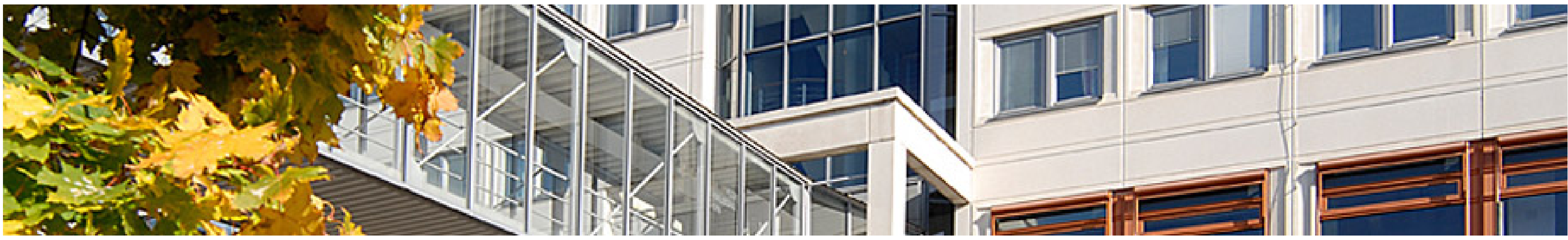
Kefren Properties



*Offentliggjort på OMX Nordic Exchange Copenhagen via Company News Service d. 31. marts 2010.*

**Kefren Properties IX AB, 556691-4031 ("Selskabet")**
**Årsregnskabsmeddelelse for regnskabsåret 2009 offentliggøres**

**Bestyrelsen i Selskabet har dags dato afholdt bestyrelsesmøde, hvor koncernens årsrapport for regnskabsåret 2009 blev drøftet. Årsrapporten er at finde i sin helhed på engelsk som bilag til denne meddelelse.**

**Resume:**

**Resultater for året i Kefren Properties IX AB**

**Koncernen havde et tab før skat på TSEK 432,830 (2007/08: minus TSEK 523.658), mens balancen pr. 31. december 2009 viser en negativ egenkapital på TSEK 430.159 (2007/08: minus TSEK 26.813).**

**Indtægter for perioden udgør TSEK 656.195 (2007/08: TSEK 818.318). Forskellen i indtægter skyldes primært, at den sammenlignelige periode omfatter 15 måneder, mens den nuværende periode kun udgør 12 måneder. Indtægten for perioden er en anelse højere sammenlignet med et 12-måneders gennemsnit for 2007/2008-perioden.**

**Resultat af primær drift før justeringer for investeringsejendomme og gæld samt nedskrivning af goodwill og skat udgør TSEK 77.649 (2007/08: minus TSEK 1.479).**

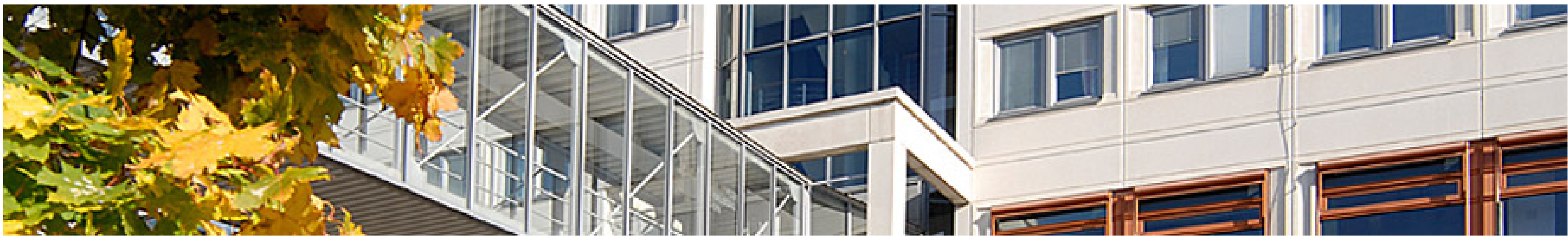
**Tabet for perioden kan primært henføres til nedjustering af investeringsejendomme, gæld og derivater på i alt TSEK 295.375 (2007/08: minus TSEK 379.278), hvilket kan henføres til den negative udvikling på både ejendomsmarkedet og det finansielle marked i 2009.**

