few property companies on NASDAQ OMX Stockholm that does not have dominant owners, and thus basically had a 100 per cent free float, i.e. all shares are considered available for trade. In 2012, Gösta Welandson and companies increased its holdings to 13.1 per cent of the votes, which meant that the free float was 86.9 per cent at year-end. Otherwise, the largest shareholders are Swedish and foreign investment fund

MARKET CAPITALISATION AND TURNOVER

Kungsleden has been listed on NASDAQ OMX Stockholm since 1999. It is a constituent of OMX Nordic Exchange's Mid Cap list. Market capitalisation was SEK 4,832 m at year-end. A total of 109 million shares were traded in 2012, equal to 80 per cent of the total number of outstanding shares. The year low was on 13 November at SEK 30.20 and the high was on 3 February at SEK 55.00. Against the closing price at year-end 2011 of SEK 46.00, the share price fell by 23 per cent. The dividend paid in April 2012 was SEK 2.60, implying a total yield of -17 per cent. In the same period, the OMX Stockholm had a total yield of 15 per cent, according to the SIX Return Index. Average annual total yield on the Kungsleden share over the last five years has been -5 per cent. In 2012, the OMX Stockholm Real Estate PI rose by 14 per cent, while OMX Stockholm PI rose by 12 per cent.

The dividend yield was seven per cent based on the share price as of 31 December 2012.

SHARE CAPITAL

At year-end, Kungsleden'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.

THE SHARE



SHAREHOLDERS

Kungsleden had 19,749 shareholders as of 31 December 2012, a 6 per cent decrease on the previous year-end. At year-end, the ten largest shareholders controlled 30 per cent of the capital and votes, which was an increase from 25 per cent in the previous year. Swedish ownership, which is 72 per cent of the capital and votes, was divided between individual investors with 51 per cent, institutions with 12 per cent and equity funds with 9 per cent. Foreign ownership was 28 per cent of the capital and votes, a decrease from 31 per cent on the previous year-end. Gösta Welandson and companies was the only shareholder with a holding exceeding 5 per cent of the capital and votes.

SHAREHOLDERS' CONTACTS

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

Operations and their results are presented to participants in the capital markets at least twice yearly, in contexts including semi-annual reports and

annual financial statements. Kungsleden's ambition is also to hold regular capital markets days. Presentations and videos are available at Kungsleden's website. In addition to regular communication, representatives of the company hold individual presentations and conferences with shareholders, analysts and other stakeholders in Sweden and foreign countries.

Apart from these contacts, management's policy is to be 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 more information on Kungsleden and its operations, property portfolio and business model, as well as financial information and share data. Financial information is available to order from Kungsleden AB (publ) via

kungsleden.com, by telephone +46 (0)8 503 05200 or by e-mail: info@kungsleden.se.

Deputy Chief Executive/Chief Financial Officer Anders Kvist is responsible for Kungsleden's investor relations. His telephone number is +46 (0)8 503 05211.

For share-related key figures, the financial analysts monitoring Kungsleden and current shareholder statistics etc., go to kungsleden.com/about-kungsleden/investor-relations/the-share/

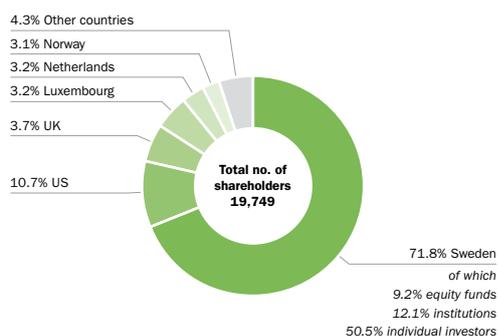
SHAREHOLDERS AS OF 31 DECEMBER 2012

Shareholder	No. of shares	% of votes and capital
Welandson Gösta and companies	17,861,810	13.1
Länsförsäkringar fonder	4,426,838	3.2
Norges Bank Investment Management	3,901,204	2.9
Florén Olle and companies	3,479,250	2.5
Danske Invest fonder (Sverige)	2,789,429	2.0
BlackRock fonder (USA)	2,134,075	1.6
AP4	1,916,270	1.4
AP2	1,647,850	1.2
Swedbank Robur fonder	1,591,423	1.2
Avanza Pension Försäkring AB	1,301,954	1.0
Board and management	41,050,103	30.1
Foreign shareholders, other	207,800	0.2
Other shareholders	32,527,315	23.8
Total	62,716,846	45.9
Totalt	136,502,064	100.0

DIVISION OF SHAREHOLDINGS AS OF 31 DECEMBER 2012

Size of shareholding	No. of shareholders, %	No. of shareholders	Participating interest, %
1–1,000	63.7	12,581	3.5
1,001–10,000	31.1	6,134	14.8
10,001–20,000	2.4	483	5.1
20,001–50,000	1.5	293	6.6
50,001–5,000,000	1.3	258	70.0
Totalt	100.0	19,749	100.0

SHAREHOLDERS BY COUNTRY, 31 DECEMBER 2012



Report of the Directors

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“After its concentration process in 2012, Kungsheden is well positioned to execute the strategic realignment the Board of Directors and management worked on in the year. This realignment focuses on long-term value creation through the management and improvement of wholly owned properties.”

Håkan Bryngelson
Chairman of the Board



2.0%

Increase in
profit from property
management

Träbocken 7, Sollentuna

Report of the Directors—corporate governance

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

CHAIRMAN OF THE BOARD'S FOREWORD

Initially, I can state that Kungsleden's property management operations performed very positively in 2012, with improved profits, greater efficiency and improved key figures otherwise. The Board of Directors continued its work on focusing the company's strategy in the year. This strategic review will result in greater focus on Kungsleden's core operations, such as good property management and portfolio enhancement.

This focus and work on strengthening Kungsleden's financial position was achieved through means including selling 59 properties for a value of SEK 1,666 m. As part of the strategic focus, we also liquidated our part-ownership of Hemsö, generating profit and liquid-

ity injections that secure Kungsleden's financial position.

Accordingly, the Board's main work in the year was to strengthen our Balance Sheet and safeguard good liquidity to enable the company's positive future progress, and to maintain a contingency for the increased tax claims that arose in the year, relating to transactions conducted in 2004-2007.

Focusing Kungsleden is a process that actually began several years ago. Hemsö was incorporated in 2009, and in 2010, Kungsleden sold its portfolio of German retirement homes to Hemsö, or Public Properties as it was known as a division within Kungsleden, represented nearly 60 per cent of Kungsleden's total book value for a time. This was a holding that brought stability during the financial crisis.

The company also strengthened its financing activities in the year by hiring a new CFO, and creating a Finance Committee. The Board's work in the year made a positive contribution to what is an important part of our corporate governance—building an efficient, predictable and transparent governance system. Good corporate governance helps bring stability and creates trust for the long term. A simpler and clearer group structure facilitates governance of the company, simultaneous with increasing transparency. We judge that the focusing process will clarify and facilitate the understanding of Kungsleden's property management business.

Håkan Bryngelson
Chairman of the Board

CORPORATE GOVERNANCE

Kungsleden 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, kungsleden.com. 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, Kungsleden reports all potential instances of non-compliance with the Code, explaining these instances in its annual Corporate Governance Report. In the financial year 2012, Kungsleden did not have any instances of non-compliance with the Code.

NOMINATION COMMITTEE

Composition in March 2013

Eva Godtfridsdotter-Nilsson, nominated by Länsförsäkringar Asset Management, Chairman

Göran Larsson, nominated by Gösta Welandson and companies

Peter Gustafson, nominated by Olle Florén and companies

Peter van Berlekom, nominated by Nordea Fonder

Håkan Bryngelson, Chairman of the Board of Kungsleden

A review of the work of the Nomination Committee is available at Kungsleden'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. One shareholder of Kungsleden, Gösta Welandson and companies, owns shares that represent one-tenth or more of the number of votes for all shares in the company directly or indirectly. As of 31 December 2012, Gösta Welandson and companies held 13.1 per cent of the company's shares and votes. The AGM for the financial year 2011 was held on 19 April 2012. 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 2011. Minutes from the AGM are available from Kungsleden's website.

The AGM for the financial year 2012 will be held on 18 April 2013 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

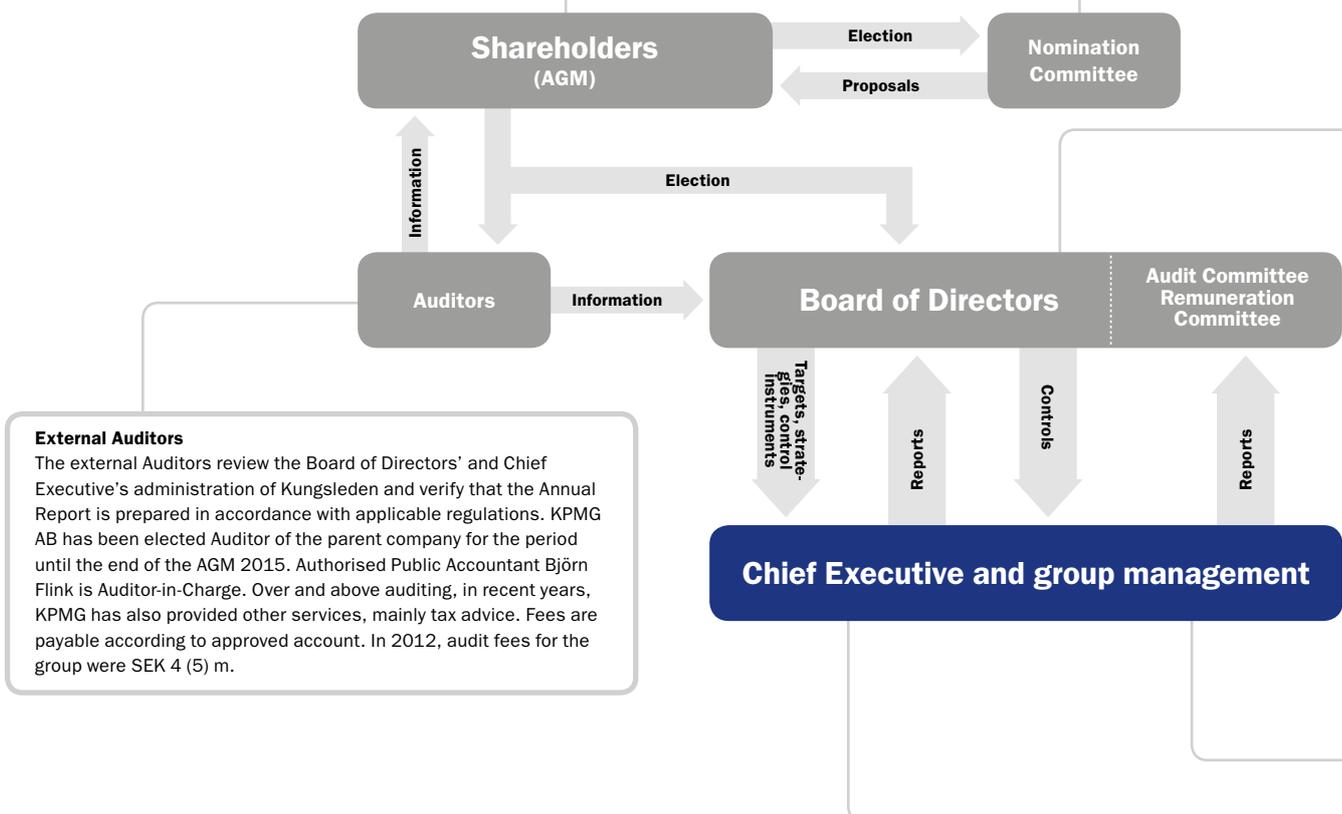
The Nomination Committee submits proposals for the election of the Chairman of the AGM, the Board of Directors and its Chairman, fees and other remuneration to Board members. The Nomination Committee also submits proposals for the election of the Auditors and remuneration for the audit. In its work, 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 2012 elected Peter Gustafson (nominated by Olle Florén and companies), Peter van Berlekom (nominated by Handelsbanken Fonder) and Eva Gottfridsdotter-Nilsson (nominated by 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 October, Frank Larsson resigned as a member after Handelsbanken Fonder reduced its holdings. In December, Göran Larsson was appointed as a new member, nominated by Gösta Welandson and companies, which increased its holdings. In February 2013, Eva Gottfridsdotter-Nilsson was appointed as the Nomination Committee's new Chairman. 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. KPMG AB has been elected Auditor of the parent company for the period until the end of the AGM 2015. Authorised Public Accountant Björn Flink is Auditor-in-Charge. Over and above auditing, in recent years, KPMG has also provided other services, mainly tax advice. Fees are payable according to approved account. In 2012, audit fees for the group were SEK 4 (5) 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, Magnus Meyer, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström, were re-elected as Board members by the AGM 2012. Former Board member Thomas Erséus declined re-election. No deputies were elected. The AGM appointed Håkan Bryngelson Chairman of the Board. Proposals for the Board of Directors can be submitted via the website kungsleden.se/om/bolagsstyrning/styrelse (in Swedish).

Board composition

The Board consists of seven members. The Board is composed to be able to support management in developing Kungsleden 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, all Board members are not affiliated to Kungsleden, management or major shareholders.

The Board of Directors adopts rules of procedure for its 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, Finance 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 Kungsleden'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 financial presentations and press releases to management.

The work of the Board in 2012

In 2012, the Board met on 16 occasions. Per capsulam meetings were also held on seven occasions to deal with purchase, sale and funding issues. Attendance at each Board meeting is stated in the table on page 49. The Board considered issues including Kungsleden's strategy, targets, business plan, market, external reporting, property purchases and sales, investments in existing properties, arranging loans and other funding issues, tax position, preparing sales mandates and the principles governing incentive payments. The Chief Executive, Deputy Chief Executive and the General Counsel, also the Board Secretary, also attended Board meetings.

Board committees

The Board has inaugurated three internal committees, a Remuneration Committee, an Audit Committee and a Finance Committee, responsible for consulting on issues in each individual segment. Work is based on instructions prepared for each Committee. The Board of Directors appoints committee 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 2012, 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 Kungsleden'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 and Biljana Pehrsson. The Committee held six meetings in 2012. Kungsleden's Chief Financial Officer, Financial Manager, Financial Controller, Tax Lawyer and the company's external Auditor attended meetings.

Finance Committee

The Finance Committee was inaugurated in 2012, and provides a dedicated forum for work on funding. The Committee should support the Board of Directors with proposals on funding issues, financial targets for the short and long term, questions relating to the company's financial risks, hedging measures and other duties within the auspices of the company's finance policy. The Finance Committee elected at the Board meeting following election has the following members: Joachim Gahm (Chairman), Håkan Bryngelson and Magnus Meyer.

The Finance Committee met on four occasions in 2012. Kungsleden's Chief Executive, Chief Financial Officer and Financial Manager attended meetings.

Group management

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

Chief Executive

Kungsleden'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, major 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 THE WORK 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 compiling 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, and were unchanged compared to 2011. No fees are paid to members employed by Kungsleden. Over and above Directors' fees from Kungsleden, Håkan Bryngelson also received Directors' fees of SEK 350,000 from Hemsö Fastighets AB, where he was Chairman of the Board, and Magnus Meyer received SEK 150,000 of Directors' fees from Hemsö Fastighets AB, where he was a Board member. Both left Hemsö's Board of Directors on 15 February 2013 when Kungsleden relinquished possession of its shareholding in the company.

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 2012, 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 set 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 achieve-



Board of Directors

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

Joachim Gahm. Board member. Born in 1964, B.Sc. (Econ.) Elected to the Board in 2011. Main employment: self-employed. Board member of Arise Windpower AB. Kungsleden shareholding: 2,000. 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. Kungsleden shareholding: 3,000. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

FEES APPROVED BY THE AGM 2012

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

ment 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 set 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 2012. The scale of remuneration payable for 2012 is stated in Notes 8 and 9.



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. 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 and Garbergs Reklambyrå AB. Kungsliden shareholding: 1,700. Affiliation: this member is considered as not affiliated to the company, its management or major shareholders.

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: 15,000. 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: 5,000. 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 2012, and includes holdings through companies and related parties.

Proposed guidelines for remuneration and other employment terms that will be proposed to the AGM 2013 largely correspond to those adopted by the AGM 2012. The maximum cost of remuneration that may be payable according to the guidelines that will be proposed to the AGM will be SEK 30 m, including social security contributions, pensions and employer's contributions, and if maximum incentive payments become due.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2012

	Board of Directors	Remuneration Committee	Audit Committee	Finance Committee
Håkan Bryngelson	0 23/23	0 3/3		4/4
Joachim Gahm	22/23	3/3		0 4/4
Lars Holmgren	22/23		5/6	
Magnus Meyer	21/23		2/2	4/4
Biljana Pehrsson	20/23		6/6	
Kia Orback Pettersson	23/23		0 6/6	
Charlotta Wikström	22/23	3/3		
Thomas Erséus ¹	5/5			

0 – Chairman of Board/Committee

1. Member until AGM 2012

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. Kungsleden'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. Kungsleden works continuously and actively on charting, assessing and managing the risks the 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.



Management

Eskil Lindnér. Portfolio Manager. Born in 1959, B.Sc. (Eng.) in Civil Engineering from the university of Technology, Lund. Kungsleden employee since 1999, has been in current position since 2006. Previous experience: Property Manager, JM AB, Property Manager, Nordbanken Fastigheter AB. Kungsleden shareholding: 27,500.

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

Thomas Erséus. Chief Executive. Born in 1963, B.Sc. (Eng.) in Civil Engineering from Chalmers University of Technology, Gothenburg. Kungsleden employee since 2006. Other assignments: Board member of Hemsö Fastigheter AB and Chalmersfastigheter AB. Previous experience: President and CEO of WSP Europe AB, CEO of AB Jacobson & Widmark. Kungsleden shareholding: 140,000.

The risks in funding and operations otherwise and management of these risks are reviewed in Note 2.

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. 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



Anders Kvist. Deputy Chief Executive and Chief Financial Officer. Born in 1958, B.Sc. (Econ.), the Stockholm School of Economics. Kungsliden employee since October 2012. Previous experience: Head of Group Treasury at SEB, Head of Asset Management for DnB and Skandia, CEO of Skandia Liv. Kungsliden shareholding: 10,000

Per Johansson. President of 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.

Ylva 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: 23,000.

The above information is for shareholdings as of 31 December 2012, and includes holdings through companies and related parties.

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.

Kungsliden 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.

Follow-ups

The Board of Directors requests regular assessments of the risks of operations from management. The results are compiled in reports, which are pre-

sented to the Audit Committee. Kungsliden has no internal audit function. Internal controls are considered satisfactory and expedient for an organisation of Kungsliden'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 will create long-term value by owning, managing and improving wholly owned properties in growth regions in Sweden. Primarily, its business model addresses industrial/warehouse, office and retail properties.

KUNGSLEDEN'S OPERATIONS

In 2012, operations were divided into three segments, with each segment being responsible for the management and letting of its property portfolio. Wholly owned properties are its core business, primarily concentrated on the industrial/warehouse, office and retail types.

Nordic Modular conducts the letting and sale of modules, which create flexible premises in modular buildings. The third segment, Hemsö, included 50:50 owned joint venture Hemsö Fastighets AB, which owns social services properties used as retirement homes, schools or for care activities. From the beginning of 2013 onwards, only the first two segments remain, because the sales transaction of Hemsö to AP3 was completed.

Kungsleden has been listed on NASDAQ OMX Stockholm (Mid Cap) since 1999.

SUMMARY OF PROGRESS IN THE YEAR

Property management strengthened further in 2012, and late in the year, a number of transactions were conducted producing positive profits, which improved Kungsleden's property portfolio. Through the sale of its holding in Hemsö in December, Kungsleden secured greater financial flexibility and strength to manage even a potential worst case of the tax proceedings that the company is involved in. Accordingly, Kungsleden can emerge from 2012 well positioned to execute the strategic realignment that the Board and management worked on in the year. The realignment will focus on long-term value creation through managing and improving wholly owned properties.

Profit from property management in the year increased by 2 per cent to SEK 485 (474) m, mainly through property purchases in 2011 and thanks to an improvement in operating net in like-for-like portfolio terms, after a milder winter early in the year. Profit for the year after tax was SEK 352 (638) m, with this lower figure mainly due to provisions for

tax risks, which were partly offset by the positive profit generated from the sale of Hemsö.

REVENUES AND RESULTS OF OPERATIONS

Net sales in the year were SEK 2,110 (2,047) m, divided between rental revenues from modular buildings of SEK 257 (244) m, and SEK 1,583 (1,515) m from other properties, as well as sales revenues from produced modules of SEK 270 (288) m. The increase in rental revenues is primarily sourced from properties purchased in 2011.

Gross profit increased by 4 per cent to SEK 1,328 (1,277) m due to the property purchases in 2011, and thanks to an improvement in operating net in like-for-like portfolio terms, after a milder winter at the beginning of the year.

The profit from property sales was SEK 16 (56) m. If instead of being set against book value, sales proceeds are compared with acquisition cost, the effect on sales and profit for calculating dividends is obtained. In this case, the sales produced profit for calculating dividends of SEK 125 (114) m.

Value changes of SEK 129 (65) m during the holding period, which have now been realised, and the deductions for deferred tax given in tandem with sales via companies of SEK -20 (-7) m are additional to the trading net in this calculation.

PROFIT FOR CALCULATING DIVIDENDS

SEK m	2012	2011
Gross profit	1,328	1,277
Sales and administration costs	-257	-244
Net financial position	-586	-559
Profit from property management	485	474
Realised items		
Trading net on sale	16	56
Realised value changes, properties	129	65
Deduction for deferred tax on sale	-20	-7
Sale of Hemsö	1,507	-
Realised value changes, financial instruments	-81	-66
Realised items	1,551	48
Profit for calculating dividends, Hemsö ¹	223	207
Taxes payable	-342	-26
Profit for calculating dividends	1,917	703

1 In addition to a share in profits, Kungsleden received SEK 105 (105) m of interest on a shareholder loan.

COSTS

Property costs were SEK 533 (512) m, of which operating costs of SEK 305 (309) m, maintenance costs of SEK 142 (121) m and tenant adaptations of SEK 68 (97) m were the largest items. A portion of these costs may be invoiced on to tenants, which reduced property costs by a total of SEK 60 (91) m.

Sales and administration costs increased to SEK 258 (244) m. Of sales and administration costs, SEK 63 (60) m are from Nordic Modular and SEK 194 (184) m from the management of wholly owned properties, business development and central administration.

Excluding the modular operation, annual costs for property management, business development and central administration amount to some SEK 85 per square metre.

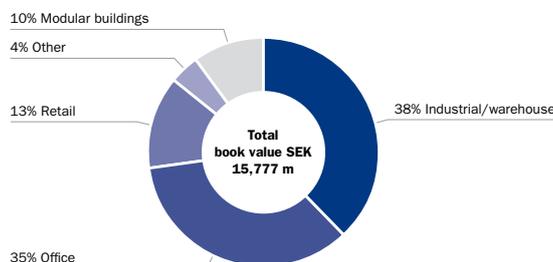
The net financial position changed negatively by SEK 27 m and was SEK -586 (-559) m. This is mainly explained by higher interest margins and arrangement fees after refinancing large portions of Kungsleden's bank borrowings in 2012. Simultaneously, extensions of maturities on the interest hedging instruments used in 2011 and 2012, and advance cancellation of derivatives, affected the net financial position positively.

Value changes on properties and financial instruments in the period were SEK -60 (241) m and SEK -70 (-491) m respectively, totalling SEK -130 (-249) m. Value changes on properties were attributable to modular buildings, which generate a high property yield, but simultaneously require re-investment that does not increase value.

The valuation of financial instruments was negatively affected due to decreasing long yields in the year.

