



1 January – 31 December 2008

- Net sales increased by 11 per cent to SEK 2,897 (2,612) m and gross profit increased by 15 per cent to SEK 1,967 m (1,705).
- Kungsliden posted a loss before tax of SEK –1,185 (2,621) m of which value changes were SEK –1,803 m (1,372). The net loss was SEK –962 (2,400) m in the year, equivalent to SEK –7.00 (17.60) per share.
- As of 31 December 2008, the property holding comprised 603 (575) properties with a book value of SEK 28,576 (25,737) m.
- In 2008, 54 (213) properties were acquired for SEK 3,408 (9,625) m; 28 (222) properties were also divested for SEK 1,313 (9,475) m, generating a profit of SEK 12 (580) m. These divestments affected profit for calculating dividends by SEK 268 (1,465) m.
- Profit for calculating dividends for 2008 was SEK 840 (2,019) m, equivalent to SEK 6.20 (14.80) per share.
- The Board of Directors is proposing a dividend of SEK 1.50 (8.00) per share.
- Kungsliden entered an agreement with Sweden's Third AP (Pension Insurance) Fund regarding the sale of 50 per cent of the ownership of 282 public properties, corresponding to a value of SEK 15.4 bn. This transaction is consistent with book value, and expected to affect profit for calculating dividends by SEK 800 m for 2009. It is scheduled for completion in the first quarter of 2009.

FOURTH QUARTER (OCTOBER–DECEMBER)

- Net sales increased by 6 per cent to SEK 722 (681) m.
- The loss before tax was SEK –1,462 (1,070) m. The net loss was SEK –1,311 (1,237) m, equivalent to SEK –9.60 (9.10) per share.

CHIEF EXECUTIVE'S STATEMENT

Major turbulence characterised the financial markets last year, particularly in the latter half-year. The number of property transactions reduced, while the rental market was largely unaffected. For Kungsliden's part, ongoing management progressed well, with net sales rising by 11 per cent and gross profit growing by 15 per cent. The year's indexations, combined with continued low vacancies and stable cash flows, mean we perceive a fundamental security for management profits in 2009.

Value changes were SEK –1,803 m of which SEK –213 m in the property portfolio. Our internal valuation process is based on the cash flow each property generates. Rent levels, a property's location and condition, and its potential for alternative usage, are also factored into our calculations. All property divestments last year were at levels above or around book value, which corroborates our valuations. The external valuations also support book value.

The value change of SEK –1,590 m on financial instruments is due to parts of our loan portfolio being hedged in the quarter. Late in the quarter, market interest rates dropped sharply, so negative value arose in our credit portfolio.

Adapting to the market and diversifying risk

We integrated our German operation into the Public Properties division in the year. The combination of turbulence on the financial markets and a perception of better opportunities in Sweden contributed to the closure of our Munich office, and Kungsliden exiting some projects. Our modular operations posted record profits, despite a sharp demand slowdown for work units in the second half-year. Measures have been taken to adapt production capacity. However, modular lettings to municipalities are still making positive progress.

In the year we acquired a total value of public properties of SEK 2.2 bn, from counterparties including the City of Västerås (west of Stockholm) and GE Real Estate. Progress in our public portfolio remains stable with development projects coming on stream in 2009–2010, and thus starting to contribute to our operating net. In the commercial portfolio, we continue to reflect our public portfolio, with long-term contracts and stable counterparties. Our average rental contract is now at six years in the commercial portfolio and seven years in the public portfolio. We have also



Thomas Erséus
Chief Executive

been addressing customer care and customer satisfaction proactively.

Of sales and administration costs of SEK 375 m, Germany and Nordic Modular represent SEK 120 m. The high transaction volume in late 2007 and transactions in late 2008 also contributed to the cost increase. If transaction volumes contract in 2009, this would also contribute to administration costs reducing.

Late in the year, we signed an agreement to divest 50 per cent of the ownership of Public Properties to the Third AP Fund. This transaction creates a positive liquidity effect of SEK 2.3 bn for Kungsliden, and will increase profit for calculating dividends in 2009 by SEK 800 m. Our collaboration with the Third AP Fund strengthens our balance sheet and frees capacity for continued business development. The transaction is conditional on retained funding and approval from the competition authorities. Because this transaction has not been definitively completed, we intend to issue a forecast for year-2009 profit for calculating dividends at a later date. We still anticipate this transaction being completed in the first quarter.

KUNGSLEDEN'S BUSINESS MODEL

Kungsliden is a listed Swedish property company that views a property's returns as more important than its type and geographical location. The business model focuses on continually enhancing the composition and quality of its property portfolio, with the objective of improving portfolio risk-adjusted returns. In practice, this involves multiple property transactions.

EARNINGS CAPACITY

The high transaction rate in Kungsliden's operations means that its Income Statement does not offer the best impression of the group's future earnings capacity. Earnings capacity indicates the situation as if the property holding as of 31 December 2008 had been held for the previous 12 months, and thus offers a more accurate reflection of the property holding and its earnings capacity.

Property trading in the year exerted a positive impact on earnings capacity. In terms of sales price, divested properties' property yields were 5.2 per cent, while the estimated property yield of acquired properties was 7.1 per cent. At the end of 2008, the average property yield was 6.5 (6.4) per cent in earnings capacity.

Transactions in the year, and progress of the existing holding, resulted in the operating net increasing by 13 per cent from SEK 1,653 m to SEK 1,867 m.

KUNGSLEDEN'S RESULTS FOR JANUARY – DECEMBER

The net loss for the year was SEK –962 (2,400) m. The lower figure is mainly due to lower unrealised value changes on properties and financial instruments.

According to the Income Statement for 2008, the property yield was 7.0 (6.8) per cent. Net sales in 2008 were SEK 2,897 (2,612) m, an 11 per cent increase.

Revenues were divided between rental revenues of SEK 2,529 (2,324) m and sales revenues from modular buildings of SEK 368 (289) m.

Gross profit increased by 15 per cent, more than our revenues, to SEK 1,967 (1,705) m, due to a larger property holding, which was simultaneously enhanced to include more high-yielding properties.

Property trading generated a SEK 12 (580) m profit, which includes realised value changes of SEK 256 (885) m.

Sales and administration costs increased to SEK –374 (–316) m. The increase is attributable to the new operations Nordic Modular and Germany.

The net financial position was SEK 266 m lower at SEK –986 (–720) m, explained by a higher volume of borrowings after Kungsliden's net property purchases and funding major transfers of capital to shareholders through dividends and share redemptions over the past year, as well as higher interest rates in 2008 compared to 2007.