**Udviklingen i 2009 kan henføres til:**

- **Den økonomisk tomgang steg gennem 2009 og udgjorde i fjerde kvartal 13% (7,5% i den sammenlignelige periode 2008).**
- **Lejekontrakter, svarende til 14% af porteføljens samlede lejeindtægt, blev opsagt i løbet af 2009 (6% i 2008). Lidt over halvdelen heraf i løbet af andet og fjerde kvartal 2009.**
- **Genudlejningssituationen var markant forværret som følge af den finansielle krise og lavere økonomiske aktivitet i 2009. Dog syntes situationen forbedret i sidste kvartal 2009, og genudlejning af tomme arealer vil fortsat være et af hovedfokusområderne i 2010 med løbende forhandlinger med større lejere.**
- **I regnskabsåret 2009 blev i alt 11 ejendomme solgt, heraf fire som tilbagesalg til den oprindelige sælger af ejendomsporteføljen.**
- **Likviditeten blev positivt påvirket af de væsentlige fald i den korte svenske rente.**
- **Som følge af manglende opfyldelse af seniorlåneaftalens vilkår om loan-to-value blev der ikke betalt renter til obligationsejerne.**



**Notice to OMX Nordic Exchange Copenhagen no. 60**
**Kefren Properties IX AB**
**C/O ISS Facility Services, Box 11923**
**404 39 Göteborg, Sweden**
**www.kefren.se**



**Bestyrelsen anser årets resultat for utilfredsstillende.**

**Værdien af investeringsejendommene udgør pr. 31. december 2009 MSEK 4.847, hvilket svarer til en nedskrivning af ejendommene på 14% sammenlignet med 31.12.2008. Den globale finansielle krise har i 2009 haft en betydelig negativ indflydelse på bl.a. markedet for investeringsejendomme, med ingen eller meget få transaktioner og faldende priser, hvilket har vanskeliggjort værdiansættelsen af selskabets investeringsejendomme. De indregnede værdier af investeringsejendomme er derfor behæftet med stor usikkerhed.**

**Bestyrelsen forventer, at tomgangen vil stige yderligere i 2010. Sammenholdt med øgede projekt – og vedligeholdelsesomkostninger vil det medføre et lavere NOI sammenlignet med 2009. Likviditeten forventes at blive positivt påvirket af de lave svenske markedsrenter.**

**Bestyrelsen har besluttet ikke at give et skøn over årets resultat, idet dette vil være yderst afhængigt af markedsværdierne for investeringsejendommene og obligationsgælden samt den usikkerhed, der er forbundet hermed.**

**Den 28. oktober 2009 meddelte seniorlångiverne, at Kefren Properties IX AB ikke opfylder vilkårene i seniorlåneaftalen om loan-to-value, idet lånet ikke må overstige 88% af markedsværdien af ejendomsporteføljen.**

**Det er bestyrelsens overbevisning, at der vil blive fundet en løsning, hvorfor årsregnskabet er udarbejdet ud fra princippet om, at Selskabet fortsat er en going concern.**

**Bestyrelsen**

*Spørgsmål vedrørende denne meddelelse kan rettes til bestyrelsesformand Ole Vagner på telefon +45 40254113 eller via mail ole@vagner.dk.*

*Yderligere information om Kefren Properties IX AB kan findes på selskabets hjemmeside, www.kefren.se*.



**Notice to OMX Nordic Exchange Copenhagen no. 60**
**Kefren Properties IX AB**
**C/O ISS Facility Services, Box 11923**
**404 39 Göteborg, Sweden**
**www.kefren.se**

Kefren Properties

# Contents

# Management's review

The Board of Directors of Kefren Properties IX AB, business registration number 556691-4031, hereby presents their 2009 report for the Group and Parent Company.