Tax on net profit was SEK -813 (-55) m. The tax cost for the year was charged with a provision of SEK -985 m, since Kungsleden judges that the risk of negative outcomes in a number of tax proceedings has increased after tax rulings affecting Kungsleden companies and external companies. Otherwise, tax is lower than the Swedish corporation tax rate of 26.3 per cent, primarily because no tax is payable on profit shares from Hemsö, because the profit from Hemsö is already taxed and the profit from sales is not taxable. In addition, the Hemsö transaction meant that tax loss carry-forwards arising on the original

PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2012



purchase of Hemsö properties were taken up as income on sale. Other property sales also had a positive tax effect because there was basically no tax cost on sale, but deferred tax had been entered as a liability could not be recognised as revenue. The reduced corporation tax rate to 22 per cent effective 1 January 2013 had a profit effect of SEK -40 m in 2012 because deferred tax assets as of 31 December were somewhat larger than deferred tax liabilities.

FINANCIAL TARGETS

Until 2012, the group's financial targets were firstly to achieve a minimum return on equity of 15 per cent, and secondly a minimum interest coverage ratio of a multiple of two.

Return on equity was below the 2012 target and was 5 (9) per cent. The average return on equity has been 3 and 18 per cent in the past 5 and 10 years respectively. The interest coverage ratio in 2012 was a multiple of 2.8 (2.3), which is well above target.

THE PROPERTY PORTFOLIO

The property portfolio as of 31 December 2012 consisted of 278 (324) properties. Gross area of wholly owned properties and modular buildings was 2,442,000 (2,569,000) sq.m., which

had a total book value of SEK 15,777 (15,693) m. Basically all Swedish properties were appraised by an external valuer as of 31 December 2012. The external valuations corroborate the company's book values because they are comparable with internal valuations, see comparisons in the following table. 90 (90) per cent of book value was attributable to wholly owned properties and 10 (10) per cent to modular buildings.

Indirect property ownership of social services properties through 50:50 joint venture Hemsö Fastighets AB for the full year was additional.

Kungsleden reports earnings capacity with the aim of supplementing its Income Statement with a better view of the underlying profitability of its property operation. Earnings capacity indicates results if the property portfolio as

PROGRESS OF PROPERTY PORTFOLIO

SEK m	2012	2011
Properties at beginning of year	15,693	12,227
Purchases	1,550	4,190
Investments	251	180
Sales	-1,650	-1,143
Exchange rate fluctuations	-7	-2
Value changes	-60	241
Properties at end of year	15,777	15,693

PROPERTY VALUES

SEK m	Industrial/ warehouse	Office	Retail	Other	Valued properties	Not externally valued ¹	All properties
Book value	5,961	2,071	5,576	467	14,075	1,702	15,777
External valuation	5,931	2,041	5,600	498	14,070		

1. Of un-valued properties, SEK 1,509 m is modular buildings, SEK 164 m two properties in Germany and SEK 29 m a small number of buildings and land parcels.

EARNINGS CAPACITY

	2012, 31 December ¹	2011, 31 December ¹
No. of properties	278	324
Leasable area, 000 sq.m.	2,442	2,569
Book value, SEK m	15,777	15,693
Rental value, SEK m	2,063	2,072
Rental revenue, SEK m	1,843	1,849
Operating net, SEK m	1,257	1,234
Economic occupancy, %	89.3	89.2
Property yield, %	8.0	7.9
Operating surplus margin, %	68.2	66.7

1 After Hemsö being recognised according to the equity method, earnings capacity only reflects wholly owned properties and modular buildings. Comparative figures have been calculated in the same way, which means that Hemsö's 312 properties as of 31 December 2011 have been excluded.

of 31 December 2012 had been held for the past 12 months, and thus also offers a forecast of earnings capacity in unchanged circumstances. Transactions in the year and progress of the existing portfolio resulted in an increase of SEK 1,257 m to operating net compared to SEK 1,234 m at the beginning of the year.

The increase is mainly a consequence of the property purchase from Hemsö at year-end.

At year-end, economic occupancy was 89.3 (89.2) per cent and the average property yield was 8.0 (7.9) per cent.

Of property book values, 56 (58) per cent was located in the three major city regions of Stockholm, Gothenburg and Öresund, and cities with populations of over 100,000.

Investments in existing properties were SEK 251 (180) m, of which about half in six properties in Västerås.

Investments are mainly in conversions and extensions of existing properties and in consultation with tenants to be able to conduct their operations better and more efficiently. Investment increases property values through higher rent levels, and often, longer contract terms.

PURCHASES AND SALES

The transaction market was hesitant in 2012, not only due to economic conditions, but also because of a still-strained bank funding market.

One significant purchase was conducted in the year:

- 11 properties were purchased for SEK 1,549 m from Hemsö at the end of the year. This portfolio consisted of office and retail space of 143,000 sq.m., with completion on 15 February 2013. These properties are in central Sweden, Östersund and on the island of

Gotland. They offer stable cash flow with long-term contracts and stable counterparties. The remaining contract term is eight years.

In the year, Kungsleden sold 59 properties with area of 266,000 sq.m. for SEK 1,666 m. The book value of sold properties was SEK 1,650 m, and acquisition cost was SEK 1,521 m. These sales affected profit for calculating dividends by SEK 125 m, and were conducted at an average property yield of 6.9 per cent.

The largest sales in the year included:

- 39 social services properties in Härnösand, sold to Hemsö for SEK 912 m.
- Nine properties in Stockholm and Malmö, sold to Castellum for SEK 380 m.
- Two Polish properties sold to a local buyer for SEK 104 m.

NORDIC MODULAR

Nordic Modular's operations are the letting and sale of modular buildings. Flexible and cost-efficient modular buildings are a strong alternative to traditional premises. Some 75 per cent of these modular buildings are let to local government.

As of 31 December, the total area of modular buildings was 231,000 (232,000) sq.m., with a book value of SEK 1,509 (1,550) m.

The rental revenue from modular buildings in 2012 was SEK 257 (244) m, with gross profit of SEK 213 (195) m. Over the past year, occupancy levels varied, but were in a rising trend, and were 80 (77) per cent at year-end. The profit from modular lettings is high compared to letting premises in conventional properties. In 2012, let modules represented 16 per cent of the gross profit of all the group's properties, while modules also represented only 10 per cent of property value.

Nordic Modular also manufactures and lets modules through its subsidiary Flexator. Sales revenues were SEK 270 (288) m and gross profit was SEK 21 (30) m. The order books of the Anneberg and Gråbo plants deteriorated in the second half-year. Nordic Modular continually adapts its labour force to business conditions. 54 employees at Anneberg were issued with redundancy notices in October. The redundancy notices previously issued to 24 employees at the beginning of the year were fully implemented.

HEMSÖ

The growth of 50:50 joint venture Hemsö continued in 2012, with rental revenues being SEK 1,900 (1,671) m for the full year and gross profit of SEK 1,364 (1,202) m. The value increase on properties was not as high as the previous year, which meant that profit before tax decreased to SEK 420 (1,095) m. Profit after tax was SEK 581 (826) m, thanks to tax for the year becoming a revenue due to the decrease of the Swedish corporation tax rate to 22 per cent effective 1 January 2013 being considered as an effect of SEK 261 m. Kungsleden's Income Statement recognises SEK 163 (413) m as a profit share from Hemsö, which largely corresponds to net profit for the year, excluding the positive effect of the decreased corporation tax rate, which was not accounted in Hemsö until after the sale.

On the sale of the holding in Hemsö to AP3 in December, Kungsleden's share was measured at SEK 1,820 m, which was SEK 663 m above book value in Kungsleden. The primary reason for this figure was that in order to comply with IFRS, Kungsleden had to account for its participation in Hemsö on the basis of an excessively high provision for deferred tax in Hemsö. This difference between fair value and book value of deferred tax was approximately SEK 500 m, which was consistent with the estimates of a positive value that Kungsleden previously reported. After considering items such as transaction costs and taking up the negative currency effects of the German operation due to depreciation of the euro as income, the profit from the sale was SEK 631 m.

The sale of the participations in Hemsö was taken up as income in 2012, because the material risks and rewards were transferred to the purchaser on the contract date, in December. Payment was then executed in February 2013.

In addition to proceeds for the shares, Kungsleden also secured repayment of its shareholder loan of SEK 1,500 m on completion on 15 February 2013.

KUNGSLEDEN AFTER COMPLETION OF THE SALE OF HEMSÖ AND PROPERTY PURCHASES

The sale of the remaining shareholding in Hemsö increases Kungsleden's financial flexibility and affects its financial position in the short and long

STATEMENT OF FINANCIAL POSITION—PRO FORMA

SEK m	31 Dec. 2012 according to financial statement	31 Dec. 2012 pro forma after Hemsö transaction
ASSETS		
Properties	15,777	15,777
Other fixed assets	666	666
Receivable from AP3	3,363	–
Other current assets	373	373
Cash and bank balances	721	3,549
Total assets	20,900	20,365
EQUITY AND LIABILITIES		
Equity	7,726	7,726
Interest-bearing liabilities	9,704	10,720
Derivatives	1,125	1,125
Other non interest-bearing liabilities	2,345	794
Total equity and liabilities	20,900	20,365

KEY FIGURES—PRO FORMA

	31 Dec. 2012 according to financial statement, %	31 Dec. 2012 pro forma after Hemsö transaction, %
Loan to value ratios		
Interest-bearing liabilities/properties	62	68
Net loan liability ¹ /properties	57	45
Equity ratio		
Equity/total assets	37	38
Equity/total assets based on net loan liability ¹	38	46

1 Net loan liability consists of interest-bearing liabilities less cash and bank balances

term. This transaction has effects on both sides of year-end 2012, because the transaction date was in December 2012, while the completion date is 15 February 2013. In the Statement of Financial Position and year-end, the shareholding in Hemsö is regarded as sold, and instead, there is a short-term receivable from AP3, corresponding to the purchase price and repayment of the shareholder loan to be received. Kungsliden's purchase of 11 properties from Hemsö for a price of SEK 1,549 m was also conducted in December 2012, and is considered in the Statement of Financial Position at year-end. The payment for properties that then occurred in February 2013 is recognised as other non interest-bearing liabilities.

The following table illustrates Kungsliden's Statement of Financial Position at year-end and its financial position pro forma on the completion date 15 February 2013 when Kungsliden received payment from AP3, which increased cash and bank balances. The properties purchased from Hemsö were paid for simultaneously, through bank borrowings/ interest-bearing liabilities and some decrease in cash and bank balances.

Simultaneously, Kungsliden's pro forma financial position after the Hemsö transaction does not mark an end point for Kungsliden. Within its new business strategy, Kungsliden will be utilising its strengthened liquidity position to repay interest-bearing liabilities initially, and then gradually invest in properties in priority segments.

Simultaneously, Kungsliden will maintain good liquidity contingency at any time to manage the risks of its ongoing tax proceedings. Its new strategy was presented in tandem with presentation of its annual financial statement on 15 February 2013, and is available at its website.

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

As of 31 December 2012, SEK m	Utilised credits	Un-utilised credits	Total credits
2013	667	260	927
2014	1,459		1,459
2015	5,600	900	6,500
2016	1,978		1,978
Total	9,704	1,160	10,864
Average conversion term, years	2.3		2.2

CUSTOMERS

Kungsliden's success is based on satisfied customers and the company's capability to do good deals. Kungsliden's customers are a cross-section of the Swedish business community and public services. Its tenants are small enterprises and large corporations. Manufacturing, transportation and retail are some of the sectors where Kungsliden is active. Customer satisfaction surveys have demonstrated that the main parameters for Kungsliden's customers are premises in locations that suit customers, the ability to listen to the customer, a strong presence on the location where the customer is active and a well-recognised and reputable company. In its most recent customer satisfaction survey, Kungsliden improved on all parameters compared to 2010, and most clearly in segments such as good premises, responsiveness/flexibility, as well as understanding and being easy to deal with.

The largest tenant is ABB Fastighets AB, which represents 16 per cent of total rental revenues.

FUNDING

Kungsliden's loan portfolio is based on agreements with banks, a syndicated bank credit facility and unsecured bond issues. Loan agreements normally have three to five-year maturities, which is market practice for property credits. Fixed-interest periods in loan agreements are short, and Kungsliden manages interest risk at an overall group level. The desired risk level in its fixed interest structure is achieved using instruments called interest swaps.

At the end of the period, the loan portfolio had a nominal amount of SEK 9,704 (10,665) m. SEK 1,599 (1,509) m of the loan portfolio was unsecured bond issues. Un-utilised credit facilities were SEK 1,160 (3,060) m.

The average interest rate on the loan portfolio as of 31 December was 6.8 (5.5) per cent. Of the average interest rate of 6.8 per cent, 2.5 percentage points are due to interest rates being fixed in market conditions when interest rates were higher than at present. The change in the average interest rate in the year mainly relates to higher margins and arrangement costs in tandem with a very high share of the group's borrowings being refinanced at the beginning of the year.

The derivative portfolio had a nominal amount of SEK 9,350 (11,650) m at the end of the year, which means that fluctuations in market interest rates do not significantly affect interest costs. At year-end, the average remaining fixed-interest period was 5.1 (4.5) years.

Kungsleden works continuously on controlling the maturity structure of the company's borrowings by extending or amortising its loan portfolio as required.

This is achieved through ongoing negotiation with current lenders, and by utilising alternative funding sources. The average conversion term for utilised credit facilities was 2.3 (1.6) years. The increase in 2012 is due to the major re-financing of credit facilities with longer maturities arranged in the year. Relatively few credit facilities expire in

the coming 12 months. The total nominal amount is SEK 667 m.

As of 31 December 2012, cash and un-utilised credit facilities were nearly SEK 1,881 m.

More information on funding and financial risks is in Notes 2, 3, 13, 25 and 29.

TAX POSITION

Kungsleden's property operations involve the purchase and sale of properties, and other restructuring processes designed to increase returns. In certain cases, these transactions and measures have tax consequences, and they are conducted and reported in accordance with the laws and practice in place when submitting each tax return. However, it has emerged that the Swedish Tax Agency and courts have altered their view of how laws and practice should be interpreted in several tax segments in recent years. Against this background, the Swedish Tax Agency's assessment differs to Kungsleden's on certain transactions conducted, which has resulted in a number of court proceedings. Kungsleden is contesting the tax claims that the Swedish Tax Agency and courts have ruled on to date, and the company either has, or will be, filing appeals against all these rulings.

Ongoing tax proceedings relate to tax returns for the years 2004–2007. Kungsleden continuously assesses the outcomes of tax proceedings, and after consulting external tax experts, makes provisions where negative outcomes are expected. After several years of an uncertain legal position, 2012 was an eventful year with several rulings on tax proceedings for Kungsleden and other property companies. In several cases, courts ruled against the taxpayer, which meant that in the year, Kungsleden made provisions for feared definitive negative outcomes. The total provisions for ongoing tax proceedings amounted to a total of SEK 1,050 m at year-end. SEK 260 m was paid to the Swedish Tax Agency in anticipation of definitive rulings.

For its part, Kungsleden judges that all cases that the Swedish Tax Agency could question are now being considered actively in court proceedings. Estimates of the maximum potential effects on equity and liquidity of negative outcomes in all transactions that the Swedish Tax Agency is questioning is conducted continuously through the year. These estimates are stated in quarterly reports, or coincident with other significant events, as well as in separate press releases. An estimate of the tax position as of 31 December 2012



Chanette Claesson-Zsuppán, Receptionist

was that if all proceedings were ruled against the company, the maximum negative effect on equity would be SEK 2,930 m over and above the provisions of SEK 1,050 m already made.

The maximum negative liquidity effect, including tax surcharges and interest, were simultaneously estimated at SEK 2,900 m over and above the SEK 260 m already deposited in anticipation of definitive rulings.

A current review of tax proceedings including estimates of the worst case is available at the website, kungsleden.se/om/finansiell-information/risker-och-osakerhetsfaktorer/skatt (in Swedish).

More information on the tax position is in Note 2.

CASH FLOW

Cash flow from operations is relatively consistent between years in an operation with properties with stable lease contracts and property costs. However, 2012 was an exception because SEK 340 m was paid to the Swedish Tax Agency for concluded and ongoing tax proceedings, and accordingly, cash flow from operations decreased to SEK 163 (585) m.

Investing activities vary more because in some years, Kungsleden is a net buyer, and other years, a net seller.

In 2012, investing activities generated a cash flow of SEK 797 (-886) m. Due to property sales conducted in the year, payment for the only purchase in the year was after year-end 2012.

Financing activities generated cash flow of SEK -1,313 (2,375) m, after net repayments and a dividend of SEK 355 (273) m. These repayments were possible in tandem with property sales and a SEK 184 m repayment of a vendor note from 2008 to SveaReal.

SHAREHOLDERS' EQUITY

Shareholders' equity was SEK 7,726 (7,719) m at year-end or SEK 57 (57) per share, corresponding to an equity ratio of 37 (37) per cent.

EMPLOYEES

The average number of employees in the year was 269 (258). Of these, 185 (181) worked for Nordic Modular, of which 153 (152) worked on producing modules.

Anders Kvist became Kungsleden's new CFO and Deputy Chief Executive on 1 October. Kungsleden came second in the Great Place to Work 2012 survey in the medium-sized Swedish organisations category, and was the best

employer of the property companies. This is the third year that Kungsleden has been rated highly as an employer.

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 53 per cent. The average age of salaried employees was 44 (44). The average age of men was somewhat higher than women, 47 compared to 42.

For more information on Kungsleden's employees, see Notes 8 and 9.

SUSTAINABILITY

Kungsleden is convinced that it is possible to help create a sustainable society by being a role model and going your own way. Accordingly, Kungsleden will continue to conduct itself responsibly in respect to the environment, and to its customers, business partners, authorities, employees and shareholders, and be perceived as a responsible company. Working on sustainability for the long term and on a goal-oriented footing means creating value for the company's stakeholders such as shareholders and customers, being a good employer and contributing to sustainable development.

Kungsleden has developed the Green Lease as a product it offers to its tenants. A Green Lease involves a partnership on sustainability issues, which is monitored yearly. The focus of a Green Lease 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 big energy savings in the property portfolio. The year's Sustainability Report was the first conducted according to GRI guidelines for sustainability reports, level C. This process involved conducting a stakeholder analysis.

In 2012, health and safety issues were a central component of sustainability work.

Meetings were held with contractors in all regions, training packages conducted internally for everyone in Kungsleden's management organisation, and health and safety aids were developed for development projects and property management.

The focus of sustainability work will remain on partnering with our customers, energy saving and risk assessment in the property portfolio for several years ahead.

Kungsleden has also decided to commit to youth projects in a range of ways. In 2012, Kungsleden continued its collaboration with youth work charity Fryshuset and the Young Personal Finance project. As part of its partnership with Fryshuset, employees of the parent company can do voluntary work for one working-day a year.

PARENT COMPANY

Largely, the parent company's operations are to hold shares in operational subsidiaries. The parent company had a SEK 299 (489) m net profit for the year. Revenues in the form of intragroup invoicing were SEK 61 (32) m. Profits are primarily sourced from dividends from subsidiaries, impairment losses in 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 7,801 (7,947) m. Funding was primarily through equity, which at year-end was SEK 5,931 (5,987) m, implying an equity ratio of 43 (39) 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 five years.

SHAREHOLDERS

At the end of the year, Kungsleden had 19,749 shareholders, down by 6 per cent since the previous year-end. Ownership is diversified, even if for the first time, Kungsleden has one shareholder with a holding of over 10 per cent through Gösta Welandson increasing holdings to 13.1 per cent in December.

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 in Note 18.

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 in Notes 2 and 3.

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 in Notes 2 and 3.

A more detailed review of Kungsleden's risks and uncertainty factors is provided in Notes 2 and 3.

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.

ACCOUNTING PRINCIPLES

Since 1 January 2012, Hemsö has been consolidated according to the equity method instead of the proportional method. This change is an amendment prior to the adoption of the forthcoming IFRS 11 Joint Arrangements, which comes into effect on 1 January 2014, and only permits the equity method for consolidating joint ventures. This change of method meant that half of Hemsö's profits will instead be reported

on an Income Statement line, profit/loss from participations in Hemsö. In the Statement of Financial Position, half of the value of Hemsö's equity is reported according to IFRS as an asset on a separate line, participations in Hemsö. This change of accounting principle did not affect equity, net profit/loss or profit for calculating dividends. However, items including reported property values and loans are lower when the Hemsö amounts are removed from these items, which reduced total assets and increased the equity ratio.

A summary of the Income Statement, Statement of Financial Position and a number of key ratios as of 31 December based on the various accounting methods are stated in Note 35. More detail on how this change of principle affects Kungsleden's financial statements and results of operations on the basis of the various methods is stated at www.kungsleden.se/consolidation-of-hemsö.

In tandem with this change of method, Kungsleden amended the format of its Statement of Financial Position by dividing assets between non-current assets and current assets. This new presentation more clearly illustrates that Kungsleden's earning assets are funded by equity and interest-bearing liabilities, and that working capital is relatively low.

A number of amendments to accounting principles, most being a consequence of the focusing strategy, and partly to increase comparability with other property companies' accounting, will occur effective 1 January 2013. The forthcoming amendments are described in more detail in Note 1.

POST-BALANCE SHEET EVENTS

On 15 February, possession of the Hemsö shares transferred to AP3 as planned, and Kungsleden received repayment of its shareholder loan. The total proceeds were SEK 3,400 m, which apart from the purchase price and

loan of SEK 3,320 m also consisted of an SEK 80 m payment for residual loan interest and trading profits from the end of 2012 until completion in 2013. Simultaneously, Kungsleden took possession of 11 properties purchased from Hemsö for SEK 1,549 m after deducting for deferred tax. The properties were financed through raising borrowings of SEK 1,017 m and SEK 532 m from cash reserves.

Thomas Erséus has resigned as Chief Executive of Kungsleden and will be leaving the company in tandem with the AGM on 18 April.

Kungsleden's Nomination Committee proposes that the AGM 2013 elects Göran Larsson,

Magnus Fernqvist and Peter Gustafson as Board members. In addition, the Nomination Committee is proposing re-election of current members Joachim Gahm, Lars Holmgren, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström. It is also proposing that Göran Larsson is elected Chairman of the Board. Håkan Bryngelson and Magnus Meyer have notified the Nomination Committee that they will not be available for re-election.

On 12 March, Kungsleden received rulings from the Administrative Court in Stockholm, in cases to which Kungsleden is party. The Court ruled that Kungsleden should not be granted deductions for impairment of lagerandelar¹ on internal purchases for the years of assessment 2006–2008. These cases are very similar to the 'Steen & Ström case', where the Administrative Court in Stockholm also rejected claimed deductions, while the Administrative Court of Appeal in Stockholm later granted the deductions. These rulings will be subject to appeal.

ESTIMATE 2013

Kungsleden previously published estimated profit for calculating dividends, which is a profit measure that will no longer be used for 2013 as a result of its focused strategy.

Results for 2013 will be very dependent on which property purchases are conducted after the sale of the shares of Hemsö, and when these purchases are executed. Combined with uncertainty regarding tax proceedings, this means that the Board of Directors will not be making any profit estimate for 2013.

PROPOSED APPROPRIATION OF PROFITS

SEK	
The following funds are at the disposal of the Annual General Meeting:	
Profit brought forward	5,574,897,617
Net profit for the year	298,697,178
Total	5,873,594,795
The Board of Directors proposes that profits are appropriated as follows:	
Dividends of SEK 1 per share to shareholders	136,502,064
Carried forward	5,737,092,731
Total	5,873,594,795

A more detailed proposal and reasoning is on page 90.

¹ Defined in Swedish law as a construction company's shareholding in a property management company.

Financial Statements

“Profit before tax for the year increased to SEK 1,165 (693) m. Apart from the increased operating net in property management, our profit benefited from the sale of the Hemsö holding.”