Value changes on properties and financial instruments in the year amounted to SEK –213 (1,305) m and SEK –1,590 (66) m respectively. The negative value change on properties is a net of new value appraisals and investments completed, and just under 1 per cent of book value. The fact that the earnings capacity of properties increased by 0.1 percentage points should also be noted, corresponding to a value change of 2 per cent. Combined with indexations of rent for 2009, this results in a total value change of –6 per cent. The value change is mainly attributable to commercial properties. The valuation of financial instruments was negatively affected by a sharp fall in interest rates. For more information, see 'Funding' on page 5.

Tax on net profit was SEK 223 (–222) m. This item has changed to a revenue from a cost in the previous year mainly because of lower profit before tax.

Profit for calculating dividends for 2008 was SEK 840 (2,019) m.

THE PROPERTY HOLDING

As of 31 December 2008, the holding comprised 603 (575) properties with floor-space of 3,185,000 (3,052,000) sq.m. and book value of SEK 28,576 (25,737) m.

Kungsliden values its properties on an internal valuation model, which is an integrated part of its business process, where every property has a business plan. A

Earnings capacity

	31 Dec 2008	31 Dec 2007
No. of properties	603	575
Lettable floor-space, '000 sq.m.	3,185	3,052
Book value, Properties, SEK m	28,576	25,737
Rental value, SEK m	2,902	2,509
Rental revenues, SEK m	2,736	2,366
Operating net, SEK m	1,867	1,653
Economic occupancy, %	95.0	94.4
Property yield, %	6.5	6.4
Operating surplus margin, %	68.2	69.9

Profit for calculating dividends

SEK m	2008	2007
Gross profit	1,967	1,705
Sales and administration costs	–374	–316
Net financial position	–986	–720
Sub-total	607	669
<i>Property divestments</i>		
Trading net, divestments	12	580
Realised value changes	256	885
Sub-total	268	1,465
Tax paid and other non-cash items	–35	–115
Profit for calculating dividends*	840	2,019

* Profit for calculating dividends corresponds to the cash flow statement item cash flow from operating activities.

Progress of the property holding

SEK m	2008	2007
Properties at beginning of period	25,737	23,106
Acquisitions	3,408	9,625
Investments	774	596
Divestments	–1,301	–8,895
Exchange rate fluctuation	171	0
Value changes	–213	1,305
Properties at end of period	28,576	25,737

Property values

Mkr	Commercial properties	Public properties	Valued properties	Not valued ¹	Total book value
Book value	10,381	15,471	25,852	2,724	28,576
External valuation	11,296	15,020	26,316		

¹ SEK 1,426 m of un-valued properties are modular buildings, SEK 1,257 m are retirement homes in Germany and SEK 41 m are commercial properties.

combination of present value calculations with a five-year forecast period plus subsequent residual value and reconciliation of location pricing, form the basis of the internal valuation. Factors considered include rent levels, vacancies, operation and maintenance costs, property age, status and usage. Basically all Swedish properties were valued by external valuers as of 31 December 2008. External valuations of commercial properties are 9 per cent above book value, while the external valuations of public properties are 3 per cent lower. However, the transaction with the Third AP Fund is consistent with book value excluding deductions for deferred tax.

Of book value, 54 (50) per cent relates to public properties in Sweden, 37 (41) per cent to commercial properties, 4 (4) per cent to retirement homes in Germany and 5 (5) per cent to modular buildings.

Of property book values, 42 per cent were located in the three major city regions of Greater Stockholm, Greater Gothenburg and the Öresund region. The properties were located in 132 municipalities, of which 52 per cent of book value was located in municipalities with populations of less than 100,000.

The property holding in Germany amounts to SEK 1,257 (933) m of total book value. Additionally, Kungsliden signed agreements to acquire five retirement homes in Germany for a total of SEK 562 (937) m. Kungsliden will primarily take possession of properties under construction in 2009. Four previously contracted construction projects worth SEK 270 m have been delayed, and Kungsliden has chosen not

to complete them. Property management in Germany differs from Sweden, with for example, tenants basically bearing all ongoing costs apart from tax and insurance, subject to what are termed triple net agreements. Accordingly, the operating surplus margin in the German operations is higher than in the Swedish.

Investments in existing properties amounted to SEK 774 (644) m in 2008.

PROPERTY TRADING

After two years of extremely high transaction volumes, the property market has moved to a significantly lower and more normalized level. For Kungsliden, this resulted in fewer divestments in 2008.

In the year, 54 properties with floor-space of 327,000 sq.m. were acquired for a value of SEK 3,408 m. Of these acquisitions, 21 were of the Industrial/warehouse type, 5 were Offices, 3 were Retail, 6 were Schools, 6 were Care and 13 were Retirement Homes. Acquisitions were effected at an estimated property yield of 7.1 per cent.

In the year, 28 properties with floor-space of 198,000 sq.m. were divested for SEK 1,313 m. The book value of the divested properties was SEK 1,301 m and the acquisition value was SEK 1,045 m. Of the divestments, 13 were Industrial/warehouse properties, 8 were Offices, 2 were Retail, 2 were Schools, 1 was a Care property and 2 were of the 'Other' type. The divestments were effected at a property yield of 5.2 per cent.

In December, Kungsliden signed an agreement with the Third AP Fund to sell 50 per cent of the shares of Hemsö Fas-

tighets AB, which owns Kungsliden's public property holdings. A joint venture for the continued development of the public property segment will be created through this transaction. The deal is being conducted at a property value corresponding to SEK 15.4 bn including deductions for deferred tax, which is consistent with book value. The sales price exceeds acquisition value excluding transaction costs by SEK 2.1 bn and affects profit for calculating dividends for 2009 by approximately SEK 800 m. The transaction is conditional on retained funding and approval from the Swedish Competition Authority, and is scheduled for completion in the first quarter of 2009.

The part sale of public properties to the Third AP Fund consolidates Kungsliden as a dynamic and expansive property company. This collaboration with a strategic partner enables us to further exploit the growth potential in the public segment. The transaction simultaneously reveals values and provides a strong balance sheet, while freeing liquidity for continued business development for the public segment and commercial properties. The deal is estimated to exert a liquidity impact of SEK 2.3 bn and increase the equity ratio by 9 percentage points.

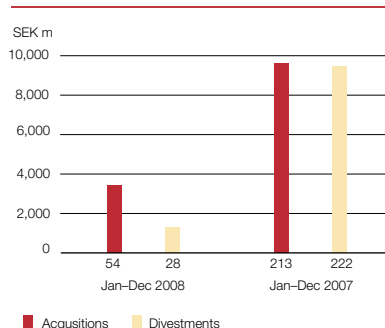
MODULAR BUILDINGS

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

Properties in Germany

SEK m	Possession taken (14)	Possession not taken (5)	Total (19)
Possession taken by December 2008	1,257		1,257
Possession taken to 2009 inclusive		562	562
Total	1,257	562	1,819

Property trading



As of 31 December, modular buildings had total floor-space of approximately 223,000 (210,000) sq.m. and book value of SEK 1,426 (1,306) m.