**Business concept**

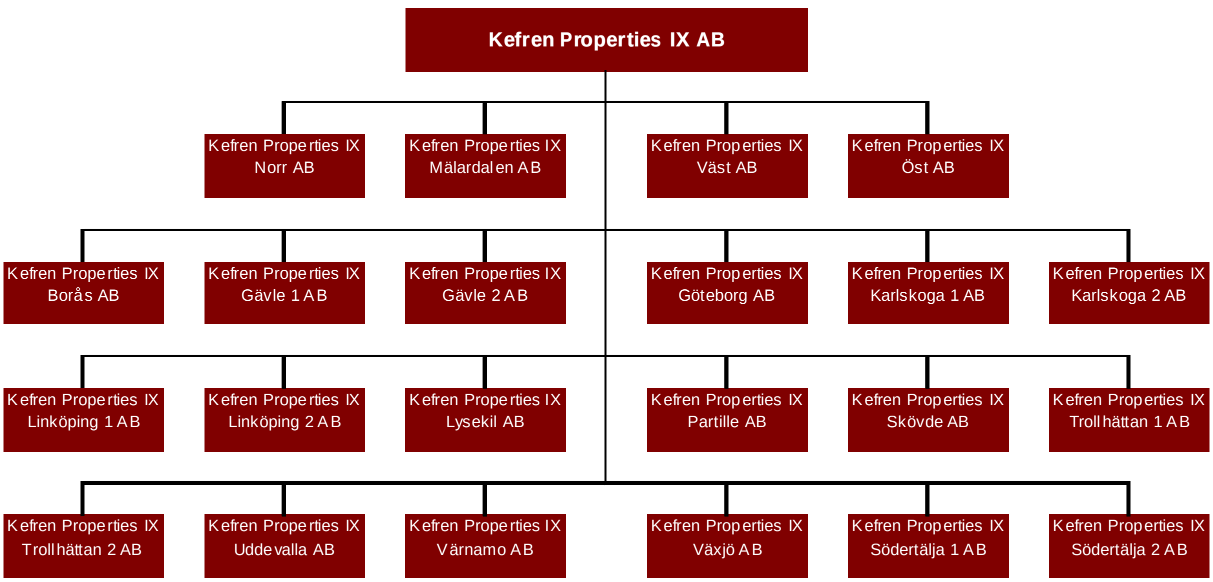
The Company's purpose is, via investments in other companies, to own and operate letting business through a Swedish property portfolio of a total of 150 properties as well as to raise the necessary financing for the Group's activities.

**Financial objective**

The objective under the previous Board of Directors was to achieve an annual return on operations of approx. 7.5% on the original acquisition price of the properties. Due to the current market situation and the current default of the senior loan, caused by the breach of loan terms, the objective is to optimize the portfolio. Thereby making the portfolio attractive and achieving the highest possible proceeds to the bond holders given the current situation and with respect to demands and requirements from the senior lenders.

**Group structure**

At 31 December 2009, the Group consists of the following companies (100% ownership):




**Activities**

Kefren Properties IX AB owns – and works as Parent of - 22 subsidiaries of which 4 have divested their properties during the period.

**Financing**

Kefren Properties IX has issued property bonds of a total of DKK 740 million (SEK 1,105 million). Furthermore, Kefren Properties IX AB has taken out a bank loan with Barclays Capital, who has syndicated part of the loan, of approx. SEK 5,026 million exclusive accrued interest and has taken out a loan through a seller note of approx. SEK 100 million (Nominal value).

The bond loan and the loan with Barclays Capital are secured by mortgage deeds in the properties.