GROUP

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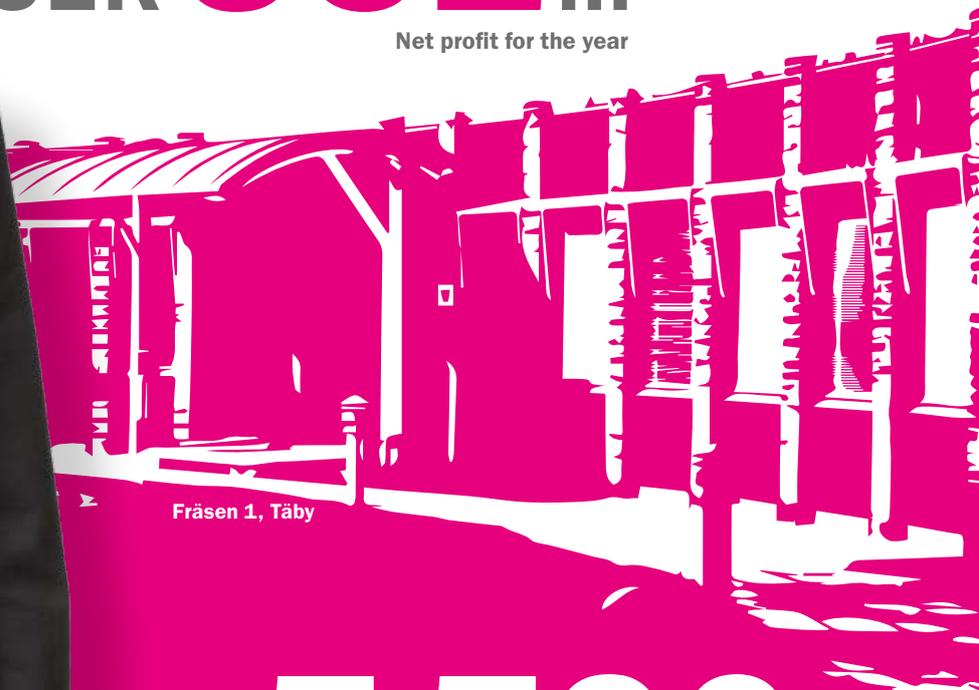
PARENT COMPANY

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SEK 352 m

Net profit for the year



Fräsen 1, Täby

SEK 7,726 m

Equity

Jonas Brade
Financial Controller

Consolidated Income Statement¹

SEK m	Note	2012	2011 ¹
Rental revenues—wholly owned properties	6	1,583.1	1,515.1
Rental revenues—modular buildings	6	256.6	243.7
Sales revenues, modular buildings		270.3	288.4
Net sales		2,110.0	2,047.2
Property costs—wholly owned properties		-489.8	-463.2
Property costs—modular buildings		-43.5	-48.9
Production costs, modular buildings		-249.1	-258.1
Gross profit		1,327.6	1,277.0
<i>of which operating net wholly owned properties</i>		1,093.3	1,051.9
<i>of which operating net modular lettings</i>		213.1	194.8
<i>of which gross profit from sales of modules</i>		21.2	30.3
Property sales			
Sales revenues, net		1,666.0	1,198.5
Book value			
Acquisition cost		-1,521.1	-1,078.0
Realised value changes		-128.7	-64.7
		-1,649.8	-1,142.7
Trading net		16.2	55.8
Sales and administration costs	7-10	-257.6	-244.4
Profit/loss from participations in Hemsö¹		794.4	413.1
Net financial position			
Financial revenues	13	136.0	141.0
Interest costs	13	-683.7	-674.0
Other financial costs	13	-37.8	-25.8
		-585.5	-558.8
Unrealised value changes			
Investment properties	17	-60.0	241.3
Financial instruments	13	-69.9	-490.7
		-129.9	-249.4
Profit before tax		1,165.2	693.3
Tax			
Current tax	14	-16.0	-20.6
Deferred tax	14	-797.3	-34.3
		-813.3	-54.9
Net profit for the year²		351.9	638.4
Earnings per share	15	2.60	4.70

1 The holding in Hemsö has been consolidated according to the equity method rather than the proportional method from 1 January 2012. 50 per cent of Hemsö's IFRS profit/loss is reported in the line Profit/loss from participations in Hemsö. Comparative periods have been recalculated according to the same principles.

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

Consolidated Statement of Comprehensive Income

SEK m	Note	2012	2011
Net profit for the year from Income Statement		351.9	638.4
Other comprehensive Income			
Translation differences transferred to net profit for the year	24	16.9	-
Share of Hemsö's other comprehensive income (translation differences)	24	-5.5	-1.3
Translation differences for the year when translating foreign operations	24	-1.0	-1.9
Comprehensive income for the year¹		362.3	635.2

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

Consolidated Statement of Financial Position¹

SEK m	Note	31 December 2012	31 December 2011	1 January 2011
ASSETS				
Fixed assets				
Goodwill	16	201.4	201.4	201.4
Investment properties—wholly owned properties	17, 18	14,246.7 ²	13,219.8 ²	10,632.5 ²
Investment properties—modular buildings	17, 18	1,509.3 ²	1,550.3 ²	1,574.5 ²
Property used in business operations	17, 19	21.2 ²	18.3 ²	19.5 ²
Equipment	21	13.9	15.5	13.6
Participations in Hemsö	22	–	1,084.5	817.7
Long-term receivables, Hemsö	22	–	1,500.0	1,500.0
Deferred tax asset	14	206.7	1,019.8	1,002.3
Other long-term receivables	23	244.0	443.2	287.7
Total fixed assets	29	16,443.2	19,052.8	16,049.2
Current assets				
Inventories		17.1	16.7	44.6
Accounts receivable		71.4	94.9	103.6
Receivable from AP3		3,362.9	–	–
Other receivables		182.7	86.2	1,597.9
Pre-paid costs and accrued income		101.2	57.0	105.4
Assets held for sale—properties	17, 20	–	904.8 ²	–
Assets held for sale—other assets	20	–	14.4	–
Cash and bank balances		721.2	683.9	570.5
Total current assets	29	4,456.5	1,857.9	2,422.0
TOTAL ASSETS		20,899.7	20,910.7	18,471.2
LIABILITIES AND EQUITY				
Equity				
Share capital		56.9	56.9	56.9
Other contributed capital		1,373.1	1,373.1	1,373.1
Translation reserve		–1.7	–12.1	–8.9
Profit brought forward (including net profit for the year)		6,298.1	6,301.1	5,935.7
Total equity (attributable to parent company shareholders)	24	7,726.4	7,719.0	7,356.8
Interest-bearing liabilities				
Liabilities to credit institutions		8,104.6	8,154.2	7,469.8
Bond issues (unsecured)		1,599.2	1,599.2	999.2
Liabilities related to assets held for sale	20	–	901.0	–
Total interest-bearing liabilities	25, 28, 29	9,703.8	10,654.4	8,469.0
Non-interest bearing liabilities				
Provisions	26	57.7	431.2	443.0
Deferred tax liability	14	–	–	8.9
Accounts payable		113.8	131.7	143.8
Tax liabilities		20.5	74.3	32.8
Derivatives	25, 29	1,124.5	1,155.8	759.7
Other liabilities	27	1,632.5	70.5	832.1
Accrued costs and deferred income		520.5	613.7	425.1
Non interest-bearing liabilities related to assets held for sale	20	–	60.1	–
Total non-interest bearing liabilities	28, 29	3,469.5	2,537.3	2,645.4
TOTAL LIABILITIES AND EQUITY		20,899.7	20,910.7	18,471.2

1 On 1 January 2012, the holding in Hemsö is reported in accordance with the equity method instead of the proportional method. 50 per cent of Hemsö's profit or loss according to IFRS is recognised on the participations in Hemsö line. Comparative periods have been restated according to the same principle.

2 The total property portfolio amounted to SEK 15,777.2 m (15,693.2 m and 12,226.5 m respectively) at year-end. Properties for sale at 31 December 2011 are 39 properties in Härnösand sold to Hemsö in August 2012.

For information on the group's assets pledged and contingent liabilities, see Notes 30 and 31.

Consolidated Statement of Changes in Equity

SEK m	Share capital	Other contributed capital	Translation reserve (note 24)	Profit brought forward	Total equity
Opening equity, 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
Closing equity, 31 Dec 2011	56.9	1,373.1	-12.1	6,301.1	7,719.0
Opening equity, 1 Jan 2012	56.9	1,373.1	-12.1	6,301.1	7,719.0
Comprehensive income for the year			10.4	351.9	362.3
Dividend				-354.9	-354.9
Closing equity, 31 Dec 2012	56.9	1,373.1	-1.7	6,298.1	7,726.4

Consolidated Statement of Cash Flows

SEK m	Note 32	2012	2011
Operations			
Profit before tax		1,165.2	693.3
Trading net/capital gain, sold properties		-16.2	-55.8
Profit from participations in Hemsö		-794.4	-413.1
Dividend from Hemsö		52.1	130.5
Unrealised value changes		129.9	249.4
Other adjustments for items not included in cash flow from operating activities		-32.1	10.2
Tax paid		-342.0	-30.0
Cash flow from operating activities		162.5	584.5
Change in working capital			
Increase (-)/decrease (+) in inventories		-0.4	28.0
Increase (-)/decrease (+) in operating receivables		-163.2	218.1
Increase (+)/decrease (-) in operating liabilities		560.1	-2,205.1
		396.5	-1,959.0
Cash flow from operating activities after change in working capital		559.0	-1,374.5
Investing activities			
Purchase of properties (direct purchase)		-	-137.3
Investment in existing properties		-251.5	-180.1
Sale of properties (direct sale)		198.6	206.1
Purchase of subsidiaries		-8.4	-1,398.1
Sale of subsidiaries		670.5	871.7
Purchase of equipment		-3.3	-8.1
Sale of equipment		0.8	1.6
Investment in other financial assets		-0.8	-246.5
Repayment of other financial assets		191.2	4.4
Cash flow from investing activities		797.1	-886.3
Financing activities			
Borrowings		6,795.5	4 296.2
Loans amortised		-7,753.7	-1 648.2
Dividend		-354.9	-273.0
Cash flow from financing activities		-1,313.1	2,375.0
Cash flow for the year		43.0	114.3
Cash and cash equivalents at beginning of year		683.9	570.5
Exchange rate difference in cash and cash equivalents		-5.7	-0.9
Cash and cash equivalents at end of year		721.2	683.9

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 ISA B (International Accounting Standards Board), as well as interpretations from FIR IC (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.

Amended accounting principles in 2012

The following amendments and new application interpretations of accounting principles have been applied without having any material effect on the consolidated accounts: amendments to IFRS 7 Financial Instruments: Disclosures regarding new disclosure requirements for transferred financial assets and amendments to IAS 12 Income Taxes regarding the measurement of tax for investment properties which involved a presumption that investment properties reported at fair value will be realised through sale. According to this approach, tax should normally be measured on the basis of the tax rate applying on the sale of the property.

Ahead of the new standard IFRS 11 Joint Arrangements, from 1 January 2012 onwards Kungsleden opted to apply the equity method instead of the proportional method within the existing IAS 31, Interests in Joint Ventures. This change in method meant that half of Hemsö's profit or loss will instead be recognised on a line in the Income Statement (profit/loss from participations in Hemsö). In the Statement of Financial Position, half of the value of Hemsö's equity according to IFRS was recognized as an asset on a separate line (participations in Hemsö). The change of accounting principle did not affect equity, net profit or loss or profit for calculating dividends. However, items including the book value of properties and loans was lower when Hemsö amounts were de-recognised from these items, which decreased total assets and increased 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 35 as of 31 December 2011.

Amended accounting principles in 2013 within applicable IFRS

In external reports from 1 January 2013 onwards, the Income Statement will be presented in a modified format compared to the current format. The differences primarily lie in the profit or loss component of profit from property management no longer having its own line in the Income Statement as the total of gross profit, sales and administration costs and net financial position. This is a common measure used by property companies, and for Kungsleden's part, is exclusively presented in tables outside the Income Statement. Another difference is that the presentation of property sales added to the trading net is presented on a line in the form of a profit or loss from property sales.

Property administrative costs will be recognized as a portion of property costs compared to the current accounting, where these costs are recognized under sales and administration costs.

Comparative periods will be restated to achieve comparability.

Re-investments in modular buildings will be reported as property costs from 1 January 2013 instead of the re-investment resulting in a negative un-realised value change.

Comparative periods will be restated to achieve comparability.

The altered format and reporting is a result of Kungsleden's focus on management, and also increases comparability with other property companies.

New IFRS that have not yet started to apply

Amendments of IAS 1, Presentation of Financial Statements, amendments of IAS 19 Employee Benefits, Amendments of IAS 32 Financial Instruments: Presentation, amended IFRS 7 Financial Instruments: Disclosure regarding offset of financial assets and financial liabilities, IFRS 10 Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interest in Other Entities, Amended IAS 27 Separate Financial Statements, amended IAS 28, Investments

in Associates and Joint Ventures, IFRS 13 Fair Value Measurement, IASB's annual improvements project 2009-2011 are not expected to have any material effect on actual accounting compared to the present situation, but may affect disclosures in the Annual Accounts.

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 requires management to make 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 3.

Classification, etcetera

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 joint ventures. 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 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.

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 equity method. The equity method means that the equity share of the joint venture's profit or loss is reported on a line in the Income Statement, and the share of its items in other comprehensive income, are recognised in the group's other comprehensive income. The share of the company's equity is reported and as an asset on a separate line in the Statement or Financial Position.

Notes, group

NOTE 01 CONT.

Translation 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 property sales 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 line 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 can be either the contract date, the completion date or the intervening period, depending on the situation. 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 profit or loss 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 directly 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 5.

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 profit or loss of an operating segment is also followed up by the company's chief operating decision maker (group management) to evaluate profit or loss, and to be able to allocate resources to the operating segment. For more information on the division and presentation of operating segments, see Note 4.

Presentation of 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 for wholly owned properties, letting of modular buildings and sales of modular buildings respectively, 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 sold. 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.

In 2013, the format will be partially amended, see the above description in the section on amended accounting principles in 2013 within applicable IFRS.

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

Interest revenues and interest 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 fixed-interest period. Revenues and costs associated with derivatives are reported on an ongoing basis, with the revenues and costs for cancellation 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 was 26.3 per cent for 2012 inclusive, and 22.0 from 1 January. Current tax is calculated on the tax rate applicable in 2012 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. As of 31 December 2012, temporary differences are measured at nominal tax rates for the coming period, 22 per cent, 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.

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 taken up as income. 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 benefit, 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. The Presentation in the Statement of Financial Position is divided between wholly owned properties and modular buildings. 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 Note 18. For considerations etc. regarding property valuations, see also Note 3. Potential deductions for deferred tax on purchases of properties via enterprises (asset deals) received over and above reported tax in purchased 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 level 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 assets (or disposal group) being classified as held for sale is that its carrying amount will be recovered mainly through 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)

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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.

Equipment

Equipment has 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

For information on the company's exposure to financial risks and how risks are managed, see the section on risks in 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. A receivable is recognised when the company has delivered even if no invoice has yet been sent. 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 measured at amortised cost. Amortised 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 financial liabilities held for sale. These are continuously measured at fair value with value changes recognised in the Income Statement.

Other financial liabilities—other financial liabilities, such as loans arranged, accounts payable and purchased properties that have not been paid for, are included in this category. These liabilities are measured at amortised 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 recognised in the Statement of Financial Position as an un-realised value change in the Income Statement. Transaction costs are allocated over the loan's expected term.

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 amortised 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 measured 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 RISKS

Aggregate risk overview

Risks and opportunities can be divided into two segments—changes in cash flow and changes in value. In addition, there are specific risks in the segments of finance and tax. Cash flow is primarily affected by rental revenues, property costs, interest costs, taxes and environmental risks. Kungsliden works actively on diversifying risk and reducing costs in these segments. As a result of Kungsliden reporting its properties and 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 Kungsliden'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, Kungsliden will endeavour to have the lowest aggregate risk possible. The portfolio is long term with an average contract term of some five years.

Kungsliden 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 measured individually, with regular verification by external appraisers. Historically, Kungsliden's valuations have been very close to those prices realised on sale. Kungsliden's extensive transaction experience means that valuation risk is also limited in purchases.

The largest financial risk is access to funding. Kungsliden 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, Kungsliden also has a lower limit for its interest coverage ratio, which should not be less than a multiple of 1.5.

Altered tax regulations, and in some cases, re-interpretations of existing rules, also constitute a significant risk for Kungsliden. Tax proceedings are ongoing in several cases for companies within the group for the income years 2004-2008, mainly relating to property purchases and sales.

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

There is a more detailed review of risks below, based on the following risk segments:

- I—risks in cash flow
- II—risks in values
- III—financial risks
- IV—tax risks

I—risks 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.

Rental revenues

Rental revenues and vacancies are dependent on Swedish economic growth, but not least, on the local markets where Kungsliden 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. Kungsliden's contract portfolio is fairly long term with an average contract term for the whole portfolio of 4.9 years. Because contract terms are fairly long, changes to market rents in the short term do not have any major effect on rental revenues. Kungsliden has worked actively on increasing its average contract term.

Kungsliden's contract portfolio includes indexation clauses with minimum indexation levels, which offers some protection against deflation in the short term. The current rate of inflation is expected to imply indexation of some 1 per cent for 2013 for Kungsliden.

Active risk diversification in terms of premises type, geography, contract size and tenants, mean that Kungsliden has a well-balanced portfolio affected by exogenous factors in different ways and to differing degrees. Potential insolvencies due to poor economic conditions have a direct impact on rental revenues. In 2012, rent losses were SEK 4 m. Having few and large commercial tenants increases the risk of vacancies and rent losses. Kungsliden's 10 largest tenants represented 34 per cent of rental revenues. In several cases, the largest tenants have different operations and subsidiaries in several locations, reducing counterparty risk. Economic vacancy at the end of 2012 was SEK 124 m, and represents potential in the form of possible new lettings.

Largest tenants	Rental revenue, SEK m	Share of rental revenue, %
ABB	295	16.1
Bring Frigoscandia AB	62	3.4
Överskottsbolaget	55	3
The Swedish National Fortifications Administration	38	2.1
ICA	38	2.1
Region Gotland	32	1.8
V-TAB	30	1.6
BYGGmax AB	29	1.6
COOP Sverige Fasigheter AB	18	1
Axfood Sverige AB	18	1
Total, ten largest tenants	615	33.7
Other tenants	957	52.3
Nordic Modular	256	14
Total	1,828	100

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. Kungsliden 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. Kungsliden 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, Kungsliden'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.

Kungsliden'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.

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 Kungsliden settles the tax for unlet areas.

Sensitivity analysis, cash flow	Change	Profit impact, SEK m
Rental revenues	+/-1%	+/- 18
	+/-1%	
Economic vacancy	percentage point	+/- 20
Property costs	+/-1%	-/+ 6
	+/-1%	
Average interest on loan portfolio	percentage point	-/+ 97
Short market interest rates (<6 months)	+/-1%	
	percentage point	-/+ 4

Environmental risks

Properties affect the environment throughout their life-cycles, with the majority of the impact arising during the usage phase. Kungsliden 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

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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 2013.

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

II—risks in values

Kungsleden reports its properties and loans/interest derivatives at what is termed fair value in its Income Statement. This means that the results of operations and financial position are volatile.

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.

The actual 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 below indicates how the loan to value ratio and equity ratio are affected given a value change of +/-5 and 10 per cent respectively.

Sensitivity analysis, properties	-10%	-5%	0%	+5%	+10%
Value change before tax, SEK m	-1,576	-788	-	788	1,576
Equity ratio, %	33	35.1	37	38.8	40.5
Loan to value ratio, %	68.4	64.8	61.6	58.7	56

III—financial risks

Financial risks are the risks of fluctuations in the company's profit 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.
- Liquidity risk is defined as the risk of not having access to cash and cash equivalents or credit facilities to cover payment obligations.
- Interest risk is defined as the risk of a profit and cash flow effect from a change in market interest rates.
- 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 stable capital structure to be achieved and maintained for the long term.
- To achieve the optimal net financial position within established limits for risk exposure.

Financing and liquidity risk

Kungsleden finances its portfolio of properties partly with equity and partly with borrowings through bilateral credit agreements with banks, a syndicated credit facility and un-secure bond issues. Loan agreements often have terms of between one and five years, which is market practice for property credits. With interest risk, finance risk is the biggest financial risk for Kungsleden. 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. At year-end 2012, Kungsleden had Swedish and Nordic lenders exclusively, which is an advantage, because they have fared well during the most recent period of financial turmoil compared to most international banks.

At year-end, the nominal amount of the loan portfolio was SEK 9,704 (10,665) m, a decrease due to property sales in the year. SEK 1,599 (1,599) m of the loan portfolio was un-secured bond issues. Un-utilised credit facilities were SEK 1,160 (3,060) m, with the difference primarily consisting of the scale of the major syndicated loan facility being reduced from SEK 6,000 to SEK 4,500 m after re-financing arranged in the year.

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 shorter average capital tie-ups going forward than historically.

Loans of SEK 667 m mature in 2013, or 7 per cent of total interest-bearing liabilities. Work on loan maturities in 2013 is ongoing, and Kungsleden judges that they can be re-arranged on market terms. Overall, Kungsleden judges its finance risk as low. The maturity structure of Kungsleden's loan portfolio and other financial liabilities is illustrated in the following table.

Maturity structure, credits (incl. un-utilised credit facilities), SEK m	Utilised credits	Un-utilised credits	Total credits
2013	667	260	927
2014	1,459		1,459
2015	5,600	900	6,500
2016	1,978		1,978
Total	9,704	1,160	10,864
Average conversion term, years	2.3		2.2

Liquidity risk arises in Kungsleden's operations in addition to that portion included in the finance risk of loan financing, when managing short-term fluctuations in trading cash flow and sudden, unforeseen expenditure. The scale of liquid financial assets should satisfy the requirement for a good liquidity reserve, which the company considers to have been satisfied. 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 in place to enable flexible cash management.

At any time, liquidity should correspond to a minimum of three months' known payments including interest payments and loan re-arrangements. As of 31 December 2012, cash and cash equivalents were SEK 721 (684) m, and disposable liquidity including un-utilised overdraft facilities and the un-utilised portion of the syndicated loan agreement, was SEK 1,881 (3,744) m. However, due to ongoing tax proceedings, Kungsleden has now decided that at any time, it will maintain available liquidity in the form of cash or credit facilities to the worst conceivable case, initially estimated at SEK 2.9 billion. After the sale of shares in Hemsö to AP3 on 15 February 2013, Kungsleden has available liquidity of approximately SEK 4.3 bn.

Kungsleden usually pledges properties, intragroup vendor notes and shares as security for its bank borrowings. In addition, loan agreements can also include covenants on interest coverage ratios and loan to value ratios, which were all satisfied as of 31 December. The group's interest coverage ratio for 2012 was a multiple of 2.8 (2.3) and its loan to value ratio for secured credit facilities was 51 (57) per cent as of 31 December.

Interest risk

Interest risk arises in Kungsleden's operations when finance is arranged using short fixed-interest periods, which applies to the whole of the current loan portfolio. This implies uncertainty in the scale of future finance costs. Kungsleden endeavours to secure short fixed-interest periods to obtain the greatest possible flexibility and avoid incurring costs for potential advance cancellation of fixed loans on property sales or re-financing. The interest risk that thus arises is managed at an overall group level by entering interest swap agreements with counterparties with high credit ratings, which at present, are Swedish banks exclusively. All derivatives used should be liquid, and the Finance function should maintain good knowledge of the function, risk and pricing of such instruments. Corresponding variable interest is received in the derivative agreement, which is paid in financing transactions, with fixed interest paid out, which extends the fixed-interest period, and thus renders future costs and cash flows for interest more stable.

The interest fixing strategy is expressed in maturity intervals and variance intervals. The balance between short and long fixed-interest periods is maintained continuously, based on the current appearance of the bond market and the company's ability to cope with negative scenarios, and its current view of risk. The Board of Directors sets its intervals for the share of loan interest that should be fixed within different maturity intervals yearly.

The derivative portfolio amounted to SEK 9,350 (11,650) m of nominal interest swaps. At year-end, the average remaining fixed-interest period was 5.1 (5.7) years. With a derivative portfolio of SEK 9,350 m, the interest-bearing liability of SEK 9,704 m was largely interest hedged, and accordingly, interest costs are not materially affected by changed market interest rates. The following table illustrates the fixed-interest periods of loans and derivatives.