In 2008, rental revenues from modular buildings were SEK 255 m (221 pro forma January–December 2007) with gross profits of SEK 234 m (198 pro forma).

The direct costs of modular lettings are significantly lower than those on static foundations. However, over time, the value impairment due to use is greater on modules in letting operations. Estimated useful lives are 15–20 years if buildings are relocated three times. After standard depreciation, property yield is 8.1 per cent.

Sales of modules including changes in stock were SEK 368 m (306 pro forma) with gross profit of SEK 59 m (36 pro forma).

FUNDING

Kungsleden's funding portfolio is based on agreements with banks and a syndicated credit facility. Loan agreements are usually signed with 5–7 year terms, which can be considered customary in the Swedish market for property credits. In its agreements, Kungsleden endeavours to secure short interest fixings, to secure the greatest possible flexibility, and so it can manage interest risk at an overall group level. The desired risk level of interest fixing structures is achieved using instruments called interest swaps or caps. Currency swaps are used exclusively to hedge foreign borrowings.

The funding portfolio totalled a nominal SEK 20,743 m at the end of the year, and including the market values of finan-

cial instruments, was SEK 22,288 (21,067) m. Un-utilised credit facilities were SEK 1,750 (400) m.

The average interest on Kungsleden's funding portfolio was 4.5 per cent as of 31 December, against 4.8 per cent as of 1 January. As of 31 December, the average interest fixing period was 2.7 years, against 1.4 years as of 1 January.

Interest rates fluctuated in the year. At the beginning of October, 3-month STIBOR was just over 5.5 per cent. The Riksbank's 0.5 per cent easing on 8 October did not prevent 3-month STIBOR continuing to a peak of 5.6 per cent. In light of rising interest rates, Kungsleden opted to hedge SEK 5,000 m of the short portion at interest of just under 4 per cent in 2009. In October, Kungsleden also fixed some SEK 1,000 m of maturities between 4 and 8 years. In 2008, Kungsleden also entered closable swaps with a positive impact on cash flow and average interest in 2008. The hedged interest in 2009 and closable swaps means that Kungsleden's interest costs would not be affected if short interest rates drop significantly.

The sharp fall in interest rates late in 2008 resulted in negative valuations of Kungsleden's derivatives portfolio, which increased non interest-bearing liabilities by SEK 1,545 m at year-end.

Loans and overdraft facilities of SEK 1,817 m mature in 2009, corresponding to 8 per cent of Kungsleden's complete funding portfolio. After the end of the fourth quarter, Kungsleden received tenders on some SEK 1,200 m of these loans from credit issuers which together with

un-utilised credits, secure the company's funding.

SHAREHOLDERS' EQUITY

Shareholders' equity was SEK 7,065 (9,040) m at year-end or SEK 52 (66) per share, equivalent to an equity ratio of 23 (28) per cent.

FOURTH QUARTER (OCTOBER – DECEMBER)

Net sales were SEK 722 (681) m divided between rental revenues of SEK 626 (616) m and sales revenues of SEK 96 (64) m from modular buildings. The loss before tax was SEK –1,462 (1,070) m and the net loss was SEK –1,311 (1,237) m. The sharp fall in interest rates led to a SEK 1,478 million devaluation of our interest rate derivatives.

Excluding value changes, profit before tax was lower than in the preceding quarter, July – September. The background mainly lies in seasonality of property costs and a lower trading net from property divestments.

In the fourth quarter, 8 properties with floor-space of 34,000 sq.m. were acquired for a value of SEK 351 m. Divestments of 13 properties with floor-space of 53,000 sq.m. were conducted. Total sales revenues were SEK 446 m, implying a trading net of SEK –38 m, and additional realised value changes in the holding term of SEK 196 m.

ORGANISATION AND HUMAN RESOURCES

The operation in Germany, comprising retirement homes exclusively, was previously an independent division, but has now been integrated into the Public Properties division.

Interest fixing period

As of 31 December 2008 Maturity	Nom. amt., SEK m	Prop., %	Ave. Int., %
2009	10,675	51.5	4.4
2010	1,300	6.3	5.5
2011	1,200	5.8	4.8
2012	1,068	5.1	4.0
2013	1,700	8.2	4.5
2014	1,300	6.3	4.4
2015	1,600	7.7	4.3
2016	600	2.9	4.4
2017	300	1.4	4.5
2018	1,000	4.8	4.5
Total, loans	20,743	100.0	4.5
Fair values of loans and derivatives	1,545		
Total	22,288		

Credit maturity structure (inclusive un-utilised credit facilities)

As of 31 December 2008 Maturity	Credit, SEK m	Share, %	Ave. conversion time, years
2009	1,962	8.7	
2010	1,211	5.4	
2011	2,263	10.1	
2012	13,073	58.1	
2013	3,270	14.5	
2014			
2015			
2016			
2017			
2018	714	3.2	
Total credit	22,493	100.0	3.5
Un-utilised credit	–1,750		
Total utilised credit	20,743		

Sensitivity analysis, interest rate changes

As of 31 December 2008, SEK m	Effect on net financial position (12 mth.)
Average interest of the loan portfolio changes, +/- 1% point	207
Short market rate (<6 mth.) changes, +/- 1% point	–27

The average number of employees was 407 (356) in 2008; 281 (233) worked in Nordic Modular, 203 (164) of them on producing modules. Redundancy notices were issued to approximately 100 staff in modular production in the autumn due to a lower order intake.

Kungsliden has had a staff stock option plan since 2007 (see the Annual Report for 2007 and the company's website). The Annual General Meeting (AGM) 2008 resolved on a corresponding plan for granting based on objectives and profits for 2008. A third plan will be considered at the AGM 2009, as stated in the forthcoming notice convening the AGM.

PARENT COMPANY*

The parent company generated a net profit of SEK 120 (2,719) m in the year; its sales were SEK 0 (0) m. Assets at the end of the year, mainly consisting of shares in subsidiaries, were SEK 7,909 (6,782) m. Funding was mainly through shareholders' equity, which was SEK 4,051 (4,894) m at the end of the year, implying an equity ratio of 48 (64) per cent.

THE SHARE AND SHAREHOLDERS

The closing price on 31 December 2008 was SEK 54. Accordingly, compared to the year-end 2007 closing price of SEK 72, the share fell by 25 per cent. The Carnegie Real Estate Index fell by 27 per cent in the same period. As of 31 December, Kungsliden had around 25,700 shareholders, an increase of 7 per cent on the previous year-end.

At the end of the period, there were 136,502,064 shares, the same as on 1 January.

RISKS AND UNCERTAINTY FACTORS

Kungsliden's operations, profit 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.