# Management’s review

**Generally about the year**

The general decline of the Swedish property market has also had an impact for the Kefren Properties IX group’s portfolio valuation. At 28 October 2009, Kefren Properties IX AB received a notification of non-compliance with the loan-to-value covenant under the Senior Loan Facility Agreement, in that the principal amount of the loans outstanding exceeded 88% of the market value of the properties securing the loan.

The Company is in a positive dialogue with the Senior Bank with respect to finding a long-term solution that will minimise the risk of the Company breaching the Senior Bank’s loan-to-value condition going forward.

A final solution is not yet in place and the Company has therefore requested and received stand-still period until 28 April 2010. During this period the senior loan cannot be terminated due to non-compliance of the loan-to-value condition. Due to the indication of uncertainty in this situation the Company classifies debt secured by mortgage deeds as a short-term liability.

It is the Board of Directors’ belief that a solution will be found and therefore the annual report has been prepared assuming the Company is, and will continue to be, a going concern.

The financial period represents 12 months. Last year, the financial period represented 15 months and the financial period 2006/07 represented 12 months, but only with activities for 11 months.

The consolidated statement of comprehensive income shows a loss before tax of TSEK 432,830 (2007/08: negative TSEK 523,658) and the consolidated statement of financial position shows equity at 31 December 2009 of negative TSEK 430,159 (2007/08: negative TSEK 26,813).

Revenue for the period amounts to TSEK 656,195 (2007/08: TSEK 818,318). The difference in revenue is mainly due to the fact that the comparative period covers 15 months, whereas the current period covers only 12 months. The revenue for period is slightly higher compared to a 12 month average of the 2007/2008 period.

Profit before value adjustments, write-down of goodwill and tax amounts to TSEK 77,649 (2007/08: negative TSEK 1,479).

The loss for the period is mainly due to negative value adjustments of investment properties, debt and derivatives of net TSEK 295,375 (2007/08: negative TSEK 379,278), which is the result of the negative development on the real estate and financial markets in 2009.

The development in 2009 is attributable to:

- Financial vacancy increased during 2009 and ended at 13% for the last quarter (7.5% for the same period 2008).
- Leases amounting to 14% of the portfolio’s rental value were terminated during 2009 (6% in 2008), the vast majority during the second and fourth quarters.
- The re-letting situation was significantly worsened following the financial crisis and lowered financial activity in 2009. Still, re-lettings were quite strong in the last quarter and re-lettings will be a main focus area also in 2010 with ongoing negotiations with major tenants.
- During the financial year, 11 properties were sold including a sale back of 4 properties to the seller.
- Liquidity has been positively affected due to a material decrease in interest rate
- Interest to bond holders has not been paid due to the loan-to-value breach

The Board of Directors considers the result for the period to be unsatisfactory.

# Management’s review

**Capital loss**

In accordance with Swedish GAAP, none of the statutory legal entities have lost their capital and are therefore not subject to the Swedish rules regarding capital loss.

**Risk factors**

The Company's Board of Directors will currently monitor the risks facing the Group and attempt to ensure hedging of them, in consideration of the Company's overall objective of return on operations. Below, a number of the risk factors which the Company's Board of Directors assesses to have specific influence and the Board of Directors’ actual assessment of the actual risk are outlined:

**External risk factors:**

*Investment properties and property bonds:* In 2009, the global financial crisis has had significant adverse influence on, among others, the market for investment properties and property bonds with no or very few transactions in the market and declining prices. This has complicated the determination of the values of the Company’s investment properties and bond debt in this annual report. Please refer to note 2, in which the valuation of investment properties and property bonds has been described in further detail. As a result of the uncertain and negative markets, the recognised values of investment properties and property bonds are to be considered subject to great uncertainty.

*Rental income:* Two uncertainties have been identified which may influence rental income significantly. Firstly, vacancy in the property portfolio and secondly, the development in the rental income level. There is a risk of the letting and re-letting market being lower than budgeted for 2010 due to the uncertain financial outlook.