Maturity structure, fixed interest periods	Loans, SEK m	Interest derivatives, SEK m ¹	Average interest, derivatives, %	Average interest, loans and derivatives, %	Average fixed-interest term, years
2013	9,704				
2014		800	3,9		
2015		1,400	4,2		
2016		500	3,9		
2017		500	4,1		
2018		3,650	4,2		
2019		800	3,5		
2020		800	3,7		
2021		400	3,8		
2022		500	3,8		
Total	9,704	9,350		6.8	5.1

Market valuation of loans and derivatives

1,121
Total
10,825

1 Kungsleden's interest derivatives involve the company receiving variable interest and paying fixed interest on longer maturities. The variable interest received in the derivatives matches the variable interest paid in underlying bank loans, thus creating a traditional interest fixing.

2 The group's average interest rate of 6.8 per cent is due to Kungsleden fixing interest rates in market conditions when interest rates were higher than today. The average interest rate in the table corresponds to the interest cost of loans, arrangement fees and derivatives in relation to current loan volumes at the reporting date.

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 2012 were SEK 4 (1) m, or 0.2 per cent of revenues. Over the last five years, only one vendor note as being unpaid. This vendor note was not recognized as revenue on sale, and accordingly, no actual loss occurred. Security is normally obtained for significant long-term receivables to mitigate credit risk. The relevant long-term receivables amounted to SEK 244 (443) m as of 31 December 2012. Security for the most significant receivables has been obtained, whose market value is judged to exceed the outstanding receivables, which limits credit risk. For more information, see Note 23.

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 local 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 expected surplus value should be currency hedged, providing this is not re-invested in local currency.

As of 31 December 2012, Kungsleden held two properties in Germany worth SEK 164 m, which were largely financed with loans denominated in Swedish kronor. Because, in the current situation, this exposure is fairly limited, no currency derivatives were necessary to minimise euro exposure as of 31 December 2012. The effect of translation exposure on other comprehensive income amounted to SEK -1 (-2) m in the year.

IV—tax risks

New legislation affecting Kungsleden's position

Changes to regulatory structures governing corporate and property taxes, such as altered scope for deductions for interest after a changed corporation tax rate, for example, may affect Kungsleden's business conditions positively or negatively. The application of existing rules and regulations may also be highly significant to the property sector, and thus also, Kungsleden's results of operations.

Tax proceedings—general

In the first instance, tax issues regarding the company's tax assessments are dealt with by the Swedish Tax Agency, which issues a tax ruling. The Swedish Tax Agency's rulings can be subject to appeal at the Administrative Court, whose rulings can, in turn, be appealed against at the Administrative Court of Appeal level. Administrative Court of Appeal rulings can also be subject to appeal, and then considered by the Supreme Administrative Court, providing that a leave to appeal is granted.

In cases where the Swedish Tax Agency wishes to invoke the Swedish Tax Evasion Act, the first instance is the Administrative Court, i.e., the Swedish Tax Agency is not permitted to make a ruling on such cases itself.

In addition to the customary procedure, the taxpayer can also apply for a binding advance ruling from a regulator within the Swedish Ministry of Finance called 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. Normally, these Swedish tax agency is permitted to reconsider a company's tax assessment two years after the end of the financial year, although in certain cases, the Swedish Tax Agency can re-assess taxation another four years retroactively.

Current tax position

Kungsleden is a property management company, and in the course of its business, purchases and sells properties and conducts other restructuring processes intended to generate earnings and increase the returns on its property portfolio. In certain cases, these transactions

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and measures have tax consequences, and they are conducted and reported in accordance with the laws and practice in place when submitting each tax return.

It has emerged that the Swedish Tax Agency and courts have altered their view of how laws and practice should be interpreted in several tax segments in recent years. Against this background, the Swedish Tax Agency's assessment differs to Kungsliden's on certain transactions conducted, which has resulted in a number of court proceedings. Kungsliden is contesting the tax claims that the Swedish Tax Agency and courts have ruled on so far, and the company either has, or will be, filing appeals against all these rulings.

Kungsliden continuously assesses the risk of a definitive negative outcome in ongoing tax proceedings, and after consulting with independent tax experts, makes provisions where negative outcomes are expected.

This includes an assessment of the effects of relevant tax cases that are considered by the courts on an ongoing basis. The total provisions for current proceedings total SEK 1,050 m at the end of the financial year. However, it is not possible to offer a precise estimate of the outcome of tax proceedings at present.

If the Swedish Tax Agency's claims prevail, Kungsliden judges that the reassessment of income may partly be met by tax loss carry-forwards, which mean that the taxes payable (corporation tax, and in certain cases, tax surcharges and interest) will be less than the reassessed income claims the Swedish Tax Agency is making. This would limit the negative liquidity effect for Kungsliden.

In addition, the group has tax loss carry-forwards that have not been accounted for in its consolidated accounts, the background being stipulations of IFRS regarding deferred tax. These loss carry-forwards may also offset part of the charge from negative outcomes of tax proceedings, and limit, the negative effect on equity.

Estimate of maximum negative effects: worst case.

Kungsliden estimates what the potential scale of the negative effects on equity and liquidity could be as a result of a negative outcome in all transactions the Swedish Tax Agency is questioning. If all current proceedings were ruled against the company, the estimated maximum negative effect on equity including tax surcharges would amount to SEK 2,930 m in addition to the provisioning of SEK 1,050 m already made.

The maximum negative liquidity effect including tax surcharges and interest is estimated at SEK 2,920 m, in addition to the SEK 260 m already deposited in anticipation of definitive rulings. Kungsliden judges that its estimate of maximum negative effect covers all cases that the Swedish Tax Agency could question. These computations considered the effect of deductible loss carry-forwards.

Estimated maximum negative effects of tax proceedings ¹	Effect on equity	Liquidity effect
Provision, Q2 2009	325	0
Provision, Q2 2012	725	260
Paid in anticipation of ruling	–	–100
Total provisioning for tax cases	1,050	160
Tax cases not provisioned	2,930	2,920
Paid in anticipation of ruling	–	–160
Total	3,980	2,920

1 The estimate is based on the tax position as of 31 December 2012. Estimates based on the current tax position in 2013 are available at kungsliden.com/about-kungsliden/investor-relations/risks-and-opportunities/tax-cases/.

Contested situations

The various tax proceedings relate to three segments: property sales, property purchases and restructuring within the Kungsliden group. A review of ongoing tax proceedings by segment follows:

Property sales

Kungsliden works continuously on enhancing its property portfolio through property purchases and sales. Property sales are partly direct sales and partly sales of limited companies (asset deals). In a few

cases, the group has also used other divestment structures, which the Swedish Tax Agency has questioned. These procedures are reviewed below.

Sale of participations in partnerships

In the financial year 2006, Kungsliden sold 172 properties indirectly by selling participations in partnerships. These sales were from two Dutch group companies, and the capital gain was free of tax in the Netherlands. In a decision, the Swedish Tax Agency stated that this should be considered as two Swedish group companies being party to the transaction instead, and that accordingly, the capital gain should be subject to taxation in Sweden. Kungsliden has appealed against this decision at the Administrative Court. If the Swedish Tax Agency wins this case, Kungsliden estimates the liquidity effect at SEK 1,360 m (including tax surcharge and interest of SEK 350 m) and the profit effect at SEK 1,400 m. The Swedish Tax Agency has also made a secondary claim, where the Agency considers that the Swedish Tax Evasion Act should be applied to the procedure. Given a negative outcome in proceedings pursuant to tax evasion, the estimated profit and liquidity effect on Kungsliden would be approximately SEK 500 m lower than the amounts stated above. Kungsliden's best judgement, based on advice from external tax specialists, is that the final outcome of proceedings, based on the two alternative claims, would be positive, and against this background, has not made any provision.

BV proceedings

Kungsliden sold a number of properties via what are known as BV companies in the Netherlands in 2005 and 2006. The Swedish Tax Agency initiated proceedings in this matter and the Administrative Court ruled that remuneration from the sale of participations in partnerships from Dutch companies should be reallocated. Kungsliden has appealed against the Administrative Court's rulings, and a ruling from the Administrative Court of Appeal in Stockholm is expected in 2013. A provision for these proceedings of SEK 340 m was made in 2012. If the Administrative Court's ruling is upheld, this would mean a liquidity effect of SEK 160 m including tax surcharge and interest.

Property purchases

Properties are purchased either through direct transactions or purchases of participations in companies that own properties. In asset deal purchases, for organizational reasons, it may be desirable to relocate the relevant properties to other companies within the group. Some of the transactions conducted by Kungsliden have been questioned retroactively by the Swedish Tax Agency. These processes are described below.

Impairment of lagerandelar¹ in external purchases

In 2005–2008, trading companies within the group acquired several properties packaged into incorporated form by the vendor. After the purchase, these properties were relocated to other companies within the group, which created impairment of the purchased participations in accordance with generally accepted accounting practice. These impairment losses were also claimed in tax terms. The Swedish Tax Agency has subsequently claimed that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to five Kungsliden transactions of this type.

If the Swedish Tax Agency's claim is successful, this would imply a liquidity effect of SEK 1,390 m including tax surcharge and interest. No provisioning for these transactions has been made because Kungsliden considers that the transactions were executed and declared in tax returns fully in accordance with applicable practice from the Supreme Administrative Court. This practice was corroborated by the Administrative Court of Appeal in Stockholm in autumn 2011 in what is known as the Steen & Ström case. The Swedish Tax Agency appealed against the Administrative Court of Appeal's ruling on the Steen & Ström case at the Supreme Administrative Court. In January 2013, the Supreme Administrative Court reported that this case would not be considered, which indicates that the Administrative Court of Appeal's ruling has taken legal effect. Kungsliden's case is expected to be tried by the Administrative Court in 2013.

1 Defined in Swedish law as a construction company's shareholding in a property management company.

In June 2012, the Administrative Court of Appeal in Stockholm ruled on the impairment of participations (similar procedure to the above) with the difference that the Court applied transition rules for new legislation in 2008 in a manner that Kungsleden does not agree with. A provision of SEK 342 m was made in 2012. As a result of this ruling, the liquidity effect amounts to SEK 100 m including interest and tax surcharge, which was paid in the third quarter in anticipation of a definitive ruling. An appeal has been filed at the Supreme Administrative Court but the matter of leave to appeal has not yet been decided.

Other proceedings

In 2012, the Administrative Court ruled on three cases relating to transactions Kungsleden conducted in the fiscal year 2004. The Administrative Court ruled that the Swedish Tax Evasion Act would be applicable, and accordingly, loss carry-forwards would not be permitted for impairment losses received as a result of restructuring. In 2009, Kungsleden made provisions for one of these proceedings, corresponding to SEK 325 m. These rulings implied Kungsleden provisioning another SEK 48 m in 2012. The majority of the reassessment

of income could be offset by loss carry-forwards, and accordingly, the liquidity effect that arose was limited to SEK 18 m. Kungsleden has filed an appeal against these rulings at the Administrative Court of Appeal in Stockholm, where proceedings are ongoing.

Concluded cases

Kungsleden received rulings from the Administrative Court of Appeal in Stockholm in 2012 for the fiscal year 2004. These rulings implied that deductions for losses on liquidation of partnerships were rejected for two companies in the group. Kungsleden filed appeals against these rulings, and applied for leave to appeal at the Supreme Administrative Court. SEK 260 m had been provisioned for these tax risks in the first quarter. Leave to appeal was rejected in 2012, and accordingly, the Administrative Court of Appeal's ruling was upheld. This meant that the provisioning was used in the third quarter but there was no further effect on equity. As a consequence of this proceeding, SEK 80 m was paid to the Swedish Tax Agency in the second quarter. The ruling does not imply any further liquidity effect.

NOTE 03 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 in Note 18. In most cases, there is reconciliation against external valuations. Kungsleden 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 assessed value. General activity on the property market increased in 2011 and 2012 after a number of weaker years, improving the prospects of accuracy in the company's judgements or fair value.

A sensitivity analysis and valuation interval of +/- 5 to 10 per cent and its impact on unrealised value change, equity ratio and loan to value ratio is in Note 2.

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 can 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 tax assessment and potential disputes. Then a tax cost/tax liability is recognised if the company judges that it is more likely than not that supplementary tax will be payable.

Kungsleden's view is that the company has fully complied with the laws and practice in place coincident with each tax return. Kungsleden 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, its effect on profit, financial position and contingent liabilities, see Notes 2, 14 and 31.

Notes, group

NOTE 04 OPERATING SEGMENTS

SEK m	Wholly owned properties ¹		Nordic Modular		Hemsö ¹		Other/group wide ²		Total Kungsleden	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Rental revenues	1,583.1	1,515.1	256.6	243.7					1,839.7	1,758.8
Sales revenues, modular buildings			270.3	288.4					270.3	288.4
Net sales	1,583.1	1,515.1	526.9	532.1					2,110.0	2,047.2
Property costs	-489.8	-463.2	-43.5	-48.9					-533.3	-512.1
Production costs, modules			-249.1	-258.1					-249.1	-258.1
Gross profit	1,093.3	1,051.9	234.3	225.1					1,327.6	1,277.0
Trading net	16.2	55.8	0.0	0.0					16.2	55.8
Sales and administration costs	-194.7	-183.8	-62.9	-60.6					-257.6	-244.4
Profit/loss from participations in Hemsö					794.4	413.1			794.4	413.1
Net financial position										
Financial revenue	29.4	34.6	0.7	1.4	105.9	105.0			136.0	141.0
Financial expenses	-556.8	-541.4	-58.9	-59.4	-105.8	-99.0			-721.5	-699.8
	-527.4	-506.8	-58.2	-58.0	0.1	6.0			-585.5	-558.8
Unrealised value changes										
Properties	0.0	301.3	-60.0	-60.0					-60.0	241.3
Financial instruments	-54.0	-379.7	-5.7	-41.6	-10.2	-69.4			-69.9	-490.7
Profit/loss before tax	333.4	338.7	47.5	4.9	784.3	349.7			1,165.2	693.3

Items in Statement of Financial Position

Goodwill			201.4	201.4					201.4	201.4
Properties	14,267.9	14,142.9	1,509.3	1,550.3					15,777.2	15,693.2
Participations in Hemsö and long-term receivables, Hemsö						2,584.5			-	2,584.5
Receivable from AP3					3,362.9				3,362.9	-
Other assets ³							1,558.2	2,431.6	1,558.2	2,431.6
Total assets	14,267.9	14,142.9	1,710.7	1,751.7	3,362.9	2,584.5	1,558.2	2,431.6	20,899.7	20,910.7
Interest-bearing liabilities	7,578.2	8,401.3	697.9	717.8	1,427.7	1,535.3			9,703.8	10,654.4
Provisions and other liabilities ³	2,417.9	894.3	91.9	98.0	163.7	163.4	796.0	1,381.6	3,469.5	2,537.3
Total liabilities	9,996.1	9,295.6	789.8	815.8	1,591.4	1,698.7	796.0	1,381.6	13,173.3	13,191.7

Other disclosures

Purchases and investments in properties	1,759.8	4,314.4	41.6	55.8					1,801.4	4,370.2
Income Statement items not affecting cash flow	-37.9	-22.6	-65.7	-101.6	-10.2	-69.4			-113.8	-193.6

1 After the revised accounting of Hemsö, from the proportional method to the equity method, the Commercial Properties and Public Properties segments were replaced by Wholly Owned Properties and Hemsö.

2 In previous periods, other/group wide included the transaction and analysis and central administration functions, which instead, are now reported in the Wholly Owned Properties segment.

3 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 unpaid settlement for interest derivatives with negative values for properties that Kungsleden has not taken possession of.

Kungsleden's operating segments are Wholly Owned Properties, Nordic Modular and Hemsö. Other/group wide are potential items that are not attributable to a specific segment or apply to all. 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 Wholly owned properties segment lets premises to external customers. Nordic Modular lets modular buildings in the same way as for traditional premises, but also produces and sells modules to external customers. The Hemsö segment consists of 50:50 joint venture Hemsö Fastighets AB, which owns, manages and develop social services properties, in which geriatric care, school and care operations are primarily conducted.

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.

	Rental revenue, SEK m	Share of rental revenue, %
ABB	295	16.1
Bring Frigoscandia AB	62	3.4
Överskottsbolaget	55	3.0
The Swedish Fortifications Agency	38	2.1
ICA	38	2.1
Region Gotland	32	1.8
V-TAB	30	1.6
BYGGmax AB	29	1.6
Coop Sverige Fastigheter AB	18	1.0
Axfood Sverige AB	18	1.0
Total ten largest tenants	615	33.7
Other tenants	957	52.3
Nordic Modular	256	14.0
Total	1,828	100.0

Geographical markets, SEK m	Sweden		Germany/Poland		Denmark/Norway		Total Kungsleden	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	2,060.1	2,000.5	27.5	24.9	22.4	21.8	2,110.0	2,047.2
Properties	15,504.0	15,291.2	163.9	294.3	109.3	107.7	15,777.2	15,693.2
Purchases and investments in properties	1,798.8	4,241.4	1.4	116.0	1.2	0.5	1,801.4	4,357.9

NOTE 05 BUSINESS COMBINATIONS AND ASSET DEALS

Properties are usually purchased by acquisitions of companies, for reasons including stamp duty being payable for property transfers and that a company sale 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 2012 and 2011, only asset deals were conducted, i.e. acquisitions of companies only including assets (properties) and their associated items.

NOTE 06 OPERATING LEASES

Lessor, rental revenues, SEK m	31 Dec 12	31 Dec 11
Payment within one year	1,805.8	1,542.4
Payment in 1–5 years	4,118.9	4,084.2
Payment after more than 5 years	2,113.9	1,821.2
Total	8,038.6	7,447.8

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 2,187 as of 31 December 2012. Lease contracts on premises are usually entered for 3–5 years. Kungsleden endeavours to secure longer-term contracts in certain situations, which for example, applies to investments and specific properties or operations. Generally, rents are 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 12	31 Dec 11
Payment within one year	5.1	5.1
Payment in 1–5 years	13.9	13.9
Payment after more than 5 years	2.1	2.2
Total	21.1	21.2

NOTE 07 SALES AND ADMINISTRATION COSTS

SEK m	2012	2011
Personnel costs	-149.9	-133.9
Depreciation and amortisation	-2.8	-2.3
Other operating costs	-104.9	-108.2
Total	-257.6	-244.4

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 08 EMPLOYEES AND PERSONNEL COSTS

The average number of employees in 2012 was 269 (258) people. The division by country and gender is stated below.

Average number of employees	2012	Proportion women, %	2011	Proportion women, %
Sweden	264	23	253	22
Denmark (Nordic Modular)	3	–	3	–
Norway (Nordic Modular)	2	–	2	–
Group	269	23	258	22

Nordic Modular had an average of 185 employees, of which 9 per cent were women, which is included in the above figures. Kungsleden's average number of employees was 84, of which 54 per cent were women, the majority were employees of subsidiary Kungsleden Fastighets AB. Employees in Hemsö have been excluded from the previous year in order to improve comparability.

Gender division, Board and management	31 Dec 12	Proportion women, %	31 Dec 11	Proportion women, %
Parent company and group				
Board	7	43	8	38
Other senior managers	6	33	6	33

The Board of Directors has 7 (8) members of which 3 (3) women. There were 6 (6) other senior managers in 2012, of which 2 (2) are women.

	2012		2011	
Salary, other benefits and social security costs, SEK '000	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)	16,737	8,398 (2,506)	13,376	6,967 (2,202)
Bryngelson, Håkan	555	174	555	174
Gahm, Joachim	250	79	250	79
Holmgren, Lars	250	79	250	79
Meyer, Magnus	220	69	250	79
Orback Pettersson, Kia	280	88	280	88
Pehrsson, Biljana	250	79	250	79
Wikström, Charlotta	250	79	250	79
Erséus, Thomas (Chief Executive)	5,710	3,589	7,119	3,983
Kvist, Anders (Dep. Chief Executive)	1,051	610	–	–
Risberg, Johan (Dep. Chief Executive)	7,920	3,553	4,172	2,327
Other senior managers (of which pension costs)	9,801	5,700 (2,137)	11,070	6,344 (2,340)
Total senior managers	26,537	14,098 (4,643)	24,446	13,311 (4,542)
<i>Other employees</i>				
Other employees (of which pension costs)	123,629	54,647 (13,300)	113,407	49,649 (11,632)
Total	150,166	68,744 (17,944)	137,853	62,960 (16,174)

All pension costs relate to defined contribution plans or the ITP (supplementary pensions for salaried employees) plan.

Share-based payment

A performance-related staff stock option plan from 2007, which entitled group management and a number of key individuals to purchase shares of the company expired in 2012. No employee exercised these options because the strike price exceeded the share price until expiry.

NOT 09 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 (6) such individuals in 2012. 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Chairman	555	555	-	-	-	-	-	-	555	555
Other Board members	1,500	1,530	-	-	-	-	-	-	1,500	1,530
Chief Executive	5,710	5,350	-	1,769	77	74	1,425	1,387	7,213	8,580
Deputy Chief Executive	6,898	2,963	2,074	1,209	3	10	1,081	815	10,055	4,997
Other senior managers, 5 (6)	8,181	8,854	1,620	2,217	268	220	2,137	2,340	12,206	13,631
Total	22,844	19,252	3,694	5,195	348	304	4,643	4,542	31,528	29,293

Comments on the table:

Incentive payments for 2012 are attributable to bonuses, of which SEK 3,694,000 (5,195,000) was charged to 2012.

Pension costs are the costs charged in 2012. For more information on pensions, see below.

Incentive payments

For the Chief Executive and Deputy Chief Executive, incentive payments for 2012 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 2012 was 16 (36) per cent of total basic salary for the Chief Executive and Deputy Chief Executive, and was paid to the Deputy Chief Executive. No incentive payment was made to the chief executive for 2012.

The other senior managers' incentive payments for 2012 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 2012 averaged 20 (25) per cent of basic salary.

Pensions

The pensionable age of all senior managers is 65 and all have defined contribution pension plans, with no obligation for the company apart from the liability to pay annual premiums. The Chief executive's and Deputy Chief Executive's pension premium is 30 per cent of basic annual salary. Two and one senior managers respectively have pension premiums of 25 and 32 per cent respectively of basic annual 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 18 months' salary, an amount that is not included in pension entitlements. No redundancy payment is made on termination of employment from the Deputy Chief Executive's side.

One senior manager is subject to an individual notice period of 3 months on termination of employment from the manager's side and six months from the company's side. Upon termination by the company, this manager would additionally receive a redundancy payment of twelve months' salary, an amount that is not included in pension entitlements. No redundancy payment is made upon voluntary resignation. 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 10 AUDIT FEES AND REIMBURSEMENT

SEK m	2012	2011
<i>KPMG</i>		
Auditing	3.6	4.4
Auditing in addition to audit assignment	0.4	0.5
Tax consultancy	1.2	0.6
Other	0.2	3.2
Total	5.4	8.7

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 11 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES BY FUNCTION

SEK m	2012	2011
Production costs, modular buildings	-3.2	-3.2
Sales and administration costs	-2.8	-2.3
Total	-6.0	-5.5

NOTE 12 COSTS BY COST CLASS

Division by cost class, SEK m	2012	2011
Operation, maintenance and tenant adaptations	-455.7	-436.1
Other direct property expenses	-77.6	-76.1
Change in inventories	-	-13.3
Raw materials and consumables	-113.6	-116.7
Other direct production expenses, modular buildings	-70.1	-78.2
Personnel costs	-222.0	-167.5
Depreciation and amortisation	-6.0	-5.5
Other external costs	-95.0	-134.5
Total	-1,040.0	-1,027.9

Division in Income Statement, SEK m	2012	2011
Sales revenues, modular buildings	-	-13.3
Property costs—wholly owned properties	-489.8	-463.2
Property costs—modular buildings	-43.5	-48.9
Production costs, modular buildings	-249.1	-258.1
Sales and administration costs	-257.6	-244.4
Total	-1,040.0	-1,027.9

NOTE 13 PROFIT/LOSS FROM FINANCIAL INSTRUMENTS

Net financial position

Financial revenues, SEK m	2012	2011
Interest income on accounts receivable and loan receivables	25.2	35.0
Interest income on bank balances	3.9	0.9
Interest income from Hemsö	105.9	105.0
Other financial income	1.0	0.1
Total financial income	136.0	141.0

Interest costs, SEK m

	2012	2011
Interest costs, borrowing		
Loans measured at amortised cost ¹	-409.9	-183.8
Loans measured at fair value	-46.6	-212.9
Interest derivatives measured at fair value	-196.3	-243.9
Interest costs from borrowing	-652.8	-640.6
Other financial liabilities measured at amortised cost	-30.9	-33.4
Total interest costs	-683.7	-674.0

Other financial costs, SEK m	2012	2011
Allocated arrangement costs on bank borrowings	-33.1	-22.0
Exchange rate fluctuations	0.0	-0.1
Other financial costs	-4.7	-3.7
Total other financial costs	-37.8	-25.8

Total net financial position	-585.5	-558.8
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1 The total interest costs for financial instruments measured at amortised cost was SEK 441 (217) m.