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

The Balance Sheet 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 progressively through the year based on a series of judgments and estimates of future cash flows and required rates of return in a transaction. The methodology of internal valuations is reviewed on pages 14 and 47 of the Annual Report for 2007.

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of Kungsliden's finance policy. More information on managing financial risks is stated in 'Funding' on page 3 and on pages 25–26 of the Annual Report for 2007.

A more detailed review of Kungsliden's risks and uncertainty factors is provided on page 48 of the Annual Report for 2007.

The parent company's profit and financial position is significantly affected by group companies' situations, and accordingly, the above review also applies to the parent company.

PROPOSED DIVIDENDS

In light of the great uncertainty in the financial markets and in the real economy, the Board of Directors believes that it is appropriate to divert from Kungsliden's dividend policy.

The Board of Directors of Kungsliden AB is proposing to the AGM that dividends of SEK 1.50 per share are paid to shareholders. The proposed record date for dividends is 27 April 2009.

FORECAST FOR 2009

The Board of Directors intends to provide a forecast for profit for calculating dividends for 2009 at a later date. This is scheduled for the first quarter 2009.

Profit for calculating dividends corresponds to the cash flow statement item cash flow from operating activities.

ACCOUNTING PRINCIPLES

Kungsliden observes IFRS (International Financial Reporting Standards) as endorsed by the EU, and their IFRIC interpretations. This Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The new statement on IFRS 2, Share-based Payment, IFRIC 11, has been adopted without significant effect on profit and financial position. Otherwise, the accounting principles and calculation methods are identical to the Annual Report for the financial year 2007.

THE ANNUAL GENERAL MEETING AND FORTHCOMING REPORTS

The Annual General Meeting will be held at 2:00 p.m. on 22 April 2009 at Hotel Rival, Mariatorget 3, Stockholm, Sweden.

The Annual Report for 2008 will be available on our website and can be ordered from our head office as of the week ending 5 April.

Interim Report, Jan–Mar, 24 April 2009

Interim Report, Jan–Jun, 19 August 2009

Interim Report, Jan–Sep, 22 October 2009.

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* In its Annual Report, the parent company may adjust the value of holdings in subsidiaries without affecting the group.

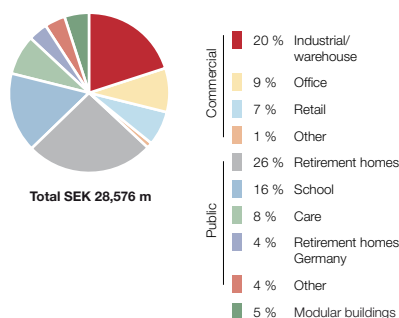
Shareholders

As of 31 December 2008	No. of shares	% of vote and capital
Andra AP-fonden	7,905,415	5.8
Swedbank Robur fonder	6,767,072	5.0
Florén Olle and companies	3,000,800	2.2
SHB/SPP fonder	2,895,209	2.1
Nordea fonder	2,208,035	1.6
SEB fonder	1,427,712	1.0
Kåpan Pensioner	1,080,000	0.8
Avanza Pension Försäkring AB	1,021,823	0.7
Crafoordska stiftelsen	963,000	0.7
Länsförsäkringar fonder	936,033	0.7
Total, ten largest shareholders	28,205,099	20.7
Board and management	422,390	0.3
Foreign shareholders, other	32,605,771	23.9
Other shareholders	75,268,804	55.1
Total	136,502,064	100.0

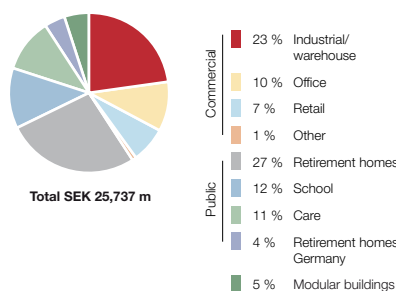
The property holding and earnings capacity

KUNGSLEDEN'S PROPERTY TYPES

Book value as 31 December 2008

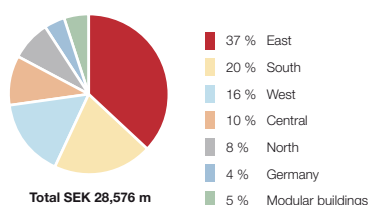


Book value as 31 December 2007

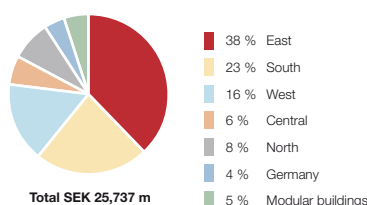


KUNGSLEDEN'S GEOGRAPHICAL PRESENCE

Book value as 31 December 2008

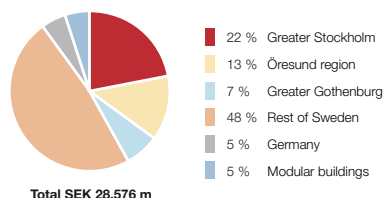


Book value as 31 December 2007

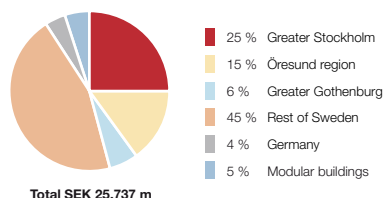


GEOGRAPHICAL PROFILE

Book value as 31 December 2008



Book value as 31 December 2007



The property holding and earnings capacity* as of 31 December 2008 in summary

Category	Commercial Properties				Public Properties				Nordic Modular		Total
	Industrial/warehouse	Office	Retail	Other	Retirement homes	School	Care	Retirement Homes Germany	Other	Modular Buildings	
No. of properties	137	89	65	16	112	85	75	14	10	0	603
Lettable floor-space, '000 sq.m.	977	317	256	28	517	453	266	66	81	224	3,185
Book value, SEK m	5,706	2,530	1,872	314	7,532	4,565	2,339	1,257	1,035	1,426	28,576
Rental value, SEK m	564	313	199	26	596	461	264	96	98	285	2,092
Rental revenues, SEK m	536	269	174	25	594	441	250	96	97	254	2,736
Operating surplus, SEK m	444	145	107	16	422	304	155	84	75	115**	1,867
Economic occupancy, %	95.7	87.7	90.4	95.5	99.3	97.0	95.1	100.0	98.1	89.3	95.0
Property yield, %	7.8	5.7	5.7	5.0	5.6	6.6	6.6	6.4	7.3	8.1**	6.5
Operating surplus margin, %	82.8	54.0	61.6	63.8	71.1	68.8	61.9	87.4	77.9	45.2**	68.2

Geographical division	East	South	West	Central	North	Germany	Nordic Modular	Total
No. of properties	194	145	116	48	86	14	0	603
Lettable floor-space, '000 sq.m.	895	705	566	403	327	66	223	3,185
Book value, SEK m	10,434	5,836	4,559	2,942	2,122	1,257	1,426	28,576
Rental value, SEK m	936	577	470	287	251	96	285	2,092
Rental revenues, SEK m	892	528	445	278	243	96	254	2,736
Operating surplus, SEK m	632	365	301	225	145	84	115**	1,867
Economic occupancy, %	95.2	93.1	96.6	96.7	97.6	100.0	89.3	95.0
Property yield, %	6.1	6.3	6.6	7.6	6.8	6.7	8.1**	6.5
Operating surplus margin, %	70.8	69.3	67.7	80.7	59.8	87.7	45.2**	68.2

* Earnings capacity indicates the appearance of the Income Statement as if the properties owned as of 31 December 2008 had been owned for the previous 12 months.