Unrealised value changes

Unrealised value changes on financial instruments are recognised on their own line in the Income Statement.

Financial liabilities recognised at fair value via the Income Statement held for sale and those loans recognised at fair value (fair value option) affected the Income Statement by SEK -59 (-461) m and SEK -11 (-30) m respectively, totalling SEK -70 (-491) m. The value change on loans of SEK -11 m corresponds to the asset entered at the beginning of the year, which was fully expensed through the remaining loans measured at fair value expiring in the year.

For a review of financing and the background to its outcome, more information is on pages 55-56 and Notes 2 and 3

NOTE 14 TAX

Tax in the Income Statement, SEK m	2012	2011
Current tax	-16.0	-20.6
Deferred tax	-797.3	-34.3
Reported tax	-813.3	-54.9

Current tax was SEK -16 m. SEK 325 m of reversals of provisioning for current tax from 2009 was made in the year due to the Swedish Tax Agency making its first claim in this case. Simultaneously, the risk in the Swedish Tax Agency's claims in the year in this and other cases meant that current tax was charged with SEK 340 m of provisions for ongoing tax proceedings. Accordingly, tax proceedings affected current tax by a total of SEK -15 m. Current tax in operating activities in 2012 was SEK -1 (-21) m.

Reconciliation of effective tax, SEK m	2012	2011
Profit before tax	1,165.2	693.3
Tax, 26.3%	-306.4	-182.3
Effect of discounted internal transfers ¹	218.7	12.5
Sales of properties via companies	94.1	68.0
Sales of individual properties	-3.9	-38.5
Profit/loss from participations in Hemsö ²	208.9	108.6
Provisions for tax proceedings in previous years	-985.0	-
Other tax relating to previous years	-13.0	-25.5
Reduced corporation tax rate to 22.0 per cent	-39.8	-
Other non-taxable revenues	24.7	5.9
Non-deductible costs	-11.2	-4.7
Effect of differing tax rates for foreign subsidiaries	-0.4	1.1
Reported tax	-813.3	-54.9

1 Loss-carry forwards arose on internal discount price transfers without the group's profit before tax being affected because intra-group profit is eliminated.

2 No tax is payable for profit on participations in Hemsö. For the participation in Hemsö's reported interim profits, this is because this has already been subject to tax, and for the profit arising in 2012, in tandem with the sale being conducted through a tax-free sale of participations.

Deferred tax on temporary differences and loss

carry-forwards, SEK m	31 Dec 12	31 Dec 11
Loss carry-forwards	426.2	1 327.0
Properties	-430.6	-600.6
Derivatives	247.5	299.8
Tax allocation reserves	-23.1	-27.4
Other temporary differences	-13.3	20.9
Total	206.7	1 019.7

Notes, group

NOTE 14 CONT.

Deferred tax on temporary differences and loss carry-forwards, 2012, SEK m	1 Jan 12	In Income Statement	Purchase/sale	Transfer other liabilities	31 Dec 12
Loss carry-forward	1,327.0	-900.8			426.2
Properties	-600.6	147.9	22.1		-430.6
Derivatives	299.8	-52.3			247.5
Tax allocation reserves	-27.4	4.3			-23.1
Other	20.9	3.6		-37.8	-13.3
Total	1,019.7	-797.3	22.1	-37.8	206.7

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	1,306.2	20.8			1,327.0
Properties	-480.6	-180.5	60.5		-600.6
Derivatives	180.7	119.1		0.0	299.8
Tax allocation reserve	-19.3	-8.1			-27.4
Other	6.5	14.4			20.9
Total	993.5	-34.3	60.5	0.0	1,019.7

Overall tax position

Deferred tax on temporary differences and loss carry-forwards, SEK m	Reported amount		Unrecognised amount		Total	
	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11
Loss carry-forwards	426.2	1,327.0	445.8	751.6	872.0	2,078.6
Properties	-430.6	-600.6	-1,036.6	-1,302.8	-1,467.2	-1,903.4
Derivatives	247.5	299.8	-	-	247.5	299.8
Tax allocation reserves	-23.1	-27.4	-	-	-23.1	-27.4
Other temporary differences	-13.3	20.9	-	-	-13.3	20.9
Total	206.7	1,019.7	-590.8	-551.2	-384.1	468.5

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 2,026 (2,858) m of tax loss carry-forwards reported in tax returns arising in tandem with property purchases via companies. These will be capitalised/recognised in profits as revenues when each property is sold externally. The change in un-valued loss carry-forwards of SEK 832 m in 2012 was conducted through the loss carry-forwards, mainly on properties, which after purchase, were transferred to Hemsö, now being measured in the Statement of Financial Position. This produced a revenue of SEK 218.7 m in 2012.

The second situation applies to temporary differences regarding surplus values in tandem with property purchases via companies 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 -4,712 (-4,954) m as of 31 December 2012.

Estimation of the present value of the tax position for Kungsliden

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.

Estimation of the present value of the tax position for Kungsliden	Liquidation ¹	Continued operation ²
Loss carry-forward	277.5	872.0
Properties	-466.8	-466.8
Derivatives	78.8	247.5
Tax allocation reserve	-7.4	-23.1
Other temporary differences	-4.2	-13.3
Total	-122.1	616.3

1 Upon liquidation, derivatives, 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 incorporated form 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 continuing 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. Derivatives, tax allocation reserves and other temporary differences are expected to be settled in the coming years and are measured at nominal amount.

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 page 56, as well as Notes 2 and 3. The initial decision by the authorities for which no provisioning has been made has been recognised as a contingent liability in Note 31.

NOTE 15 EARNINGS PER SHARE

	31 Dec 12	31 Dec 11
Net profit in Income Statement, SEK m	351.9	638.4
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	2.60	4.70

No changes to outstanding shares occurred in 2012 or 2011. There is no dilution effect because there are no potential shares. There was no granting of shares in the staff stock option plan 2007 which ran until 2012, and accordingly, has concluded.

NOTE 16 GOODWILL

SEK m	31 Dec 12	31 Dec 11
Cumulative cost at beginning of year	208.5	208.5
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.

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 17 PROPERTIES

SEK m	31 Dec 12	31 Dec 11
Carrying amount at beginning of year	15,693.2	12,226.5
Purchases	1,549.7	4,190.1
Investments in owned properties	251.5	180.1
Book value, sold properties	-1,649.8	-1,142.7
Exchange rate fluctuations	-7.4	-2.1
Unrealised value changes	-60.0	241.3
Carrying amount at end of year	15,777.2	15,693.2

SEK m	31 Dec 12	31 Dec 11
Investment properties—wholly owned properties	14,246.7	13,219.8
Investment properties—modular buildings	1,509.3	1,550.3
Properties used in business operations	21.2	18.3
Properties for sale	-	904.8
Total	15,777.2	15,693.2

The above table illustrates the progress of the property portfolio as reported by type in Notes 18–20.

If properties are purchased via companies, 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 12	31 Dec 11
Fair value of properties	15,915.2	15,830.4
Deduction received for deferred tax for property purchases via companies (asset deals)	-138.0	-137.2
Carrying amount at year-end	15,777.2	15,693.2

NOTE 18 INVESTMENT PROPERTIES

Wholly owned properties, SEK m	31 Dec 12	31 Dec 11
Carrying amount at beginning of year	13,219.8	10,632.5
Purchases	1,549.7	4,190.1
Investments in owned properties	204.5	111.0
Reclassification to properties held for sale	-	-909.0
Book value in sold properties	-716.9	-1,114.2
Exchange rate fluctuations	-7.4	-2.1
Unrealised value changes	-3.0	311.5
Carrying amount at end of year	14,246.7	13,219.8

Modular buildings, SEK m	31 Dec 12	31 Dec 11
Carrying amount at beginning of year	1,550.3	1,574.5
Purchases	-	-
Book value in sold properties	39.7	64.3
Exchange rate fluctuations	-20.7	-28.5
Unrealised value changes	-	-
Carrying amount at end of year	-60.0	-60.0
Carrying amount at end of year	1,509.3	1,550.3

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.

External valuations are obtained for the majority of properties and serve as a valuation benchmark. Properties corresponding to 89 (91) per cent of the portfolio's book value were valued externally in the most recent 12-month period.

The external valuations corroborate book value as of 31 December 2012 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 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.

Notes, group

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. No costs for property administration have been considered. An inflation assumption of 2 per cent has been applied. When evaluating cash flow, the actual cost of capital for each property is considered. The value of the cash flow for Kungsleden is used as a strategic basis for 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 3.8-13.1 per cent interval.

For more information on the valuation of properties, see Note 21.

Operating net and property yield for each property type	Book value	Operating net	Property yield, %	Interval required return, %
Industrial/Warehouse	6,058	511	8.4	3.8-13.1
Office	5,579	424	7.6	4.6-12.4
Retail	2,071	158	7.6	5.0-9.8
Other	560	37	6.7	6.0-8.2
Modular buildings	1,509	127	8.4	
Total	15,777	1,257	8.0	

NOTE 19 PROPERTY USED IN BUSINESS OPERATIONS

SEK m	31 Dec 12	31 Dec 11
Cumulative cost at beginning of year	22.9	22.9
Investments in owned properties	4.2	0.0
Total	27.1	22.9
Accumulated depreciation at beginning of year	-4.6	-3.4
Depreciation	-1.3	-1.2
Total	-5.9	-4.6
Carrying amount at end of year	21.2	18.3

NOTE 20 ASSETS HELD FOR SALE

Mkr	31 Dec 12	31 Dec 11
Carrying amount at beginning of year	904.8	-
Reclassification from investment properties	-	909.0
Purchase	-	-
Investments in owned properties	3.1	4.8
Book value in sold properties	-912.2	-
Exchange rate fluctuations	-	-
Unrealised value changes	4.3	-9.0
Carrying amount at end of year	-	904.8

At the beginning of 2012, Kungsleden owned 39 public properties that were for sale. In the Statement of Financial Position, the assets and liabilities associated with these properties were recognised as assets and liabilities relating to the sale. In 2012, these properties were sold to Hemsö Fastighets AB.

Assets held for sale, SEK m	31 Dec 12	31 Dec 11
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 12	31 Dec 11
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 21 MACHINERY

SEK m	31 Dec 12	31 Dec 11
Amortised cost at beginning of year	27.4	26.6
Purchases	3.3	8.1
Sales/disposals	-1.7	-7.3
Total	29.0	27.4
Amortised cost at beginning of year	-12.0	-13.1
Sales/disposals	1.6	5.5
Depreciation for the year	-4.7	-4.3
Total	-15.1	-11.9
Carrying amount at end of year	13.9	15.5

NOTE 22 PARTICIPATIONS IN HEMSÖ

In the year, the group had a 50 per cent holding in joint venture company Hemsö Fastighets AB (556779-8169, Stockholm), whose main operation consists of owning and managing social services properties. This holding was sold in December, with completion on 15 February 2013.

Participations in Hemsö according to the equity method, SEK m	2012	2011
Amount at beginning of year	1,084.5	817.7
Transferred merger effect, previous year	-	-32.5
Shareholders' contribution	-	18.0
Dividend	-52.1	-130.5
Comprehensive income for the year	158.1	411.8
Sale of holding	-1,190.5	-
Amount at end of year	-	1,084.5

The following items that consist of the group's participating interest in the joint venture company's assets, liabilities, revenue and costs are included in the consolidated financial statements.

SEK m	2012	2011
Profit/loss from participations in Hemsö	794.4	413.1
Interest income	105.0	105.0
Interest expense	-30.9	-33.4
Deferred tax	-19.5	-18.8
Net profit for the year	849.0	465.9
Other comprehensive income	1.4	-1.3
Comprehensive income for the year	850.4	464.6
Participations in Hemsö	-	1,084.5
Long-term receivable, Hemsö	-	1,500.0
Fixed assets	-	2,584.5
Current receivables	26.3	134.0
Current assets	26.3	134.0
Total assets	26.3	2,718.5

Other liabilities	-	-
Total liabilities	-	-

NOTE 23 OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec 12	31 Dec 11
Carrying amount at beginning of year	443.2	287.7
New long-term receivables	0.8	246.5
Increase via business combinations	–	2.0
Released against provision	–	–100.0
Reclassification	–	12.2
Exchange rate fluctuation	–8.8	–0.8
Repayments	–191.2	–4.4
Carrying amount at end of year	244.0	443.2

The largest receivable is a vendor note to Nollitnac Holding AB of SEK 226 m, issued in tandem with the purchase of 36 properties from NRP in 2011, and which is due in 2016. The note accrues market interest, and security in the form of shares has been received. The market value of collateral is judged to exceed the outstanding receivable.

However, a provision was made in the acquisition analysis in 2011 for the re-financing risk that arose due to the vendor note expiring so far ahead in time, more information in Note 26.

In the year, Svea Real AB repaid its vendor note of SEK 184 m from 2008 in advance. The repayment was of the outstanding nominal amount, and market interest accrued until the repayment.

For a review of credit risks, see Note 2.

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 2012 or 2011.

There is no dilution effect because there are no potential shares.

The following exchange rates have been used on translation:

SEK	Average exchange rate		Closing day rate	
	2012	2011	31 Dec 12	31 Dec 11
EUR	8.71	9.03	8.62	8.94
DKK	1.17	1.21	1.16	1.20
NOK	1.16	1.16	1.17	1.15
PLN	2.08	2.20	2.12	2.03

NOTE 25 INTEREST-BEARING LIABILITIES

Mkr	31 Dec 12		31 Dec 11	
	Nominal amount	Fair value	Nominal amount	Fair value
Liabilities to credit institutions				
Variable-interest bank loans	9,703.8	9,734.5	10,665.9	10,654.4
Fixed-interest bank loans	–	–	–	–
Total	9,703.8	9,734.5	10,665.9	10,654.4
Interest rate derivatives				
Interest swaps, SEK 9,350 (11,650) m	–	1,120.9	–	1,148.0
Total	–	1,120.9	–	1,148.0
Total loans and interest derivatives	9,703.8	10,855.4	10,665.9	11,802.4

Maturities, credit facilities	31 Dec 12		31 Dec 11	
	Nominal amount	Share, %	Nominal amount	Share, %
2012	–	–	10,082.8	73.5
2013	926.9	8.5	–	–
2014	1,458.9	13.4	600.0	4.4
2015	6,500.1	59.9	999.2	7.3
2016	1,977.9	18.2	2,043.9	14.8
Total	10,863.8	100.0	13,725.9	100.0
Un-utilised credit facilities	–1,160.0	–	–3,060.0	–
Total utilised credit facilities	9,703.8	–	10,665.9	–

The group has an overdraft facility of SEK 260 (260) m, of which SEK 0 (0) m was utilised at year-end.

NOTE 26 PROVISIONS

SEK m	31 Dec 12	31 Dec 11
Provisions at beginning of year	431.2	443.0
New provisions (trading net)	4.5	6.0
Settlements	–24.9	–11.7
In tandem with company purchases	–	47.4
Released against receivable	–	–49.3
Reclassification to receivable/liability	–	–2.0
Reversal to current tax in Income Statement	–325.0	–
Reversals in other situations	–28.1	–2.2
Provisions at end of year	57.7	431.2

SEK m	31 Dec 12	31 Dec 11
Tax claim after Supreme Administrative Court ruling	–	325.0
Rent and operating net guarantees	–	53.0
Re-financing risk, receivable on vendor note	45.1	45.1
Other obligations sold properties	12.6	8.1
Total	57.7	431.2

Rent or operating net guarantees are sometimes issued on property sales. The most important obligations applied to a yearly operating net guarantee issued in tandem with the part-sale of Hemsö to AP3 in 2009. However, this obligation ceased on sale.

The first decision from the Swedish Tax Agency, which applied to cases that SEK 325 m was provisioned for in 2009, was received in 2012. Accordingly, this whole provision has been reversed as current tax in the Income Statement, where reporting of current and deferred tax has been made on the basis of provisioning for potential negative outcomes in currently ongoing tax proceedings.

Provisions at year-end mainly relate to a re-financing risk for a vendor note to Nollitnac Holding AB, made in tandem with the purchase of 36 properties from NRP in 2011. Essentially, this risk is due to uncertainty regarding the counterparty's re-financing, which is to be arranged in four years.

SEK m	31 Dec 12	31 Dec 11
Due for payment within 1 year	10.3	68.2
Due for payment between 2 and 5 years	47.4	363.0
Due for payment after more than 5 years	–	–
Total	57.7	431.2

NOTE 27 OTHER LIABILITIES

SEK m	31 Dec 12	31 Dec 11
Purchase price, properties not taken possession of	1,549.4	9.4
Other	82.9	61.1
Total	1,632.3	70.5

At year-end, other liabilities primarily consisted of an un-paid purchase price for 11 properties, that Kungsleden had not taken possession of. At year-end, these properties were recognised as an asset. Completion on these properties, which were purchased from Hemsö Fastighets AB, was on 15 February 2013.

NOTE 28 MATURITY STRUCTURE, LIABILITIES

SEK m	31 Dec 12	31 Dec 11
Due for payment within 1 year	2,954.2	7,973.1
Due for payment between 2 and 5 years	9,036.9	3,631.6
Due for payment after more than 5 years	–	–
Total	11,991.1	11,604.7

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.

Notes, group

NOTE 29 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	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11	
Long-term receivables	244.0	1,943.2							244.0	1,943.2	244.0	1,943.2	
Accounts receivable	71.4	94.9							71.4	94.9	71.4	94.9	
Other receivables	3,545.7	92.2							3,545.7	92.2	3,545.7	92.2	
Total assets	3,861.1	2,130.3							3,861.1	2,130.3	3,861.1	2,130.3	
Interest-bearing liabilities													
Accounts payable						6,434.8	9,703.8	4,219.6	9,703.8	10,654.4	9,734.5	10,601.4	
Other liabilities							113.8	131.7	113.8	131.7	113.8	131.7	
Total liabilities						1,124.5	1,155.8	1,632.3	1,632.3	1,269.8	2,756.8	1,269.8	
Total liabilities						1,124.5	7,590.6	11,449.9	4,465.3	12,574.4	12,055.9	12,605.1	

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 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	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11	31 Dec	1231 Dec 11
Other receivables								
Total assets								
Interest-bearing liabilities						6,434.8		6,434.8
Other liabilities			1,124.5	1,155.8			1,124.5	1,155.8
Total liabilities						6,434.8	1,124.5	7,590.6

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).

Due to the re-arrangement of many credit facilities in 2012, there are no longer any loans measured at fair value (tier 3).

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, recognised carrying amounts were the same as assessed fair value.

Liabilities to credit institutions, SEK m	2012	2011
Liabilities at beginning of year	10,654.4	8,469.0
Borrowings	6,795.5	4,296.2
Amortisation	-7,753.7	-1,648.2
Sold via company sale		-511.8
Value changes	10.9	29.9
Exchange rate fluctuations	-3.3	19.3
Carrying amount at end of year	9,703.8	10,654.4
Reversal of adjustment to fair value for loans measured according to fair value option		11.5
Normal value, borrowings	9,703.8	10,665.9

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 total change for the year has been recognised as an unrealised value change financial instruments in the Income Statement.

NOTE 30 ASSETS PLEDGED

For Kungsleden's own liabilities and provisions, SEK m	31 Dec 12	31 Dec 11
Property mortgages	6,570.6	3,076.2
Shares in subsidiaries	3,223.7	5,686.7
Cash and cash equivalents		79.2
Total	9,794.3	8,842.1

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 31 CONTINGENT LIABILITIES

SEK m	31 Dec 12	31 Dec 11
Tax claims	3,375.8	918.5
Rent guarantees	2.3	10.3
Other guarantees	6.9	7.6
Total	3,385.0	936.4

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 page 56 and in Notes 2, 3 and 14. The tax surcharge is included in the reported amount. 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.

NOT 32 SUPPLEMENTARY DISCLOSURES FOR CASH FLOWS

Cash and cash equivalents include cash and bank balances and cash and cash equivalents relating to assets held for sale.

Adjustment for other items that are not included in cash flow from operating activities, SEK m	2012	2011
Provisions	-24.9	5.0
Depreciation, amortisation and impairment	6.0	5.5
Impairment of accounts receivable	3.5	0.5
Profit/loss from sale of machinery and equipment	-0.6	0.1
Un-realised exchange rate differences	-	0.1
Increase/decrease of interest receivable	-26.0	5.8
Increase/decrease of interest liability	7.2	-0.3
Other profit/loss items that do not affect liquidity	2.7	-6.5
Total	-32.1	10.2

Interest, SEK m	2012	2011
Interest received	109.1	146.8
Interest paid	-676.5	-683.1

Purchase of subsidiaries, SEK m	2012	2011
Purchased assets and liabilities		
Investment properties	108.9	4 553.6
Financial assets	-	92.9
Operating receivables	3.0	94.9
Cash and cash equivalents	1.2	44.2
Total assets	113.1	4 785.6

Provisions	-	44.9
Operating liabilities	103.5	3 298.4
Total liabilities	103.5	3 343.3

Purchase price	9.6	1 442.3
Less: vendor notes	-	-
Purchase price paid	9.6	1 442.3
Less: cash and cash equivalents in the purchased operation	-1.2	-44.2
Effect on cash and cash equivalents	8.4	1 398.1

Sale of subsidiaries, SEK m	2012	2011
Sold assets and liabilities		
Investment properties	1 422.1	1 655.0
Financial assets	-	-
Operating receivables	1.4	1.3
Cash and cash equivalents	0.7	16.3
Total assets	1 424.2	1 672.6

Interest-bearing liabilities	-	-
Operating liabilities	753.0	784.6
Total provisions and liabilities	753.0	784.6

Sales price	671.2	888.0
Less: sales overheads paid	-	-
vendor notes	-	-
Purchase price received	671.2	888.0
Less: cash and cash equivalents in sold operation	-0.7	-16.3
Effect on cash and cash equivalents	670.5	871.7

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 2012, for example, when the increase (+)/decrease (-) of operating liabilities line amounts to SEK 560 m. The primary background is that significant property sales 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, the buyer has also settled Kungsleden's balances with the transferred company. If no external financing follows with the purchase, the balance of the sold company's own financing of the property holding is often included in the purchase. In the completion balance, the balance is that portion of the trade liabilities that the buyer settles in cash after completion. On property purchases via companies, the opposite situation applies. Operating liabilities for companies where purchases and sales are completed for 2012 and 2011 are stated in the above table.

NOTE 33 TRANSACTIONS WITH RELATED PARTIES

Joint ventures are related parties. Financial revenue of SEK 105 (69) m was received for balances with Hemsö Fastighets AB. Financial costs of SEK 31 (34) m were paid. Hemsö also purchased 39 properties in Härnösand in the year by acquiring the shares of the company Kungsleden Norrlandshus AB. As of 31 December 2012, there was one balance, which consisted of a receivable of SEK 26 (1,634) m for Kungsleden relating to interest for the fourth quarter on the

Remuneration to Board members and senior managers for services rendered is stated in Notes 8 and 9.

No transactions in addition to this remuneration occurred with any related company or Individual.