** Operating surplus has been reduced by standard depreciation/value changes of SEK 119 m.

Financial Reporting 1 January – 31 December 2008

INCOME STATEMENT

SEK m	Reporting period		Financial year	
	2008 Oct–Dec	2007 Oct–Dec	2008	2007
Rental revenues	626.3	616.4	2,528.6	2,323.6
Sales revenue, modular properties	96.1	64.4	368.1	288.6
Net sales	722.4	680.8	2,896.7	2,612.2
Property costs	-156.4	-170.9	-621.2	-652.7
Production costs, modular properties	-82.5	-53.2	-308.9	-254.1
Gross profit	483.5	456.7	1,966.6	1,705.4
Property trading				
Sales revenue, net	445.7	5,530.1	1,313.1	9,474.9
<i>Book value</i>				
Acquisition value	-287.1	-4,606.7	-1,044.7	-8,009.9
Realised value changes	-196.2	-491.2	-256.0	-885.1
	-483.3	-5,097.9	-1,300.7	-8,895.0
Trading net	-37.6	432.2	12.4	579.9
Sales and administration costs	-121.3	-98.7	-374.0	-315.8
Net financial position	-241.0	-225.5	-986.1	-720.2
Unrealised value changes				
Investment properties	-67.9	525.5	-213.0	1,305.4
Financial instruments	-1,477.6	-20.4	-1,590.4	66.3
	-1,545.5	505.1	-1,803.4	1,371.7
Profit before tax	-1,461.9	1,069.8	-1,184.5	2,620.9
Tax	150.6	167.4	223.0	-221.4
Net profit¹	-1,311.3	1,237.2	-961.5	2,399.5
Average number of shares ²	136,502,064	136,502,064	136,502,064	136,502,064
Earnings per share, SEK ²	-9.60	9.10	-7.00	17.60

¹ All profits attributable to the parent company's shareholders.

² There is no dilution effect because there are no potential shares.

BALANCE SHEET

SEK m	31 Dec 2008	31 Dec 2007
ASSETS		
Properties	28,575.8	25,737.0
Receivables, etc.	1,504.1	6,409.9
Liquid assets	641.6	633.9
TOTAL ASSETS	30,721.5	32,780.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	7,064.8	9,040.1
Interest-bearing liabilities	20,742.7	21,067.6
Non interest-bearing liabilities	2,914.0	2,673.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,721.5	32,780.8

CHANGE IN SHAREHOLDERS' EQUITY

SEK m	31 Dec 2008	31 Dec 2007
Opening balance	9,040.1	9,700.2
Dividends	-1,092.0	-1,501.5
Redemption		-1,569.8
Translation difference	78.2	11.7
Net profit	-961.5	2,399.5
Closing balance	7,064.8	9,040.1

CASH FLOW STATEMENT

SEK m	Reporting period		Financial year	
	2008 Oct–Dec	2007 Oct–Dec	2008	2007
Operating activities				
Profit before tax	-1,461.9	1,069.7	-1,184.5	2,620.9
Realised value changes, properties	196.2	491.2	256.0	885.1
Unrealised value changes	1,545.5	-505.1	1,803.4	-1,371.7
Adjustment for items not included in cash flow from operating activities	-2.5	-2.0	2.6	6.8
Tax paid	27.5	-83.0	-37.6	-121.8
Cash flow from operating activities	304.8	970.8	839.9	2,019.3
Change in working capital	290.6	45.2	-3.4	42.1
Cash flow from operating activities after change in working capital	595.4	1,016.0	836.5	2,061.40
Cash flow from investment activity	-825.3	-4,871.5	542.5	-6,816.0
Cash flow from financing activity	296.5	4,136.1	-1,371.3	5,281.3
Cash flow for the period	66.6	280.6	7.7	526.7
Liquid assets, opening balance	575.0	353.3	633.9	107.2
Liquid assets, closing balance	641.6	633.9	641.6	633.9

PARENT COMPANY INCOME STATEMENT*

SEK m	Reporting period		Financial year	
	2008 Oct–Dec	2007 Oct–Dec	2008	2007
Administration costs	0.3	-5.1	-10.6	-14.6
Net financial position	209.2	2,814.2	220.8	2,716.9
Profit before tax	209.5	2,809.1	210.2	2,702.3
Tax on profit for the period	-40.5	26.2	-90.5	16.5
Net profit	169.0	2,835.3	119.7	2,718.8

PARENT COMPANY BALANCE SHEET*

SEK m	31 Dec 2008	31 Dec 2007
ASSETS		
Shares in group companies	7,908.5	6,781.6
Receivables from group companies	244.1	0.0
External receivables, etc.	1.8	695.0
Liquid assets	362.3	177.3
TOTAL ASSETS	8,516.7	7,653.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders equity	4,051.2	4,894.0
Interest-bearing liabilities	496.0	496.0
Liabilities to group companies	3,898.1	2,151.5
Other liabilities	71.4	112.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,516.7	7,653.9

* In its Annual Report, the parent company may adjust the value of holdings in subsidiaries without affecting the group.

SEGMENT REPORTING

SEK m Business segment	Commercial properties		Public properties		Retirement homes		Nordic Modular		Other/group-wide*		Total Kungsliden	
	2008 Jan–Dec	2007 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec	2008 Jan–Dec	2007 Jan–Dec
Net sales	973.0	1,154.3	1,225.0	894.9	75.3	52.6	623.4	502.6		7.8	2,896.7	2,612.2
Gross profit	676.9	748.0	848.2	676.3	73.4	48.9	368.1	226.5		5.7	1,966.6	1,705.4
Profit before tax	-584.4	1,490.9	-616.1	1,126.2	-101.7	18.0	147.9	128.9	-30.1	-143.2	-1,184.5	2,620.9
Properties	10,421.8	10,535.2	15,470.7	12,962.9	1,256.8	932.9	1,426.5	1,306.0			28,575.8	25,737.0
Acquisitions and investments	1,381.8	6,982.9	2,488.7	1,799.0	189.8	319.5	121.9	1,167.6			4,182.2	10,269.0
Sales price, net	1,251.2	8,590.5	56.2	111.3			5.7	5.1		768.0	1,313.1	9,474.9

* Other/group-wide is the now-divested property operation in the Netherlands/Belgium and the Transaction/Analysis and Central Administration functions. In the financial reports for 2008, value changes on financial instruments are allocated by segment.