NOTE 34 SUBSEQUENT EVENTS

Kungsleden transferred possession of the shares of Hemsö to AP3 on 15 February as planned, which also redeemed the shareholder loan. The total proceeds were SEK 3,400 m, which in addition to the purchase price and loan of SEK 3,320 m, also consisted of SEK 80 m of proceeds for residual loan interest and trading profit from the end of 2012 and 2013 until completion in 2013. In total, Kungsleden took possession of 11 properties purchased from Hemsö for SEK 1,549 m, after deducting for deferred tax. These properties were financed by arranging borrowings of SEK 1,017 m, and SEK 532 m from cash reserves.

Thomas Erséus resigned as Chief Executive of Kungsleden, and will leave the company coincident with the Annual General Meeting on 18 April.

Kungsleden's Nomination Committee is proposing that the AGM 2013 elects new Board members Göran Larsson, Magnus Fernqvist and Peter Gustafson. The Nomination Committee also proposes re-election of current Board members Joachim Gahm, Lars Holmgren, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström. Göran Larsson is also proposed for election as Chairman of the Board. Håkan Bryngelson and Magnus Meyer have reported to the Nomination Committee that they are not available for re-election.

On 12 March, Kungsleden received rulings from the Administrative Court in Stockholm, in cases to which Kungsleden is party. The Court ruled that Kungsleden should not be granted deductions for impairment of lagerandelar¹ in external purchases for the years of assessment 2006-2008. These cases are very similar to the 'Steen & Ström case', where the Administrative Court in Stockholm also rejected claimed deductions, while the Administrative Court of Appeal in Stockholm later granted the deductions. These rulings will be subject to appeal.

¹ Defined in Swedish law as a construction company's shareholding in a property management company.

Notes, group

NOTE 35 CHANGED CONSOLIDATION METHOD FOR THE HOLDING IN HEMSÖ

The way Kungsleden consolidates Hemsö was changed from the proportional method to the equity method on 1 January 2012, as described in Note 1. 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 Hemsö. 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 Hemsö, according to IFRS. This change of accounting principle does not affect equity, net profit/loss or profit for calculating dividends.

The financial statement as of 31 December 2011 given consolidation of Hemsö according to both methods follows:

Income Statement 2011, SEK m	Equity method	Proportional method
Rental revenues	1,758.8	2,593.8
Sales revenues, modules	288.4	288.4
Net sales	2,047.2	2,882.2
Property costs	-512.1	-746.7
Production costs, modular buildings	-258.1	-258.1
Gross profit	1,277.0	1,877.4
Property sales		
Sales revenue, net	1,198.5	1,223.5
Book value		
Cost	-1,078.0	-1,101.5
Realised value changes	-64.7	-66.3
	-1,142.7	-1,167.8
Trading net	55.8	55.7
Sales and administration costs	-244.4	-318.7
Profit/loss from participations in joint venture	413.0	-
Net financial position		
Financial income	141.0	36.8
Interest costs	-674.0	-872.8
Other financial costs	-25.7	-31.7
	-558.7	-867.7
Unrealised value changes		
Investment properties	241.3	690.2
Financial instruments	-490.7	-609.0
	-249.4	81.2
Profit before tax	693.3	827.9
Tax	-54.9	-189.5
Net profit	638.4	638.4

Profit for calculating dividends, 2011, SEK m	Equity method	Proportional method
Gross profit	1 277.0	1 877.4
Sales and administration costs	-244.4	-318.7
Net financial position	-558.7	-867.7
Profit from property management	473.9	691.0
Realised items		
Trading net on sale	55.8	55.7
Realised value changes, properties	64.7	66.3
Deduction for deferred tax on sale	-7.3	-8.2
Realised value changes, financial instruments	-66.3	-66.3
Realised items	46.9	47.5
Profit for calculating dividends, Hemsö	208.6 ¹	-
Taxes payable	-26.3	-35.4
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 shareholder loan.

Statement of Financial Position, 31 December 2011, SEK m	Equity method	Proportional method
ASSETS		
Goodwill	201.4	201.4
Properties	15,693.2	26,122.3
Participations in joint venture	1,084.5	-
Receivables from joint venture	1,500.0	-
Receivables, etc.	1,747.7	1,145.8
Cash and cash equivalents	683.9	816.1
TOTAL ASSETS	20,910.7	28,285.6
Equity and liabilities		
Equity	7,719.0	7,719.0
Interest-bearing liabilities	10,654.4	17,314.8
Non interest-bearing liabilities	2,537.3	3,251.8
Total equity and liabilities	20,910.7	28,285.6

Earnings capacity 31 December 2011, SEK m	Equity method ¹	Proportional method
No. of properties	324	636
Leasable area, 000 sq.m.	2,569	3,328
Book value of properties, SEK m	15,693	26,122
Rental value, SEK m	2,072	2,987
Rental revenues, SEK m	1,849	2,737
Operating net, SEK m	1,234	1,875
Economic vacancy, %	89.2	91.6
Property yield, %	7.9	7.2
Operating surplus margin, %	66.7	68.5

Key figures, 31 December 2011, SEK m	Equity method	Proportional method
Interest coverage ratio, multiple	2.4	1.9
Equity ratio, %	36.9	27.3
Gearing multiple	1.4	2.2
Loan to value ratio, %	67.9	66.3

1 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 kungsleden.se/consolidation-of-hemso

Income Statement, parent company

SEK m	Note	2012	2011
Intragroup revenues		61.4	32.0
Administration costs		-56.4	-43.9
Operating profit/loss	2-4	5.0	-11.9
Profit from financial items			
Profit from participations in subsidiaries	5	562.1	808.7
Interest income, etc.	5	168.6	246.4
Interest costs, etc.	5	-410.2	-611.1
		320.5	444.0
Profit before tax		325.5	432.1
Tax			
Deferred tax	6	-26.8	56.9
		-26.8	56.9
Net profit for the year		298.7	489.0

Statement of Comprehensive Income, parent company

SEK m	2012	2011
Net profit for the year from Income Statement	298.7	489.0
Other Comprehensive Income	-	-
Comprehensive Income for the year	298.7	489.0

Balance Sheet, parent company

SEK m	Note	31 Dec 12	31 Dec 11
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in subsidiaries	7	7,800.9	7,946.6
Receivables from group companies	8,10	640.0	887.3
Deferred tax asset	6	370.5	397.4
Other long-term receivables	8,10	219.7	242.1
Total fixed assets		9,031.1	9,473.4
Current assets			
Receivables from group companies		4,264.0	5,561.8
Other receivables		8.3	0.2
Pre-paid costs and accrued income		16.8	21.8
Cash and bank balances	9	540.9	363.2
Total current assets	10	4,830.0	5,947.0
TOTAL ASSETS	13	13,861.1	15,420.4
LIABILITIES AND EQUITY			
Equity			
Restricted equity			
Share capital	11	56.9	56.9
		56.9	56.9
Non-restricted equity			
Accumulated profit or loss		5,574.9	5,440.8
Net profit for the year		298.7	489.0
		5,873.6	5,929.8
Total equity		5,930.5	5,986.7
Provisions			
Provisions for pensions and similar obligations		1.6	0.7
Total provisions		1.6	0.7
Long-term liabilities			
Bond issues		1,599.2	1,599.2
Total long-term liabilities	12,13,14	1,599.2	1,599.2
Current liabilities			
Liabilities to credit institutions		426.0	496.0
Accounts payable		1.3	1.4
Liabilities to group companies		4,727.1	6,134.8
Tax liabilities		1.5	0.9
Other liabilities		1,129.3	1,157.2
Accrued costs and deferred income		44.6	43.5
Total current liabilities	13,14	6,329.8	7,833.8
TOTAL LIABILITIES AND EQUITY		13,861.1	15,420.4
PLEGDED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	15	2,864.3	4,972.2
Contingent liabilities	16	7,691.8	8,571.0

Statement of Changes in Equity, parent company

SEK m	Share capital	Non-restricted equity	Total equity
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
Opening equity, 1 Jan 2012	56.9	5,929.8	5,986.7
Net profit for the year		298.7	298.7
Total changes in net worth excl. transactions with shareholders		298.7	298.7
Dividends		-354.9	-354.9
Total transactions with shareholders		-354.9	-354.9
Closing equity, 31 Dec 2012	56.9	5,873.6	5,930.5

Cash Flow Statement, parent company

SEK m	Note 17	2012	2011
Operating activities			
Profit before tax		325.5	432.0
Dividends not yet settled		-745.0	-268.8
Group contributions received		-62.0	-79.0
Profit from sales		0.1	-58.7
Impairment losses, subsidiaries		244.8	-393.3
Impairment losses, derivatives		50.1	269.6
Unrealised translation effects		6.9	-4.9
Pension provisions		0.6	0.6
Tax paid		-	-
Cash flow from operating activities		-179.0	-102.5
Change in working capital			
Increase (-)/decrease (+) in operating receivables		2,111.2	-1,691.0
Increase (+)/decrease (-) in operating liabilities		-1,053.0	1,855.5
		1,058.2	164.5
Cash flow from operating activities after change in working capital		879.2	62.0
Investing activities			
Purchase of shares in subsidiaries		-0.1	-63.6
Sale of subsidiaries		-	105.7
Shareholders' contributions paid		-531.1	-195.6
Long-term loans issued		-	-245.2
Re-payment of other financial assets		254.6	3.7
Cash flow from investing activities		-276.6	-395.0
Financing activities			
Borrowings		446.0	600.0
Loan amortisation		-516.0	-
Dividend		-354.9	-273.0
Cash flow from financing activities		-424.9	327.0
Cash flow for the year		177.7	-6.0
Cash and cash equivalents at beginning of year		363.2	369.2
Cash and cash equivalents at end of year		540.9	363.2

Notes, parent company

NOTE 01 ACCOUNTING PRINCIPLES PARENT COMPANY

The annual accounts of parent company Kungsleden AB 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 recognised at historical cost. The value is subject to continuous impairment testing.

Financial instruments

Financial receivables and liabilities are recognised at historical 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 recognised as a contingent liability.

Group contributions

Group contributions received from a subsidiary are recognised 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 recognised 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	2012	2011
Personnel costs	-38.2	-36.4
Other operating costs	-17.8	-7.5
Total	-56.0	-43.9

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	2012		2011	
	Proportion women, %	Proportion women, %	Proportion women, %	Proportion women, %
Sweden	6	33	6	33
	6	33	6	33

Salary, other benefits and social security costs, SEK '000	2012		2011	
	Salary and other benefits	Social security costs	Salary and other benefits	Social security costs
Board and Chief Executive	7,765	4,235	7,119	4,640
Other employees	16,984	8,779	14,376	7,272
(of which pension costs)		(4,151)		(4,101)
	24,749	13,014	21,495	11,912

Remuneration to the Board is payable in accordance with the resolution of the AGM. Total fees of SEK 7,765,000 (7,119,000) were paid to the Board and Chief Executive, of which SEK 555,000 (555,000) to the Chairman of the Board. Incentive payment to senior managers amounted to SEK 3,394,000 (5,195,000). Social security costs were SEK 4,235,000 (4,640,000), of which pensions were SEK 4,151,000 (4,101,000). For information on remuneration to each member, see Note 8 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	2012	2011
Dividends received	746.0	268.8
Group contributions received	62.0	79.0
Profit from sale of participations	-0.1	58.7
Impairment losses/reversed impairment	-245.8	402.2
Total	562.1	808.7

Interest income, etc. SEK m	2012	2011
Interest income		
Group companies	149.7	165.7
Other companies	18.0	15.5
Other	0.9	65.2
Total	168.6	246.4

Interest costs etc., SEK m	2012	2011
Interest costs		
Group companies	-45.9	-75.1
Other companies	-303.1	-261.5
Impairment loss, derivatives	-50.1	-269.6
Other	-11.1	-4.9
Total	-410.2	-611.1

NOTE 06 TAX

Tax in Income Statement, SEK m	2012	2011
Current tax	–	–
Deferred tax	26.8	56.9
Reported tax	26.8	56.9

Reconciliation of effective tax, SEK m	2012	2011
Profit before tax	325.5	432.0
Tax 26.3%	–85.6	–113.6
Dividends from subsidiaries	195.9	70.7
Impairment loss, shares in subsidiaries	–64.6	105.8
Valuation, derivatives	13.2	70.9
Revised tax rate, to 22.3%	–72.4	–
Tax effect of non-deductible costs and non-taxable revenue	20.8	–77.1
Other	19.5	0.2
Reported tax	26.8	56.9

Of the tax cost for the year, SEK – (–) m is recognised directly in equity.

Deferred tax assets	31 Dec 12	31 Dec 11
Loss carry-forwards	123.6	95.3
Financial instruments	246.6	301.9
Other temporary differences	0.3	0.1
Deferred tax assets	370.5	397.3

Deferred tax on temporary differences and loss carry-forwards, SEK m	At beginning of year	In Income Statement	At end of year
Loss carry-forwards	95.3	28.3	123.6
Financial instruments	301.9	–55.3	246.6
Other temporary difference	0.1	0.2	0.3
Total	397.3	–26.8	370.5

NOTE 07 PARTICIPATIONS IN SUBSIDIARIES

SEK m	31 Dec 12	31 Dec 11
Amortised cost at beginning of year	14,718.2	14,169.9
Purchases	0.1	63.6
Sales	–	–46.4
Reclassification	–1,210.9	–
Shareholders' contribution	100.0	531.1
Total	13,607.4	14,718.2

Opening impairment losses	–6,771.6	–7,164.9
Reclassification	1,210.9	–
Reversed impairment losses	560.9	577.4
Impairment losses for the year	–806.7	–184.1
Total	–5,806.5	–6,771.6

Carrying amount at end of year	7,800.9	7,946.6
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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	Partici- pating inte- rest, % ¹	Book value, SEK m	
			31 Dec 12	31 Dec 11
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	2,095.5	2,703.4
Realia AB, 556639-7419, Stockholm	23,822,375	100	818.6	818.6
Kungsleden Norrlandsfastigheter AB, 556481-1429, Stockholm	1,000	100	1,756.3	1,213.2
Kungsleden Syd AB, 556480-0109, Stockholm	10,000	100	4.0	88.9
Bovård i Sverige AB, 556429-6126, Stockholm	3,700	100	130.7	130.6
Kungsleden Äldre B AB, 556635-1366, Stockholm	1,000	100	15.4	15.9
Kungsleden Real Estate BV, 34209547, Nederländerna	900	100	0.1	0.1
Kungsleden Service AB, 556610-9087, Stockholm	1,000	100	0.3	0.2
Realia International BV, BV502052-1156, Nederländerna	2,351	75	9.3	9.6
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	760.0	772.2
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	1,358.1	1,341.2
KL Norge Holding AB, 556730-0875, Stockholm	1,000	100	5.9	6.3
Kungsleden Kalinka Holding AB, 556844-2957, Sthlm	50,000	100	77.8	77.6
Kungsleden Holding GmbH, München, Tyskland	1	100	–	–
Nordic Modular Group AB, 556691-3868, Upplands Väsby	20,695,156	100	768.8	768.8
Konkret 1 i Visby AB, 556876-3022, Stockholm	50,000	100	0.1	–
Total			7,800.9	7,946.6

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 12	31 Dec 11
Carrying amount at beginning of year	1,129.4	–
New vendor notes	–	245.2
New promissory notes to group companies	–	887.3
Paid-up endowment policy	0.7	0.6
Transfer to current receivable	–7.3	–
Exchange rate fluctuation	–8.5	–
Amortisation in the year	–254.6	–3.7
Total	859.7	1,129.4

Notes, parent company

NOTE 09 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 10 MATURITY STRUCTURE, RECEIVABLES

SEK m	31 Dec 12	31 Dec 11
Due for payment within 1 year	4,830.0	5,583.8
Due for payment between 2 and 5 years	859.0	1,128.8
Due for payment after more than 5 years	0.7	0.7
Total	5,689.7	6,713.3

Maturity structure of outstanding receivables excluding deferred tax and cash and cash equivalents.

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.

NOTE 12 LOANS AND INTEREST DERIVATIVES

The parent company has one bank loan and three (three) bond issues. There are also interest derivatives for the parent company's own loans and other group companies' external loans. In 2012, the parent company had fewer interest derivatives after interest swaps with a nominal value of SEK 1,800 m were cancelled after restructuring of the swap portfolio, which reduced the nominal outstanding amount by SEK 500 m.

The maturity points of loans and interest derivatives are stated below.

Maturity, SEK m	31 Dec 12		31 Dec 11	
	Bank and bond issues	Interest derivatives, nominal amount	Bank and bond issues	Interest derivatives, nominal amount
2012			496.0	200.0
2013	426.0	–		600.0
2014	600.0	800.0	600.0	1,800.0
2015	999.2	1,400.0	999.2	2,400.0
2016		500.0		500.0
2017		500.0		500.0
2018		3,650.0		3,650.0
2019		800.0		800.0
2020		800.0		800.0
2021		400.0		400.0
2022		500.0		–
Total	2,025.2	9,350.0	2,095.2	11,650.0

NOTE 13 FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from group companies, etc.		Other financial liabilities		Total carrying amount		Fair value	
	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11
Other long-term receivables	219.7	242.1			219.7	242.1	219.7	242.1
Receivables from group companies	4,264.0	5,561.8			4,264.0	5,561.8	4,264.0	5,561.8
Other receivables ¹	–	3.7			–	3.7	–	3.7
Total assets	4,483.7	5,807.6			4,483.7	5,807.6	4,483.7	5,807.6
Long-term liabilities			1,599.2	1,599.2	1,599.2	1,599.2	1,599.2	1,599.2
Accounts payable			1.3	1.4	1.3	1.4	1.3	1.4
Liabilities to group companies			4,727.1	6,134.8	4,727.1	6,134.8	4,727.1	6,134.8
Other liabilities ¹			1,556.8	1,654.9	1,556.8	1,654.9	1,556.8	1,654.9
Total liabilities			7,884.4	9,390.3	7,884.4	9,390.3	7,884.4	9,390.3

1 The fair value of the company's interest derivatives amounts to SEK –1,120.9 (–1,147.9) m and share swaps is SEK –3.5 (7.8) 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 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11
Other receivables	–	–	–	–	–	–	–	–
Total assets	–	–	–	–	–	–	–	–
Liabilities to credit institutions	–	–	–	–	–	–	–	–
Other liabilities	–	–	1,124.5	1,147.9	–	–	1,124.5	1,147.9
Total liabilities	–	–	1,124.5	1,147.9	–	–	1,124.5	1,147.9

For more information, see the corresponding review of the situation in the group's Note 29.

NOTE 14 MATURITY STRUCTURE, LIABILITIES

SEK m	31 Dec 12	31 Dec 11
Due for payment within 1 year	6,329.8	7,833.8
Due for payment between 2 and 5 years	1,599.2	1,599.2
Due for payment after more than 5 years	–	–
Total	7,929.0	9,433.0

Maturity structure of interest-bearing liabilities and operating liabilities excluding tax liabilities.

NOTE 15 ASSETS PLEDGED

SEK m	31 Dec 12	31 Dec 11
For own liabilities and provisions		
Shares in subsidiaries	2,864.3	4,972.2
Pledged assets	2,864.3	4,972.2

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 12	31 Dec 11
Guarantees in favour of group companies	7,691.8	8,571.0
Total	7,691.8	8,571.0

NOTE 17 SUPPLEMENTARY DISCLOSURES FOR CASH FLOW

No funds other than cash and bank balances are included in the cash and cash equivalents item.

Interest, SEK m	2012	2011
Dividends received	268.8	719.1
Interest received	168.8	177.7
Interest paid	–360.2	–345.2

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Subsidiaries	61.4	32.0	–	–	103.8	90.6	5,451.0	6,449.1	–4,727.1	–6,134.8

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 of Directors and 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 2012. 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 18 April 2013.

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	5,574,897,617
Net profit for the year	298,697,178
Total	5,873,594,795

The board of Directors proposes that profits are appropriated as follows, SEK

Dividends of SEK 1 per share to shareholders	136,502,064
Carried forward	5,737,092,731
Total	5,873,594,795

The proposed dividend corresponds to 46 per cent of the parent company's profit after tax and 7 per cent of the group's profit for calculating dividends.

Kungsleden's dividend policy is that the dividend should be 50 per cent of profit for calculating dividends. This also states that the dividend should be stable over time and take the company's overall investment requirement, capital structure and position in general into account.

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 financial position, the Board of Directors is proposing a dividend of SEK 1.00 per share for the financial year 2012. The fact that the proposed dividend is less than 50 per cent profit of calculating dividends is due to uncertainty surrounding the tax proceedings currently being conducted against companies in the group.

The proposed dividend to shareholders implies that the parent company's and group's equity ratio reduce from 43 and 37 per cent respectively to 42 and 36 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 state significant risks and uncertainty factors facing the parent company and group companies.

Stockholm, Sweden, 14 March 2013

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
Chief Executive

Our Audit Report was presented on 15 March 2013
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 2012. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 44–90.

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 proce-

dures that are appropriate in the circumstances, 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 2012 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 2012 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. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the Income Statement and Balance Sheet for the parent company and the Consolidated Income Statement and Statement of Financial Position.

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 2012.

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, 15 March 2013
KPMG AB



Björn Flink
Auktoriserad revisor

Other information

After the sale of Hemsö, Kungsleden no longer has any divisions. Apart from wholly owned properties, there is only Nordic Modular.

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kungsleden.com	101

143,770 sq.m.

Finnslätten 1, Kungsleden's biggest single property in terms of area

Mimer 5, Västerås

Key figures and five-year summary

For key figures and a five-year summary, see the website, <http://www.kungsleden.com/about-kungsleden/investor-relations/financial-tables/>

The presentation of the Income Statement is changing from the Interim

Report for January–March 2013, which includes statement of the profit measure profit from property management and costs for property administration being reported as a property cost instead of being in the sales and admin-

istration costs line as in reports until the year-2012 Annual Report inclusive. Tables of key figures and five-year summary will be updated on this basis.

Tables in Excel format can be downloaded from the website.

Definitions

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 date 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.

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.

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 total of opening and closing balance divided by two.

Rental revenues

Rental value less vacancies and rental discounts.

Rental value

Debited rent and rent supplements (e.g. property tax), with a supplement for the assessed market rent for un-let areas and rental discounts.

FINANCIAL KEY FIGURES

Adjusted equity

Equity less proposed/approved dividends.

Cash flow from operating activities

Profit before tax excluding trading net and unrealized value changes on properties and financial instruments adjusted for items not included in cash flow from operating activities and deductions for tax paid.

Equity ratio

Equity including minority shares in relation to total assets.

Gearing

Interest-bearing liabilities in relation to equity.

Interest coverage ratio

Profit or loss after financial revenues in relation to financial costs.

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 non-interest bearing liabilities for opening and closing balances divided by two.

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.

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 OMXSPI (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 are for a period of 48 months based on monthly share prices compared to the OMXSPI.

Book value of property per share

Book value of property in relation to the number of shares at the end of the period.

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.

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.

Profit from property management

Growth profit plus sales and administration costs and net financial position.

Contract value

Contracted rent plus indexation and rent supplement expressed as an annual value.

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.

Type

Main usage of property on the basis of division of area. The type 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. Kungsleden's property portfolio is categorised as Industrial/Warehouse, Office, Retail, 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.



Peter Rossotti, Business Development Analyst, and Marielle Almgren, Transaction Project Manager

Property register

PROPERTY HOLDING

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area, sq.m.							Rental- value, SEK m	Rental revenue, SEK m	Economic occupancy, %
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other			
Stockholm region														
Populations over 100,000, office														
Gulldragaren 24	Stockholm	Hägersten	Västertorpsvägen 136	1956/1994	182	1,395					1,577	2	2	99.2
Solkraften 17 & 18	Stockholm	Stockholm	Vattenkraftsvägen 8	1991		2,072					2,072	2	2	100.0
Holar 4	Stockholm	Kista	Skalholtsgatan 6-8	1985	144	7,148					7,292	16	16	96.6
Säteritaket 1	Stockholm	Hässelby	Maltesholmsvägen 88, 90	1991	1,377	1,089					2,466	3	3	100.0
Populations over 100,000, Retail														
Kantjärnet 4	Stockholm	Bandhagen	Skebokvarnsvägen 370	1960	468	4,173	423			446	5,510	6	6	96.0
Populations 50,000-100,000, Industrial/warehouse														
Forellen 1	Solna	Solna	Björnstigen 4	1954	1,039	324					1,363	1	1	99.2
Jordbromalm 6:14	Haninge	Haninge	Lagervägen 11	1977/2007	9,573						9,573	8	8	100.0
Traktorn 7	Södertälje	Södertälje	Gränsvägen 8	1983	5,250						5,250	5	5	100.0
Räknesticken 2	Täby	Täby	Tillverkarvägen 4	1988	928						928	1	1	100.0
Populations 50,000-100,000, Office														
Ugnen 5	Solna	Solna	Industrivägen 7	1980	1,770	1,901					3,671	4	4	89.4
Träboden 1	Sollentuna	Sollentuna	Sofielundsvägen 2-6	1990	122	4,417				754	5,293	9	9	99.9
Telegrafan 1	Huddinge	Huddinge	Kommunalvägen 27b	1943		1,336					1,336	1	1	100.0
Enen 10	Södertälje	Södertälje	Järnagatan 12	1950		6,361	378				6,739	8	8	99.7
Fräsen 1	Täby	Täby	Maskinvägen 2	1999		1,904					1,904	2	2	100.0
Populations 50,000-100,000, Other														
Tumba 7:231 och 7:237	Botkyrka	Tullinge	Hamringevägen	-										
Tändstiftet 2	Täby	Täby	Enhagsvägen 4	1996						1,923	1,923	3	3	100.0
Åkerby 4 & 12	Täby	Täby	Kemistvägen 30-32	1993						13,600	13,600	11	11	100.0
Populations 50,000-100,000, Retail														
Täckeråker 2:273	Haninge	Haninge	Gamla nynäsvägen 3b	1991			5,966				5,966	8	8	99.9
Täckeråker 2:227	Haninge	Haninge	Gamla nynäsvägen 3a	1981			2,810				2,810	1	3	50.8
Yrkesskolan 6	Botkyrka	Tumba	Bryggarevägen 5-7	1999			6,683			185	6,688	10	10	99.0
Tunaberg 4	Botkyrka	Tumba	Tunabergsvägen 1	1974			1,320				1,320	1	1	100.0
Måttbandet 8	Täby	Täby	Måttbandsvägen 5	2001	320		1,618				1,938	2	2	94.6
Populations 25,000-50,000, Industrial/warehouse														
Kopparen 8	Tyresö	Tyresö	Vintervägen 4	1970/2001	3,508	339					3,847	3	3	94.9
Märsta 14:1	Sigtuna	Arlandastad	Industrigatan 2	1967		2,775	488				3,263	4	4	88.6
Njursta 1:21	Upplands-väsby	Upplands-väsby	Jupitervägen 2	1973	13,484						13,484	8	8	100.0
Bagaren 9	Tyresö	Tyresö	Radiovägen 7 a	1984		2,220					2,220	2	2	100.0
Populations 25,000-50,000, Office														
Fotografen 1	Tyresö	Tyresö	Mediavägen 1-5	1976		3,948					3,948	3	3	100.0
Järmet 6	Tyresö	Tyresö	Bollmora gårdsv. 2-18, industriv. 1-15	1976	4,420	14,492	344	1,605		2,299	23,160	21	23	92.0
Kopparen 14	Tyresö	Tyresö	Vintervägen 8, vintervägen 10-72	1979	8,933	939	551			151	10,574	6	8	82.0
Kopparen 9	Tyresö	Tyresö	Vintervägen 2	1960	981	1,139	212				2,332	2	2	99.9
Populations 25,000-50,000, Retail														
Runö 7:73 & 7:74	Österåker	Åkersberga	Sågvägen 26	2007			2,490				2,490	2	2	100.0
Gothenburg region														
Populations over 100,000, Industrial/warehouse														
Arendal 764:385	Gothenburg	Gothenburg	Sydattanten 12	1969/1979 /1994	10,105						10,105	6	6	100.0
Kärra 93:3	Gothenburg	Hisings kärra	Orrekulla industrigata 36	1992	3,500						3,500	1	3	43.6
Populations over 100,000, Office														
Tynnered 1:13	Gothenburg	Västra frölunda	Lergöksgratan 4	1971	1,126	3,152	1,523				6,224	6	6	91.6
Älvsborg 178:8	Gothenburg	Västra frölunda	Redegatan 9	1978	530	3,961	2,310		363	60	6,001	7	8	92.4
Rud 52:2	Gothenburg	Västra frölunda	Klangfärgsgatan 11	1968	484	1,147				450	2,081	2	2	90.8
Populations over 100,000, Retail														
Rud 4:1, 760:42	Gothenburg	Västra frölunda	Gitarrgatan 2	1963	17		2,130				2,147	3	3	100.0
Populations 50,000-100,000, Industrial/warehouse														
Tingshuset 2	Möndal	Möndal	Kråketorpsgratan 16	1963	3,450						3,450	1	1	100.0
Forsåker 1:227	Möndal	Möndal	Nämndemansgatan 17/ krongårdsgatan 3	1968	21,109						21,109	17	17	100.0
Hede 3:122	Kungsbacka	Kungsbacka	Kraftvägen 2	1952/2001	27,302	184	2,450	1,966			32,532	8	22	35.7
Ädelgasen 1	Möndal	Möndal	Neongatan 5	1972, 1976, 1987, 1997	12,093	3,330				630	15,423	10	10	100.0
Kryptogasen 7	Möndal	Möndal	Kryptogatan 22b	2000	5,000						5,000	3	3	100.0
Kryptogasen 4	Möndal	Möndal	Kryptogatan 20	1983	7,420	816					8,236	6	7	92.6
Populations 50,000-100,000, Office														
Forsåker 1:164	Möndal	Möndal	Kronogårdsgatan 3	1975										
Forsåker 1:257	Möndal	Möndal	Kronogårdsgatan 3	1986										
Sågen 14	Kungsbacka	Kungsbacka	Järnvägsgratan 36	1980	971	1,824					2,795	2	2	84.4
Varla 14:8	Kungsbacka	Kungsbacka	Magasinsgratan 12	1989		1,498					1,498	1	1	65.0
Populations 50,000-100,000, Other														
Forsåker 1:75	Möndal	Möndal	-	-										
Populations 50,000-100,000, Retail														
Varla 14:1	Kungsbacka	Kungsbacka	Borgås gårdsväg 19	2008			2,490				2,490	2	2	100.0
Torrekulla 1:172	Möndal	Källered	G:a riksvägen 10, g:a riksvägen 12	1957		400	2,150				2,550	1	1	94.2
Populations 25,000-50,000, Industrial/warehouse														
Lexby 2:29	Partille	Partille	Brodalsvägen 13 b-c	-	6,891	3,515					10,406	6	9	70.0
Ventilen 6	Kungälv	Kungälv	Blågatan 7 a	1990	777	2,047	114				2,938	1	2	65.0
Kylaren 4	Kungälv	Kungälv	Traktorgatan 13	1979	2,603	700					3,303	1	2	58.8
Kylaren 9	Kungälv	Kungälv	Dumpergatan 3	1990	1,882	1,064					2,946	1	2	70.6
Lundby prästgård 1:1	Lerum	Gråbo	Olstorpsvägen 3	1967										

PROPERTY HOLDING

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area, sq.m.						Total area	Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %
					Industr./warehouse	Offices	Retail	Retirement home	School	Care				
Populations 25,000-50,000, Office														
Ventilen 7	Kungälv	Kungälv	Bilgatan 3	1989	131	2,094					2,225	1	2	90.7
Öresund region														
Populations over 100,000, Industrial/warehouse														
Hollyxan 6	Malmö	Malmö	Bronsyxegatan 13	1972	4,625						4,625	4	4	100.0
Rausgård 22	Helsingborg	Helsingborg	Landskronavägen 11	1951/1973 /1999	62,292						62,292	39	41	94.2
Spindel 9	Malmö	Malmö	Singelgatan 8 - 10	1964	2,195						2,195	2	2	100.0
Dubbelknappen 4	Malmö	Malmö	Kantylxegatan 25	-	12,156	6,173	2,516			1,032	21,877	20	22	89.4
Sidorodret 3	Malmö	Malmö	Höjrodergatan 2	1976/1987						1,057	1,057	2	2	87.0
Lerkäret 3	Malmö	Malmö	Flintyxegatan 2	1984/1987	1,070						1,070	1	1	100.0
Skjutsstallslyckan 23	Malmö	Malmö	Lundavägen 56	1946	7,155	1,218	664				9,037	4	6	66.2
Noshulet 3	Malmö	Malmö	Pilotgatan 5	1984	651	150					801	1	1	83.2
Flygbasen 7	Malmö	Malmö	Höjrodergatan 11	1988	1,252						1,252	1	1	62.5
Ventilen 3	Malmö	Malmö	Ventilgatan 6	1988	748						748	1	1	94.2
Populations over 100,000, Office														
Brännaren 8	Malmö	Malmö	Agneslundsvägen 14	1947		5,334				61	5,395	5	7	66.6
Flygledaren 1	Malmö	Malmö	Höjrodergatan 14	1988		990					990	1	1	100.0
Vildanden 8	Malmö	Limhamn	Gejersgatan 6-8	1967/1990 /1993		8,557					8,557	9	10	93.7
Flintan 4	Lund	Lund	Skiffervägen 18-20	1990	1,872	3,184					5,056	5	6	87.8
Möledalsskolan 3	Malmö	Malmö	Höjrodergatan 12	-		1,463					1,463	1	1	100.0
Företaget 8	Lund	Lund	Företagsvägen 28	1984	263	1,930					2,193	2	3	57.4
Verkstaden 5	Lund	Lund	Annedalsvägen 9	1973/1989	1,870	4,886		400			7,156	8	9	89.9
Påskbuketten 5	Malmö	Malmö	Amiralsgatan 115	1987	130	986					1,116	1	1	100.0
Påskbuketten 6	Malmö	Malmö	Hästvägen 4 a	1990	53	2,087					2,140	2	3	94.3
Påskbuketten 8	Malmö	Malmö	Hästvägen 4 c	1992		1,796					1,796	2	2	100.0
Påskbuketten 9	Malmö	Malmö	Hästvägen 4 d	1988	430	919					1,349	1	2	37.7
Påskbuketten 10	Malmö	Malmö	Hästvägen 4 e	1987		796					796	1	1	90.2
Domarringen 1	Malmö	Malmö	Boplatsgatan 2	-	2,883	1,051					3,934	5	5	100.0
Sockeln 1	Malmö	Limhamn	Krossverksvägen 32	-		1,370					1,370	2	2	99.1
Brännaren 3	Malmö	Malmö	Industrigatan 13	1947	1,355	1,642				2	4,895	3	5	74.0
Flygbasen 4	Malmö	Malmö	Höjrodergatan 17	1989	1,468			213	1,896		1,681	1	1	82.6
Krukskärvan 11	Malmö	Malmö	Flintyxegatan 8 a	1986	933	1,739					2,672	1	2	49.4
Idrotten 7	Malmö	Malmö	Palmgatan 28	-						1,240	1,240			100.0
Populations over 100,000, Other														
Gunghästen 1	Malmö	Malmö	Jägersrovägen 160	1964/1990		3,342				5,501	8,843	9	11	82.1
Populations over 100,000, Retail														
Kloren 1	Malmö	Malmö	Volframgatan 5	1970	3,683		4,127				7,810	4	5	88.2
Kruthornet 1	Helsingborg	Helsingborg	Garnisonsgatan 46	2001			2,700				2,700	1	1	100.0
Nyponrosen 2	Helsingborg	Helsingborg	Skaragatan 90 - 92	1979	335	60	1,703			254	2,352	2	2	98.2
Adolfsberg västra 10	Helsingborg	Helsingborg	Södra hunnetorpsvägen 54 - 56	1975		380	988				1,368	1	2	92.4
Långhuset 1	Malmö	Malmö	Långhusgatan	-			894				894	1	2	44.3
Populations 25,000-50,000, Retail														
Lödeköpings 14:54	Kävlinge	Lödeköpings	Fraktvägen 1	2001		2,060					2,060	1	1	100.0
Populations less than 25,000, Industrial/warehouse														
Kronoslätt 1:3	Staffanstorps	Staffanstorps	Västanvägen	1971	20,725						20,725	11	11	100.0
Tågarp 20:81	Burilöv	Ärlöv	Lommavägen 39	1929/1984	25,432					1,003	26,435	6	12	47.3
Sunnanå 12:34	Burilöv	Ärlöv	Starrvägen	-	5,316						5,316	5	5	100.0
Populations less than 25,000, Office														
Sturup 1:160	Svedala	Svedala	Västergatan sturups flygplats	1972		1,018				1,347	2,365	1	2	52.5
Populations less than 25,000, Retail														
Borggård 1:357	Staffanstorps	Staffanstorps	Maskinvägen 9	1970	1,120		3,720				4,840	2	2	100.0
Other cities														
Populations over 100,000, Industrial/warehouse														
Plinten 4	Norrköping	Norrköping	Malmgatan 35	1974	5,450						5,450	4	4	100.0
Ädelmetallen 15	Jönköping	Jönköping	Grossistgatan 14	2003	5,000						5,000	3	3	100.0
Kedjan 7	Umeå	Umeå	Gräddvägen 15 b	1990	2,058						2,058	1	1	100.0
Schablönen 6	Umeå	Umeå	Läringsgatan 10-14	1976	5,127						5,127	4	4	100.0
Maskinen 1	Umeå	Umeå	Maskingatan 1	1966, 1971, 1976	1,171	1,260					2,431	2	2	95.4
Kronoskogen 3	Umeå	Umeå	Kronoskogsvägen 4-6	1976	1,501		232			38	1,771	1	1	97.4
Grubbe 9:48	Umeå	Umeå	Kabelvägen 1 a	1992	899						899			100.0
Kontaktledningen 1	Västerås	Västerås	Stenbygatan 10	1967						15,104	15,104	11	11	100.0
Mälaren 17	Örebro	Örebro	Svartå bangata 14	1933/1989	7,959	1,309				71	9,339	9	10	92.8
Aspgården 18	Umeå	Umeå	Bölevägen 44	1955	9,153	1,649				571	11,373	3	8	35.4
Greken 5	Linköping	Linköping	Rudsjög. 1, rudsjög. 3, södra oskarsg 10	1959	1,707	1,621	1,621				3,490	2	2	98.2
Verkstaden 7	Västerås	Västerås	Metallverksg., sinterv.,östra ringv.	1929	16,458	1,838				2,113	20,409	8	8	97.9
Magnetbandet 3	Linköping	Linköping	Finnögatan 1	1987	4,737	485				556	5,778	2	3	76.2
Glasflaskan 1	Linköping	Linköping	Roxtorpsgatan 16	1977/1982	2,098	1,053					3,151	2	2	75.8
Finnslätten 1	Västerås	Västerås	Tvärleden	1958- 59/1966- 70/1987 etc.	76,490	63,983				3,297	143,770	125	133	94.0
Finnslätten 4	Västerås	Västerås	Banmatarvägen	1975	7,496						7,496	6	6	100.0
Västerås 3:85	Västerås	Västerås	Elmotorgatan	1975	2,145						2,145	2	2	100.0
Västerås 3:86	Västerås	Västerås	Elmotorgatan	1978	27,216						27,216	26	26	100.0
Västerås 3:88	Västerås	Västerås	Lugna gatan	-										
Västerås 3:89	Västerås	Västerås	Effektgatan	-										
Örjan 1	Västerås	Västerås	Saltängsvägen	1964	51,455	1,910				546	53,911	37	39	96.8
Runthe	Bochum	Bochum	Industristrasse 20	1990	15,322						15,322	9	9	100.0
Populations over 100,000, Office														
Singeln 17	Umeå	Umeå	Formvägen 10 d	1981/1986	857						857	1	1	92.5
Kedjan 5	Umeå	Umeå	Gräddvägen 13	1981	232	1,836					2,068	1	1	75.3
Kronoskogen 2	Umeå	Umeå	Kronoskogsvägen 8	1976	1,263		1,433			64	2,760	1	2	77.5
Schablönen 2	Umeå	Umeå	Läringsgatan 22	1970										100.0
Matrisen 6	Umeå	Umeå	Läringsgatan 1	1969	1,216	527	2,736			364	4,843	3	3	98.8
Singeln 18	Umeå	Umeå	Formvägen 10 d-e	1981	104	515					619			78.3
Schablönen 3	Umeå	Umeå	Läringsgatan 20	1970	582	816					1,398	1	1	88.3
Gardisten 4	Linköping	Linköping	Kolfällsgatan 3a	1964/2000		1,050					1,050	1	1	100.0
Arbetaren 1	Örebro	Örebro	Aspholmsvägen 12 a	1971	970	1,974	1,185				4,129	3	3	98.1
Rörägaren 4	Örebro	Örebro	Boställsvägen 4	1992	1,191	1,240					2,431	2	2	93.8
Grundet 9	Linköping	Linköping	Sunnorpsgatan 4	1985	36	1,622					1,658	1	1	95.1
Västerås 3:84	Västerås	Västerås	Nätverksgatan	1984	6,620	25,652					32,272	30	32	96.5
Västerås 3:87	Västerås	Västerås	Fredholmshuset	1978/1983	1,137	19,801				1,029	21,967	9	16	58.0
Isolatorn 3	Västerås	Västerås	Gideonsbergsgatan	1972	10,124	31,011				2,281	43,416	42	44	96.5
Mimer 5	Västerås	Västerås	Stora gatan	1929-30/1955 /1960/1969 etc.	6,467	71,149			11,109	475	89,200	105	111	94.7
Ottar 5	Västerås	Västerås	Kopparbergsvägen	1929/1940	2,988	17,611					20,599	24	26	94.0

PROPERTY HOLDING

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area, sq.m.						Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %						
					Industr./ warehouse	Offices	Retail	Retirement home	School	Care				Other	Total area				
Ottar 6	Västerås	Västerås	Kopparbergsvägen 2	1929/1940															
Oxelbergen 1:2	Norrköping	Norrköping	Odalgatan 19	1976/1999	1,928	18,506	45		3,420	1,025	1,231	18,325	22	22	99.6				
Taktipinnen 1	Norrköping	Norrköping	Folkborgsvägen 1	1975	102	16,932			671			17,705	19	23	86.0				
Populations over 100,000, Other																			
Västerås 5:9	Västerås	Västerås	Södra ringvägen	-									3	3	99.9				
Werder	Werder	Werder	Am strengfeld	2008					18,076			18,076	7	7	100.0				
Parkeringsverksamhet	Västerås	Västerås	-	-															
Populations over 100,000, Retail																			
Björnjägen 2	Umeå	Umeå	Björnvägen 11 b	1977							228	2,461	3	3	100.0				
Huggormen 1	Umeå	Umeå	Björnvägen 15 e	1977	20	1,287	3,752			3,453	8,512	6	7	90.5					
Generatorm 7	Umeå	Umeå	Förrådsvägen 11-15	1960	3,013	210	3,480				6,703	3	3	93.5					
Isbjörnen 4	Linköping	Linköping	Tröskaregatan 5-35	1982/1996		473	1,419			684	2,576	3	3	96.1					
Direktören 8	Västerås	Västerås	Köpingsv. 70, sigfrid edströms gata 23	1986			1,998				1,998	3	3	100.0					
Flogsta 22:3	Uppsala	Uppsala	Flogstavägen 99	1977	221		1,816				2,037	3	3	100.0					
Librobäck 3:3	Uppsala	Uppsala	Hällnäsgratan 6a	2006			2,808				2,808	2	2	100.0					
Linblocket 1	Västerås	Västerås	Hallsta gårdsgata 26, linblocksgatan 7	2006			2,808				2,808	2	2	100.0					
Prislappen 1	Linköping	Linköping	Mörtlösa 1	1972			2,806				2,806	3	3	100.0					
Populations 50,000-100,000, Industrial/warehouse																			
Gravören 5	Växjö	Växjö	Verkstadsgratan 8	1974	2,568						2,568	2	2	100.0					
Storheden 1:81	Luleå	Luleå	Cementvägen 8	1990	5,780						5,780	3	3	100.0					
Handelsmannen 1	Norrköping	Norrköping	Diamantgatan 7-9	1988		2,536				4,460	6,996	10	10	99.1					
Lödret 4	Eskestuna	Eskestuna	Filargatan 3	1986	3,861	1,690				350	5,901	3	4	87.2					
Fredriksskans 15:16	Gävle	Gävle	Bönåvägen 55	2003	14,170						14,170	1	9	13.5					
Varvet 3	Uddevalla	Uddevalla	Kasensabbevägen 8	1990		4,241					4,241	2	2	100.0					
Pipånen 5 & 6	Göteborg	Visby	Stenkumlaväg 1 o 1 b	1950		5,319					5,319	4	4	100.0					
Råfsan 4	Luleå	Luleå	Traktorvägen 1	1977	17,727	5,319					17,727	12	12	100.0					
Nore 22	Eskestuna	Eskestuna	Helgestagatan 3 b	1972		1,500					1,500	1	1						
Plattan 4	Kristianstad	Kristianstad	Isolatorvägen 5	1991		1,328					1,328	1	1	100.0					
Cementen 4	Kristianstad	Kristianstad	Industrigatan 13	1989/1991		817					817	1	1	100.0					
Hälsinggården 1:427	Falun	Falun	Lövåsvägen 26	1968	10,800						10,800	5	5	100.0					
Baggen 6	Sundsvall	Sundsvall	Hovgatan 6	1973		2,456					2,456	1	1	100.0					
Populations 50,000-100,000, Industrial/warehouse																			
Valpen 1	Eskestuna	Eskestuna	Kungsgatan 68	1929		4,476					4,476	5	5	99.4					
Lindblad 10	Karlskrona	Karlskrona	Ölandsgratan 6	1929		7,312					7,312	11	11	94.6					
Lindblad 24	Karlskrona	Karlskrona	Drottninggratan 54	1950		2,628				25	2,653	2	3	71.3					
Geten 2	Sundsvall	Sundsvall	Fridhemsgatan 122	1964/1970	2,134	2,039				1,033	5,206	2	3	52.4					
Skotet 1	Luleå	Luleå	Banvägen 11	1979	5,285	2,919				88	8,292	5	6	88.9					
Dockan 9	Växjö	Växjö	Västra esplanaden 9 a-b	1971	394	7,742	879		4,469	825	286	14,595	16	19	87.7				
Barken 6	Uddevalla	Uddevalla	Junogatan 9	1990		3,775					3,775	3	3	97.1					
Osdal 3:7	Borås	Borås	Pickesjövägen 1-5	2005-2006						1,849	1,849	4	4	100.0					
Karlslund 5:2	Östersund	Östersund	Fyrvallevägen 1-4	-	4,621	32,870		10,338		8,403	56,232	55	58	96.1					
Osdal 3:2	Borås	Borås	Lagercrantz plats 9a	-	530	10,724		5,149		2,097	18,500	18	20	88.7					
Visborg 1:15	Göteborg	Visby	Visborgsallén 2:49	-		17,905				4	17,909	32	32	100.0					
Populations 50,000-100,000, Other																			
Skönsmon 2:29 m fl	Sundsvall	Sundsvall	-	-															
Läkaren 1	Trollhättan	Trollhättan	Lasarettsvägen 1-19	1960-70	2,274	4,581		493	9,458	7,860	5,597	30,262	26	29	88.9				
Populations 50,000-100,000, Retail																			
Storsten 2	Norrköping	Norrköping	Storstensvägen 3	-			2,270				2,270	2	2	100.0					
Thorild 12	Uddevalla	Uddevalla	Kilbäcksgatan 2, 4, 6, 8, 10, 12	1968	192	2,602	4,007			53	6,854	13	14	92.0					
Speditören 1	Eskestuna	Eskestuna	Lundbladsvägen 6	1978	21		10,687			453	11,161	15	16	94.6					
Karburatorn 2	Kristianstad	Kristianstad	Rörvägen 2	-			5,004				5,004	6	6	100.0					
Eketånga 3:204	Halmstad	Halmstad	Jutaplatsen 3	1964			2,376				2,376	3	3	100.0					
Ran 20	Uddevalla	Uddevalla	Odengatan 3	1984			1,644				1,644	2	2	100.0					
Rovan 17	Kalmar	Kalmar	Drottning margaretas väg 25	1970			965				965	2	2	100.0					
Fyren 1	Växjö	Växjö	Ljungadalsgratan 17	1976	4,883	390					5,273	2	2	89.6					
Halla-stenbacken 1:102	Uddevalla	Uddevalla	Fossumsbergsvägen 1	1975			1,518				1,518	1	1	100.0					
Hyttberget 3	Falun	Falun	Yxhammargatan 5, nybrogatan 43	1984	1,203		3,304				4,507	3	3	92.3					
Torlunda 1:80	Eskestuna	Eskestuna	Torestavägen 4	2006			2,808				2,808	1	1	100.0					
Vaxkakan 2	Varberg	Varberg	Annebergsvägen 6	2006			2,550				2,550	1	1	100.0					
Brynäs 34:8	Gävle	Gävle	Atlasgatan 11	1982/2006	362		2,854			232	3,448	2	2	80.6					
Lerum 1:20	Karlstad	Karlstad	Edsvallavägen 1 a	2006			4,823				4,823	3	3	100.0					
Populations 25,000-50,000, Industrial/warehouse																			
Buten 1	Alingsås	Alingsås	Sävelundsgatan 2	1977/1993/1996	18,381						18,381	19	19	100.0					
Stenvreten 4:1	Enköping	Enköping	Garagevägen 1 - 13	1962/1970	45,551	703	445				46,699	25	25	97.3					
Hugin 8	Gislaved	Gislaved	Marielundsgatan 52	1975/1988			434				434			100.0					
Magneten 4	Motala	Motala	Dynamovägen 11	1990/1995	396						396			100.0					
Asken 17	Nyköping	Nyköping	Hantverksvägen 7a	1940/1972	1,870						1,870	1	1	100.0					
				/1992/1997/1998															
Ratten 18	Oskarshamn	Oskarshamn	Väderumsvägen 12	1988/1990	1,615						1,615	1	1	100.0					
				/2003															
Snickeriet 4	Oskarshamn	Oskarshamn	Förrådsgatan 6	1977/1982	5,439						5,439	2	2	100.0					
				/1998															
Snickeriet 14	Oskarshamn	Oskarshamn	Förrådsgatan 8	1982/1986	2,198						2,198	2	2	100.0					
				/2002/2006															
Mälaren 7	Mjölby	Skänninge	Borgmästaregatan	2009	15,000						15,000	8	8	100.0					
Ävdalen 1	Ängelholm	Ängelholm	Brandsvågsgatan 6	2000	9,268	2,333					11,601	8	8	98.8					
Tröskverket 12	Västervik	Västervik	Allén 80	1977			1,493				1,493	1	1	100.0					
HäradsvalLEN 1:133	Mjölby	Mantorp	Fallvägen 2	1965	1,425						1,425	1	1	100.0					
Klockaren 8	Ljungby	Ljungby	Bolmstadsvägen 2	1976	985						985	1	1	100.0					
Hyveln 2	Mjölby	Mjölby	Hällvedsgatan 8	1960	9,409						9,409	4	5	83.9					
Tängen 1	Nässjö	Annberg	Solbergavägen 20	-															
Borret 15	Eslöv	Eslöv	Trehäradsvägen 46	1957															
Åttersta 6:28	Sandviken	Åshammar	Bultvägen 20	1951	11,695						11,695	2	3	64.3					
Forssheda 5:119	Värnamo	Forssheda	Galvanövägen 2, 4	1988	8,485						8,485	2	2	100.0					
Slätvaren 1	Värnamo	Värnamo	Margaretelundsvägen 8	1999	10,348						10,348	3	3	100.0					
Stenfalken 1	Värnamo	Värnamo	Stenfalksvägen 1, 3	2002	12,889						12,889	8	8	100.0					
Öjebyn 119:1	Piteå	Öjebyn	Skyllvägen 1	1968	19,357	420					19,777	5	5	92.8					
Murången 2	Sandviken	Storvik	Hammarbyvägen 4	1976	9,553						9,553	4	4	99.9					
Motala björkelund 1	Motala	Motala	Linjegatan 14	1956/1964	29,659						29,659	6	6	100.0					
Kilsta 3:137	Karlskoga	Karlskoga	Kilsta norra industriväg 19	1965	5,862						5,862	2	3	97.5					
Bäckaskog 3	Skövde	Skövde	Bäckaskogsvägen 17	1971/1988							467	467		100.0					
Populations 25,000-50,000, Office																			