KEY FIGURES

	Reporting period		Financial year	
	2008 Oct–Dec	2007 Oct–Dec	2008	2007
Property-related				
Earnings capacity				
Property yield, %			6.5	6.4
Economic occupancy, %			95.0	94.4
Operating surplus margin, %			68.2	69.9
Actuals				
Property yield, %	6.6	7.3	7.0	6.8
Economic occupancy, %	93.6	92.9	94.3	91.9
Operating surplus margin, %	75.0	72.3	75.4	71.9
Financial				
Net profit, SEK m	-1,311	1,237	-962	2,400
Profit for calculating dividends, SEK m	305	971	840	2,019
Return on total capital, %	4.4	10.8	5.1	6.9
Return on equity, %	-68.4	53.6	-11.9	25.6
Return on capital employed, %	23.2	38.0	5.4	7.6
Interest cover, multiple	1.3	3.5	1.6	2.7
Equity ratio, %			23.0	27.6
Gearing, multiple			3.2	2.3
Mortgage ratio, %			72.6	81.9
Data per share				
Share price, SEK			54.00	72.00
Dividend, SEK			8.00	22.50
Total yield, %			-13.9	-10.0
Dividend yield, %			11.1	21.4
P/E ratio, multiple			-7.6	4.1
P/CE ratio, multiple			11.7	7.1
Gross profit, SEK	3.50	3.30	14.40	12.50
Net profit, SEK	-9.60	9.10	-7.00	17.60
Profit for calculating dividends, SEK m	2.20	7.10	6.20	14.80
Property book value, SEK			209.30	188.50
Shareholders' equity, SEK			51.80	66.20
Outstanding shares/free float ¹	136,502,064	136,502,064	136,502,064	136,502,064
Average number of shares ¹	136,502,064	136,502,064	136,502,064	136,502,064

¹ There is no dilution effect because there are no potential shares.

For definitions, see Kungsliden's website, www.kungsliden.se

1 January – 31 December 2008

SUBMISSION OF THE REPORT

Stockholm, Sweden, 19 February 2009.

The Financial Statement for the period January–December 2008 gives a true and fair view of the parent company's and group's operations, position and profits and reviews the significant risks and uncertainty factors facing the parent company and group companies.

Bengt Kjell
Chairman

Jan Nygren
Board member

This Financial Statement has not been subject to review by the company's auditors.

Jens Engwall
Board member

Jonas Nyrén
Board member

Magnus Meyer
Board member

Per-Anders Ovin
Board member

Anna W Jiffer
Board member

Thomas Erséus
Board member and Chief Executive

Five-year summary

SUMMARY INCOME STATEMENT

SEK m	2008	2007	2006	2005	2004
Net sales	2,897	2,612	2,349	1,845	1,429
Gross profit	1,967	1,705	1,528	1,304	1,017
Trading net	12	580	853	318	67
Sales and administration costs	-374	-316	-246	-152	-139
Net financial position	-986	-720	-681	-546	-456
Unrealised value changes	-1,803	1,372	2,120	1,191	10
Profit before tax	-1,185	2,621	3,575	2,116	499
Tax	223	-221	-1	-129	377
Net profit for the year	-962	2,400	3,574	1,987	876

SUMMARY BALANCE SHEET

SEK m	2008	2007	2006	2005	2004
ASSETS					
Properties	28,576	25,737	23,106	25,750	13,452
Receivables, etc.	1,504	6,410	1,049	1,556	994
Liquid assets	642	634	107	164	68
TOTAL ASSETS	30,722	32,781	24,262	27,470	14,514
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	7,065	9,040	9,700	6,649	3,954
Interest-bearing liabilities	20,743	21,068	12,781	18,004	9,832
Non-interest-bearing liabilities	2,914	2,673	1,781	2,817	728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,722	32,781	24,262	27,470	14,514

KEY FIGURES

	2008	2007	2006	2005	2004
Property-related					
Property yield, %	6.5	6.4	6.5	7.2	7.8
Economic occupancy, %	95.0	94.4	90.2	90.0	93.7
Book value of properties	28,576	25,737	23,106	25,750	13,452
Financial					
Profit after tax, SEK m	-962	2,400	3,574	1,987	877
Profit for calculating dividends, SEK m	840	2,019	2,913	1,001	587
Return on total capital, %	5.1	6.9	8.3	7.0	6.7
Return on equity, %	-11.9	25.6	43.7	37.5	24.1
Return on capital employed, %	5.4	7.6	9.1	11.0	3.8
Interest cover, multiple	1.6	2.7	3.1	2.7	2.1
Equity ratio, %	23.0	27.6	40.0	24.2	27.2
Mortgage ratio, %	72.6	81.9	55.3	69.9	73.1
Data per share					
Profit after tax, SEK ¹	-7.00	17.60	26.20	16.00	7.70
Profit for calculating dividends, SEK ¹	6.20	14.80	21.30	8.10	5.20
Dividend/share redemption, SEK ¹	8.00	22.50	11.00	3.67	2.50

¹ These key figures have been adjusted for to the 3:1 split conducted in May 2006, the 2:1 split conducted in May 2005, and the bonus issue element of the new share issue conducted in October 2005.

Property register 1 January – 31 December 2008

ACQUIRED PROPERTIES

Name	Municipality	Locality	Address	Year of construction/ conversion	Lettable floor-space, sq.m.							Rental revenue	Rental value	Vacancy, %	
					Retail	Industr./warehouse	Offices	School	Care	Retirement homes	Total other				Total floor-space
Market Area Central															
Industrial/warehouse properties															
Garveriet 1	Örebro	Örebro	Klostergatan 1	1891/1934			3,705					3,705	4,034	4,034	
Kontakledningen 1	Västerås	Västerås	Stenbygatan 10	1967		15,104						15,104	10,666	10,666	
Mälaren 17	Örebro	Örebro	Svartå Bangata 14	1933/1989		5,183	3,540				616	9,339	8,840	9,150	3.4
Office properties															
Garveriet 5	Örebro	Örebro	Klostergatan 3	1929/1953			1,388					1,388	1,455	1,475	
Livia 16	Västerås	Västerås	Skomakargatan 2	1992			6,896					6,896	8,030	8,030	
School properties															
Gustavsborg 2	Västerås	Västerås	Vasagatan 44	1993					17,927			17,927	28,050	27,275	
Rosenhill 1	Västerås	Västerås	Gurksaltargatan 9	2002			5,673	16,689				22,362	30,745	30,145	
Rosenhill 12	Västerås	Västerås	Eriksborgsgatan 11	1960/2004				6,396				6,396	7,153	7,127	
Retirement homes															
Birka 1	Västerås	Västerås	Fortidsgatan 4	1993						3,016		3,016	2,840	2,791	
Brottberga 6:30	Västerås	Västerås	Lillharadsvägen 20 A-F	2002						1,418		1,418	2,948	2,903	
Klockarkärläken 3	Västerås	Västerås	Rönnebergastigen 3	1999						3,937		3,937	2,563	2,539	
Kolaren 5	Västerås	Västerås	Träddragargatan 31	1960/2004						1,052		1,052	1,772	1,772	
Martinprocessen 9	Västerås	Västerås	Valljarnsgatan 494	2002						510		510	950	944	
Skjutfältet 9	Västerås	Västerås	Hästhovsgatan 27	2004						5,914		5,914	6,417	6,413	
Skogsduvan 1	Västerås	Västerås	Skogsduvevägen 11	1993/1999						1,107		1,107	1,665	1,661	
Skyttegillet 7	Västerås	Västerås	Rekylgatan 12	1961/2000						668		668	950	932	
Ångskickan 1	Västerås	Västerås	Värilökgatan 6	1993						3,198		3,198	2,533	2,484	
Östra Dagrosen 1	Västerås	Västerås	Dagrosrogatan 1	1993						3,507		3,507	2,755	2,650	
Market Area North															
Industrial/warehouse properties															
Aspgården 18	Umeå	Umeå	Bölevägen 44	1955		9,457	1,409				919	11,785	9,276	9,748	3.6
Office properties															
Yrkesskolan 4	Härnösand	Härnösand	Gånsviksvägen 4	1982			3,002				99	3,101	1,302	1,902	30.8
Market Area South															
Retail properties															
Högaffeln 6	Västervik	Västervik	Timmergatan 4	1972		2,300						2,300	1,072	1,072	
Industrial/warehouse properties															
Spindeln 9	Malmö	Malmö	Singelgatan 8 - 10	1964		2,195						2,195	1,518	1,518	
Retirement homes															
Bakareboda 1:162	Karlskrona	Holmsjö	Servicevägen 1	1992					690	1,530		2,220	3,370	3,370	
Other public properties															
Hjorten 15	Trelleborg	Trelleborg	Henry Dunkers gata 6	1950			3,372					3,372	4,501	4,502	
Market Area West															
Retail properties															
Varla 14:1	Kungsbacka	Kungsbacka	Borgås Gårdsväg 19	2008		780	1,030				680	2,490	1,937	1,937	
Industrial/warehouse properties															
Backa 30:4	Gothenburg	Gothenburg	Importgatan 23-25	1972/2001		10,375						10,375	8,734	8,734	
Kryptongasen 4	Mölnådal	Mölnådal	Kryptongatan 20	1983		6,258	1,992					8,250	5,663	5,663	8.0
Kryptongasen 7	Mölnådal	Mölnådal	Kryptongatan 22B	2000		5,000						5,000	3,135	3,135	
Kylaren 9	Kungälv	Kungälv	Dumpergatan 3	1990		2,290	689					2,979	1,933	1,933	
Kärra 93:3	Gothenburg	Hisings kärra	Orrekulla Industrigata 36	1992		1,390	1,931			179		3,500	2,152	2,152	74.0
Lexby 2:29	Partille	Partille	Brodalsvägen 13 B-C	1981		6,508	3,186					9,694	6,150	6,150	
Tingshuset 2	Mölnådal	Mölnådal	Kräketorpsgatan 16	1963		3,450						3,450	1,309	1,309	
Ådelgasen 1	Mölnådal	Mölnådal	Neongatan 5	1972/1976/ 1987/1997		12,093	3,330					15,423	9,457	9,457	
School properties															
Hagtornen 10	Borås	Borås	Varbergsvägen 38	1967		350	1,945	4,225	4,900			11,420	7,489	7,604	0.2
Market Area East															
Retail properties															
Generatorn 2	Motala	Motala	Turbinvägen 5	1989		2,000						2,000	1,113	1,113	
Görla 8:2	Norrköping	Norrköping	Gäddvägen 7	2008		2,450						2,450	1,270	1,270	
Görla 8:3	Norrköping	Norrköping	Gäddvägen 9	2008											
Görla 8:7	Norrköping	Norrköping	Gäddvägen 5	2008											
Industrial/warehouse properties															
Handelsmannen 1	Norrköping	Norrköping	Diamantgatan 7-9	1988		5,321	1,675					6,996	12,008	12,008	
Löddret 4	Eskilstuna	Eskilstuna	Filargatan 3	1986		5,900						5,900	3,383	3,383	
Märsta 14:1	Sigtuna	Ariandastad	Industrigatan 2	1967		2,550	520					3,070	3,726	3,624	6.8
Traktorn 7, Södertälje	Södertälje	Södertälje	Gränsbovägen 8	1983		4,920	330					5,250	4,860	4,860	
Office properties															
Domherren 15	Motala	Motala	Industrigatan 9	1937/1987		167	1,429				734	2,330	1,205	1,205	
Enen 10	Södertälje	Södertälje	Järnagatan 12	1950		354	5,902				483	6,739	7,745	7,745	
Lejonet 28, Lidingö	Lidingö	Lidingö	Lejonvägen 14	1950			863					863	1,185	1,263	
School properties															
Beckomberga 1:12	Stockholm	Bromma	Beckombergavägen, Byggnad 11	1950				2,410				2,410	3,615	3,615	
Borgaren 18	Nyköping	Nyköping	Stora torget 3	1955/1977/ 2000		696	1,510	9,791			300	12,297	14,868	14,625	
Other public properties															
Blomman 12	Norrköping	Norrköping	Nygatan 110	1903/1956/ 1975		42	4,032					4,074	3,132	3,538	11.8
Brädgården 2	Nyköping	Nyköping	Folkungavägen 2	1984			9,740				2,286	12,026	18,507	18,114	
Oxelbergen 1:2	Norrköping	Norrköping	Odalgatan 19	1976/1999/ 2000		45	1,778	22,065	1,025		1,017	25,930	20,255	21,304	6.7
Stinsen 1	Norrköping	Norrköping	Stockholmsvägen 6	1960			15,252				3,044	18,296	23,839	23,600	
Taktipinnen 1	Norrköping	Norrköping	Folkborgsvägen 1	1975		46	16,932	671				17,649	13,369	13,107	
Market Area Germany															
Retirement homes															
Barßel	Utland	Barßel	Mühlenweg	2007						4,550		4,550	503	503	
Isenbüttel	Utland	Isenbüttel	An der Sporthalle	2008						3,066		3,066	320	320	