PROPERTY HOLDING

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area, sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %		
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other				Total area	
Mården 7	Hässleholm	Hässleholm	Första avenyn 14 a-d	1972/2001	131	4,212	1,356					441	6,140	7	8	90.4
Yrkeskolan 4	Härnösand	Härnösand	Gånsviksvägen 4	1982		2,797						303	3,100	1	2	54.1
Ribban 5	Nyköping	Nyköping	Brukslagarvägen 5, 7, 9	1965	26,278	5,014	3,993		3,000		1,659	39,944	21	27	77.8	
Torsvik 5	Härnösand	Härnösand	Järnvägsgatan 2	1992	260	8,229					114	8,603	3	3	86.9	
Magasinet 2	Härnösand	Härnösand	Magasingsgatan 5	1910/2003	55	858						913				40.8
Granåsen 3	Skövde	Skövde	Skåningstorp svägen 12	1989/1995							1,020	1,020				100.0
Byggmästaren 4	Vänersborg	Vänersborg	Regementsgatan 34	1984							1,254	320	1,574	1	1	54.8
Populations 25,000-50,000, Other																
Närby 1:72 m fl	Söderhamn	-	-	-												
Lärkan 24	Härnösand	Härnösand	Tullportsgatan 4 a-d	-	508	325	637					1,887	3,357	1	2	74.4
Gumsbacken 15	Nyköping	Nyköping	Gumsbackevägen 5 a-b, 7, 9, 11, 13, 15	1994												
Malmback 2:118,115	Nässjö	Malmback	Ågatan 7	-												
Populations 25,000-50,000, Retail																
Korvetten 1	Härnösand	Härnösand	Varvsgatan 16	1958	340		1,050					1,390			1	5.2
Högaffeln 6	Västervik	Västervik	Timmergatan 4	1972			2,300					2,300	1	1	100.0	
Generatorm 2	Motala	Motala	Turbinvägen 5	1989			2,000					2,000	1	1	100.0	
Mälaren 5	Mjölby	Skänninge	Borgmästaregatan 23	1981	52,198							52,198	20	20	100.0	
Lagmannen 6	Mjölby	Skänninge	Borgmästaregatan 13	1950			16,816					16,816	5	5	100.0	
Flickskolan 7	Hudiksvall	Hudiksvall	Storgatan 24	1970/2001	192	140	5,614			42		5,988	10	10	95.3	
Gumsbacken 12	Nyköping	Nyköping	Gumsbackevägen 5-9	1994			13,202					13,202	13	14	94.5	
Lövkojan 10	Katrineholm	Katrineholm	Köpmangatan 17, 19	1961	264	1,186	5,965			1,109		8,524	11	14	75.8	
Plommonet 12	Alingsås	Alingsås	Noltorps centrum 2, noltorps centrum 4	1978			2,102					2,102	2	2	100.0	
Storången 11	Skövde	Skövde	Norregårdsvägen 25	2006			2,285					2,285	1	1	100.0	
Populations less than 25,000, Industrial/warehouse																
Oxen 11	Kumla	Kumla	Västra drottninggatan 40	1968/1978 /1995	2,451							2,451	1	1	100.0	
Hjveln 4	Sölvesborg	Sölvesborg	Sliparevägen 3	1983		762						762				100.0
Bjuv 23:3	Bjuv	Bjuv	Billesholmsvägen 4	1961/1967-69		20,377						20,377	2	2	100.0	
Bulten 1	Åstorp	Åstorp	Jitegatan 2			4,650						4,650	1	3	28.0	
Plankan 1	Eksjö	Eksjö	Kapellvägen 4 a	1982/1986 /2002/2004			560					560				100.0
Hillerstorp 3:51	Gnosjö	Hillerstorp	Brogatan 24	1989/1998 /2000			765					765	1	1	100.0	
Hanåsa 15:62	Högsby	Högsby	Bruksvägen 48 b	1983		200						200				100.0
Backa 2:26	Hallsberg	Pålsboda	Kvarngatan 2	1968/1969 /1972/1973		7,565						7,565	2	2	100.0	
Limmared 26:2	Tranemo	Limmared	Vallgatan 4	1970/1988			1,149					1,149				100.0
Slakthuset 7	Tranås	Tranås	Verkstadsgränd 2	1953/1990			1,270					1,270				100.0
Regnbågen 4	Osby	Osby	Regnbågsvägen 12	1973/1976	21,970							21,970	8	8	100.0	
Snöflingan 3	Osby	Osby	Molnvägen 2	1976		14,277						14,277	5	5	100.0	
Baggen 2	Skara	Skara	Ångatorpsgatan 3	1971, 1991, 1971, 2000,		1,219						1,219	1	1	100.0	
Sandåker 1	Ulricehamn	Ulricehamn	Vistavägen 4	1971, 2000,		727						727	1	1	100.0	
Torslunda 4:27	Mörbylånga	Färjestaden	Järnvägsgränd 3	2004			2,198					2,198	2	2	100.0	
Alvesta 13:28	Alvesta	Alvesta	Ågårdsvägen 16	1973		9,745						9,745	4	4	100.0	
Svartå 1:157	Degerfors	Svartå	Industrivägen 11	1944		10,094						10,094	2	2	64.5	
Hallsta 3:7	Hallstahammar	Hallstahammar	Industrigatan 1, 6, 8	1955		48,439						48,439	13	13	100.0	
Armaturen 10	Kungsör	Kungsör	Granlidsvägen 3	1999		11,288						11,288	4	4	100.0	
Holle 116:116	Olofström	Olofström	Västra storgatan 2 b	1970		51,631						51,631	12	12	100.0	
Bälgen 9	Arboga	Arboga	Skandiagatan 3, 5, 7, 9, 11, 13	1992		18,983						18,983	15	16	97.9	
Kopparlagaren 1	Härjedalen	Sveg	Torvgatan 1	1976	3,328	135						3,463	1	1	86.2	
Populations less than 25,000, Office																
Orren 6	Sollefteå	Sollefteå	Kungsgatan 10	1967	81	2,697	348				1,277	4,403	3	4	80.4	
Lekatten 8	Nordmaling	Nordmaling	Affärsvägen 3 a-e	1991	120		307				712	1,139	1	1	27.1	
Norrberge 1:74,	Timrå	Sörberge	Sundsvall-härnösands flygplats	1992		725						725	1	1	85.8	
Norrberge 1:74	Timrå	Sörberge	Sundsvalls-härnösand flygplats sörberge	1992		1,237				2,023	3,260	2	3	75.4		
Sköllersta-kärr 1:34	Hallsberg	Pålsboda	Köpmangatan 3	1978	230	635						865				62.6
Torp 1:21	Karlsborg	Mölltorp	Prästgatan 20	2005							554	554	1	1	100.0	
Solen 1	Mariestad	Mariestad	Stockholmsvägen 132	2005							723	723	1	1	100.0	
Populations less than 25,000, Other																
Färgaren 8	Sollefteå	Sollefteå	Strömgatan 3	1900												
Tranemo 1:29	Tranemo	Tranemo	Kvarngatan	-												
Mejeriet 17	Filipstad	Filipstad	Tingshusgatan 10 b	-												
Mejeriet 18	Filipstad	Filipstad	Tingshusgatan 10 a	-												
Populations less than 25,000, Retail																
Midgård 12	Köping	Köping	Glasgatan 1	1965		807	2,714					3,521	5	6	90.8	
Eidsboda 1:121	Hallstahammar	Hallstahammar	Hammartorget 3	1986			2,061					2,061	2	2	99.8	
Henån 1:303	Orust	Henån	Hammartorget 1-5	1986			2,316					2,316	3	3	100.0	
Markententaren 1	Fagersta	Fagersta	Köpmangatan 2	1988			1,351					1,351	1	1	99.4	
Torsås 1:25	Torsås	Torsås	Allfargatan 9	1983			1,498					1,498	2	2	100.0	
Gripen 1	Arboga	Arboga	Flygvägen 2	1986			4,172					4,172	3	3	100.0	

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, %	
					Industr./warehouse	Offices	Retail	Retirement home	School	Care	Other				Total area
Stockholm region															
Populations over 100,000, Industrial/warehouse															
Elementet 3	Sollentuna	Sollentuna	Bäckvägen 20	1963/1989	1,986	722						2,708	2	2	85.5
Elektronen 1	Sollentuna	Sollentuna	Hovslagarevägen 5	1957/1987	2,112	261						2,373	2	2	95.9
Elektronen 4	Sollentuna	Sollentuna	Hovslagarevägen 3 a	1958/1992	2,892	855						3,747	3	4	75.9
Segersby 1	Botkyrka	Norsborg	Kumla gårdsväg 10	1976	11,694	325						12,019	10	10	100.0
Populations over 100,000, Office															
Ritmallen 2	Sollentuna	Sollentuna	Kung hans väg 8	1980	2,512	4,270				356	7,138	3	7	41.7	
Ringgården 5	Sollentuna	Sollentuna	Bergkällavägen 34	1988	44	4,025					4,069	4	5	99.0	
Rosteriet 5	Stockholm	Stockholm	Lövholmsvägen 9	1956		3,270					3,270	5	5	100.0	
Populations over 100,000, Retail															
Slipstenen 1	Huddinge	Skogås	Fräsarvägen 19	2006			2,808				2,808	3	3	100.0	
Gothenburg region															
Populations 50,000-100,000, Industrial/warehouse															
Varla 2:390	Kungsbacka	Kungsbacka	Energigatan 19	1992	3,559	1,123					4,682	4	4	93.6	
Öresund region															
Populations over 100,000, Industrial/warehouse															
Revolversvarven 10	Malmö	Malmö	Jägershillsgatan 14	1988	3,600						3,600	2	3	72.9	
Populations over 100,000, Office															
Revolversvarven 12	Malmö	Malmö	Jägershillsgatan 18	1987		9,974					9,974	13	13	99.8	
Populations over 100,000, Other															
Krukskärvan 6	Malmö	Malmö	Flintyxegatan 6	1986											
Other cities															
Populations over 100,000, Industrial/warehouse															
Galjonen 1	Linköping	Linköping	Gillbergsgatan 30	1985	590						590	1	1	100.0	
Fasternes	Bielsko-biala	Bielsko-biala	Wyzwolenia 105 str	1962	20,633						20,633	6	6	100.0	
Metal structures	Bielsko-biala	Bielsko-biala	Wyzwolenia 84 str	1985	22,943						22,943	8	8	100.0	
Populations over 100,000, Office															
Spolaren 4	Norrköping	Norrköping	Linnégatan 28	1962	3,900	3,214			7	7,121	3	5	59.3		
Populations over 100,000, Retail															
Himna 11:226	Linköping	Linghem	Himnavägen 153, himnavägen 155	1976			1,083		823		1,906	3	3	100.0	
Laken 3	Linköping	Linköping	Söderleden 33-37	1963/1988		119	2,468		2,066	536	5,189	6	6	96.2	
Populations over 100,000, Other															
Del av Isolatorm	Västerås	Västerås	Gideonsbergsgatan	-		2,337					2,337				
Populations 25,000-50,000, Industrial/warehouse															
Säversta 8:28	Bolnäs	Bolnäs	Anneforsvägen 11	1979	5,875						5,875	4	4	100.0	
Populations 25,000-50,000, School															
Akvilejan 4	Härnösand	Härnösand	Brännvägen 29	1972/1991/2002				1,339			1,339	1	1	100.0	
Bondsjö 2:312	Härnösand	Härnösand	Slättervägen 3	1954/1966/1975				2,807			2,807	3	3	100.0	
Bondsjö 2:338	Härnösand	Härnösand	Daghemsvägen 2	1976/1979/1985				653		653	1	1	100.0		
Brunne 12:18, Eleven 1	Härnösand	Brunne	Brunne 431, brunne 135	1989				2,906			2,906	3	3	100.0	
Fastlandet 2:84	Härnösand	Härnösand	Gymnastikgatan 4	1966/1971				3,671			3,671	4	4	100.0	
	Härnösand	Härnösand	Hospitalsgatan 12	1953/1970/1980/1988/2006	23	8,029	1,379	1,563	673	585	12,252	10	11	94.7	
Fastlandet 2:90	Härnösand	Härnösand	Murborgsvägen 1	1947/1968				1,575			1,575	1	1	100.0	
Folkskolan 3	Härnösand	Härnösand	Brunnshusgatan 4	1912/2001		5,971					5,971	7	7	100.0	
Geresta 1	Härnösand	Härnösand	Rosenbäcksgatan 39	1998/2007				10,392			10,392	10	10	100.0	
Hopparen 1	Härnösand	Härnösand	Murborgsvägen 25	1950/1974/1979				884			884	1	1	100.0	
Hörnan 2	Härnösand	Härnösand	Sehlstedtsvägen 1	1985/1991				753			753	1	1	100.0	
Inspektorn 11	Härnösand	Härnösand	Brunnshusgatan 18	1882/1903				23,819	268		24,087	14	17	84.8	
Läraren 1	Härnösand	Härnösand	Kastellgatan 35	1955/1979				3,953			3,953	3	3	100.0	
Orren 12	Härnösand	Härnösand	Institutgatan 16 b	1980/1990/1991				238			238			100.0	
Oxen 1	Härnösand	Härnösand	Sköldgatan 1	1968/1988/2005				805			805			100.0	
Prylen 1	Härnösand	Härnösand	Skolgränd 2	1968/1983/2003				829			829			100.0	
Skolan 1	Härnösand	Härnösand	Norra ringvägen 23	1947/1966/1968			822	5,407	725	477	7,431	2	5	40.5	
Solen 15	Härnösand	Härnösand	Södra vägen 22	1892/1979				10,869			10,869	8	8	100.0	
Stenhammar 1:223	Härnösand	Härnösand	Tjärdvägen 114	1994				1,139			1,139	1	1	100.0	
Stenhammar 1:224	Härnösand	Härnösand	Kontrastvägen 171	1981/1982				242			242			100.0	
Vangsta 1:102	Härnösand	Härnösand	Trumpetgatan 50	1976/1980/1993				830			830	1	1	100.0	
Västansjö 1:41	Härnösand	Hälledal	Folketshusv. 7	1963/1964/1990				327			327			100.0	
Västansjö 1:86	Härnösand	Hälledal	Folketshusvägen 9	1971/1974				3,742			3,742	3	3	100.0	
Åland 22:1	Härnösand	Ålandsbro	Åland 650	1989/1991				4,093			4,093	3	3	100.0	
Ön 2:63	Härnösand	Härnösand	Rosenbäcksgatan 15	1963	135	789		3,242	1,124		5,290	3	4	88.9	
Populations 25,000-50,000, Care															
Bofinken 8	Härnösand	Härnösand	Gådeåvägen 11	1980					495		495			100.0	
Häcken 13	Härnösand	Härnösand	Källvägen 10	1996					787		787	1	1	100.0	
Kattastrand 3:2	Härnösand	Härnösand	Solumsvägen 6	1960/1983					355		355			98.2	
Rådhuset 6	Härnösand	Härnösand	Norra kyrkogatan 3	1959/1970		2,821					2,821	2	2	100.0	
Sågen 10	Härnösand	Härnösand	Kiöringsgatan 20	1955/1998					755		755	1	1	100.0	
Torget 1	Härnösand	Härnösand	Stora torget 2	1863/1984						798	798	1	1	100.0	
Tunnbindaren 4	Härnösand	Härnösand	Storgatan 9	1971						4,075	4,075	3	3	100.0	
Venus 7	Härnösand	Härnösand	Lönegrensgratan 2 & 8	1950/1989/1991					1,231	824	2,055	2	2	98.8	
Vinstocken 2	Härnösand	Härnösand	Norra kyrkogatan 2	1955/1983/2000		2,904					2,904	2	2	100.0	
Populations 25,000-50,000, Retirement home															
Brunne 12:21	Härnösand	Brunne	Brunne 157	1993					2,923		2,923	3	3	100.0	
Högsjö-dal 2:90	Härnösand	Hälledal	Hälledalsvägen 53	1948					3,510		3,510	2	2	100.0	
Sländan 12	Härnösand	Härnösand	Brännvägen 67	1970/1981/1985				5,634			5,634	4	4	100.0	
Åland 1:91	Härnösand	Ålandsbro	Nämndemansvägen 4a	1969				2,219		546	2,765	3	4	91.4	
Ön 2:58	Härnösand	Härnösand	Volontärvägen 39	1992					5,727		5,727	7	7	100.0	

PURCHASED PROPERTIES

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area, sq.m.							Rental- value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other				Total area
Stockholm region															
Populations over 100,000, Office															
Idrotten 7	Malmö	Malmö	Palmgatan 28	-						1,240	1,240			100.0	
Other cities															
Populations over 100,000, Office															
Oxelbergen 1:2	Norrköping	Norrköping	Odalgatan 19	1976, 1999, 2000	1,928	18,506	45	3,420	1,025	1,231	26,155	17	22	77.3	
Taktpinnen 1	Norrköping	Norrköping	Folkborgsvägen 1	1975	102	16,932		671			17,705	19	23	86.0	
Populations 50,000-100,000, Office															
Osdal 3:2	Borås	Borås	Lagercrantz plats 9a	-	530	10,724		5,149		2,097	18,500	18	20	88.7	
Visborg 1:15	Gotland	Visby	Visborgsallen 2-49	-		17,905				4	17,909	32	32	100.0	
Karlslund 5:2	Östersund	Östersund	Fyrvallavägen 1-4	-	4,621	32,870		10,338		8,403	56,232	55	58	96.1	
Osdal 3:7	Borås	Borås	Pickesjövägen 1-5	2005-2006						1,849	1,849	4	4	100.0	
Populations 25,000-50,000, Office															
Byggmästaren 4	Vänersborg	Vänersborg	Regementsgatan 34	1984						1,254	320	1,574	1	1	54.8
Granåsen 3	Skövde	Skövde	Skåningstorpsvägen 12	1989/1995						1,020		1,020			100.0
Torp 1:21	Karlsborg	Mölltorp	Prästgatan 20	2005						554	554	1	1	100.0	
Solen 1	Mariestad	Mariestad	Stockholmsvägen 132	2005						723	723	1	1	100.0	

Invitation to Annual General Meeting

The Annual General Meeting of Kungsleden AB (publ) will be held on 18 April 2013 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 12 April, and second, notify their intended participation by no later than 4 p.m. on 12 April 2013, 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
 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 12 April 2013, 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 of Directors proposes a dividend of SEK 1.00 per share. This marks a change from the previously stated intention in October, of not proposing a dividend. The Board of Directors judges that good profits justify a dividend, but that uncertainty surrounding tax proceedings still justifies caution, even if financial strength has increased significantly after the sale of Hemsö.

Contacts

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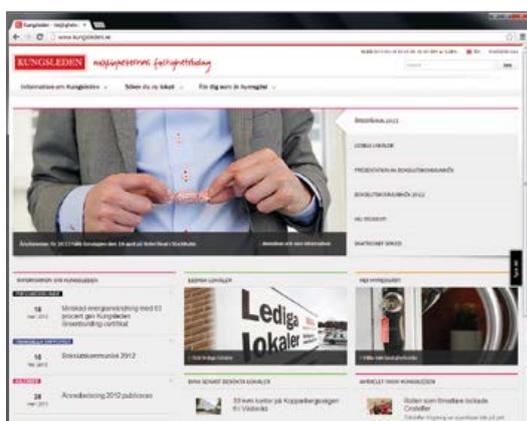
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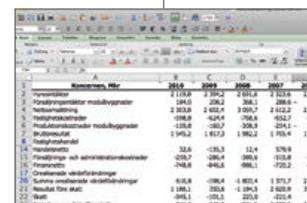
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