DIVESTED PROPERTIES

Name	Municipality	Locality	Address	Year of construction/ conversion	Lettable floor-space, sq.m.						Total floor-space
					Retail	Industr./ warehouse	Offices	School	Care	Retirement homes	
Market Area Central											
Industrial/warehouse properties											
Garveriet 1	Örebro	Örebro	Klostergatan 1	1891/1934			3,705				3,705
Office properties											
Garveriet 5	Örebro	Örebro	Klostergatan 3	1929/1953			1,388				1,388
Market Area North											
Retail properties											
Häradsdomaren 3	Umeå	Umeå	Bryggargatan 10	1970	325	169	160			373	1,027
Office properties											
Lamellen 3	Umeå	Umeå	Norra Obbolavägen 89	1968		292	1,930			1,120	3,341
Market Area South											
Industrial/warehouse properties											
Motellet 2	Landskrona	Landskrona	Hjalmar Brantings Väg 11	1989		1,190	907				2,097
Skeppsvarvet 9	Landskrona	Landskrona	Profligatan 67	1952		905	502				1,407
Åldalen 1	Ängelholm	Ängelholm	Brandsvigsgatan 6	2000		9,266	2,333				11,599
Office properties											
Kolet 2	Landskrona	Landskrona	Omnibusgatan 1	1989			460				460
Pedalen 18	Landskrona	Landskrona	Kamgatan 15	1989			3,705				3,705
Stenen 1	Landskrona	Landskrona	Industrigatan 68	1977		685	3,899		211		4,795
School properties											
Blåbäret 10	Oskarshamn	Oskarshamn	Sörviksvägen 15A	1966	1,016	321	2,013	1,772		260	5,382
Other commercial properties											
Hamnen 22:2	Malmö	Malmö	Jörgen Kocksgatan 3	1952/1964		238	3,177			4,361	7,776
Market Area West											
Industrial/warehouse properties											
Lexby 11:236	Partille	Partille	Laxfiskevägen 4B	1956/1981		13,680					13,680
Other commercial properties											
Torreby 3:54	Munkedal	Munkedal	Torreby	-							
Market Area East											
Retail properties											
Välsverket 10	Stockholm	Bromma	Karlsbodavägen 2	1962/1998/ 1979/1997	18,150						18,150
Industrial/warehouse properties											
Domnarvet 40	Stockholm	Spånga	Gunnebogatan 34	1989		2,577					2,577
Fredriksskans 15:16	Gävle	Gävle	Bönavägen 55	2003		14,170					14,170
Jakobsberg 22:14	Järfälla	Järfälla	Brantvägen 2	1962/1997		2,650					2,650
Lagmannen 6	Mjölby	Skänninge	Borgmästaregatan 13	2006		16,816					16,816
Mälaren 5	Mjölby	Skänninge	Borgmästaregatan 23	2006		52,198					52,198
Reidmar 7	Danderyd	Djursholm	Vendevägen 62	1942/1968	198	720	1,205			60	2,183
Ättersta 19:1	Sandviken	Åshammar	Kylsvägen 11	1961		6,643					6,643
Office properties											
Domaren 11	Linköping	Linköping	Stora Torget 1	1929/2000	550		662			302	1,514
Ekonomien 5	Linköping	Linköping	Djurgårdsgatan 1	1929/2002			965				965
Lejonet 28, Lidingö	Lidingö	Lidingö	Lejonvägen 14	1950			863				863
Rektangeln 1	Huddinge	Huddinge	Månskärsvägen 9	1988			8,200				8,200
School properties											
Sägverket 2	Södertälje	Södertälje	Korpuddsvägen 1-11	1985/1989			625	6,589	1,121		8,335
Care properties											
Exemplet 2	Sollentuna	Sollentuna	Edsbergstorg 1	1986		178	601		1,859		2,638

This is Kungsleden

BUSINESS MODEL

Kungsleden owns and manages properties. It views a property's returns as more important than its type or geographical location. Its business model focuses on continually enhancing the composition and quality of the property portfolio, with the objective of improving portfolio risk-adjusted returns. In practice, this involves multiple acquisitions and divestments. Simultaneously, Kungsleden prioritises being a good and efficient landlord through the active management and enhancement of properties. Kungsleden's ambition is to always maintain high and stable cash flow from operating activities. Operating risk is minimised, and revenues are stabilised, by diversifying property type and geographical location, through different types of tenants, and rental contract maturities. About half of the total property holding is let to the public sector

or to tenants whose operations are publicly financed.

ORGANISATIONAL RESOURCES

Operations are organised into three divisions, with each division responsible for the management and letting of its property holding. Commercial Properties concentrates mainly on the Office, Industrial/warehouse and Retail property types. Public Properties are divided between the Retirement Home, School, Care and Retirement Homes Germany. The third division, Nordic Modular, primarily conducts lettings, but also the production and sale, of modular buildings. Kungsleden has flexible organizational resources with strong local links and substantial expertise in property transactions. Its head office is in Stockholm, and the company has offices in another 10 or so locations in Sweden.

VISION

Kungsleden's vision is that by means of skilled entrepreneurship and a high level of expertise, Kungsleden will become Sweden's most profitable and successful property company.

BUSINESS CONCEPT

Kungsleden owns and manages properties, generating high and stable long-term returns.

FINANCIAL TARGETS

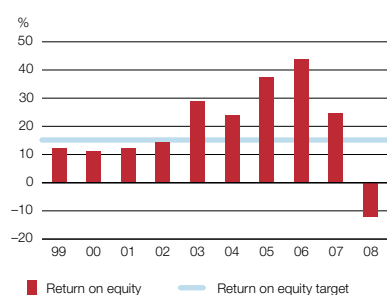
- A minimum return on equity of 15 per cent.
- A minimum interest coverage multiple of 2.

DIVIDEND POLICY

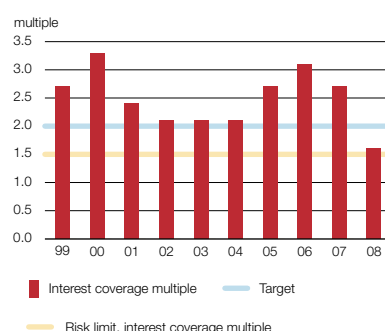
The Board's ambition is for Kungsleden to maintain stable dividends and a high pay-out ratio, which means that Kungsleden will pay out at least 50 per cent of profit for calculating dividends. This profit measure corresponds to the cash flow statement item cash flow from operating activities.

REALISING OBJECTIVES 1999–2008

Return on equity



Interest coverage multiple



Addresses

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KUNGSLEDEN