*Interest level:* The Group's mortgage debt is linked to a floating rate of interest. The Company has concluded agreement about interest cap which limits the interest rate until the expiry of the loan, and accordingly, the uncertainty as to increasing interest rates is expected to be low until the time of refinancing.

*Exchange rate:* As the Group's income is in SEK, the current strengthening of SEK in relation to DKK will result in lower interest costs on the bond debt taken out in DKK. The financial statements are positively affected by this factor.

**Internal risk factors:**

*Revaluation:* Any unperformed current maintenance may impair the Group’s investment properties as the rental level may drop in a possible re-letting situation. In line with the long-term budget of the Group, the Board of Directors is focused on providing funds for current maintenance estimated by the Management to be necessary for maintaining the budgeted rent level.

See further in note 24.

**Environment**

To contribute to a long-term sustainable development, the Group’s strategy is to develop its properties in a resource-effective way and with least possible impact on the environment.

# Management's review

### Events after the balance sheet date

In the Board of Directors' estimate, no events have occurred after the balance sheet date to this date which would materially influence the Company's operations and financial position.

Claus Klostermann resigned from the Board of Directors on 17 February.

### Expectations of 2010

The Board of Directors expects the vacancy rate to increase further in 2010 . Together with high project and maintenance costs this will result in a lower NOI compared to 2009. Due to the low Swedish interest rates, cash flow will be positively affected. The three month's STIBOR is currently well below the cap rate of 3.75%.

However, the Board of Directors has decided not to give an estimate of the result for the year, since this will be highly dependent upon market values of the investment properties and bond debt and the uncertainty connected hereto.

The Company is in continued positive dialogue with the senior lenders and expects to find a long-term solution that will minimise the risk of further Loan-To-Value breaches. However, it is not expected that the senior lenders will allow payment of bond interest, unless current market conditions improve significantly.

### Proposed allocation of profits

The following amounts are at the disposal of the Annual General Meeting:

| | |
|---|---:|
| Retained earnings | 66,049,684 |
| Loss for the year | -59,531,907 |
| **Total** | **6,517,777** |

The Board of Directors proposes that the amount be allocated as follows:

| | |
|---|---:|
| Carried forward | 6,517,777 |
| **Total** | **6,517,777** |

Kefren Properties

# Company details

Kefren Properties IX AB
c/o ISS Property Services
Westmansgatan 23
582 16 Linköping, Sweden

www.kefren.se

| | |
|---|---|
| Central Business Registration no.: | 556691-4031 |
| Established on: | 24 November 2005 |
| Registered office: | Stockholms Län, Municipality of Stockholm |

**Board of Directors**
Ole Vagner (Chairman)
Helle M. Breinholt
Per Johansson-Perrault

**Company auditor**
Jan Hugo Nihlén
Deloitte AB
113 79 Stockholm

The Annual General Meeting will be held on 27 April 2010.

# Financial highlights for the Group

| | 2009 | 2007/08 | 2006/07 | 2005/06 |
|---|---|---|---|---|
| | 12 months | 15 months | 12 months | 10 months |
| | SEK 1,000 | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| Revenue | 656 195 | 818 318 | 582 080 | - |
| Value adjustment of investment properties, debt and derivatives, net | -295 375 | -379 278 | 16 724 | - |
| Operating profit before write-down of goodwill | 32 645 | 93 898 | 371 697 | - |
| Write-down of goodwill | -215 104 | -142 901 | -331 686 | - |
| Operating profit/loss | -182 459 | -49 003 | 40 011 | - |
| Financial income and expenses, net | -250 371 | -474 655 | -402 816 | - |
| Loss for the period before tax | -432 830 | -523 658 | -362 805 | - |
| Loss for the period | -403 346 | -427 976 | -354 255 | - |
| | | | | |
| Fixed assets | 5 022 650 | 6 130 236 | 7 089 970 | 311 945 |
| Current assets | 283 921 | 188 585 | 151 100 | - |
| **Total assets** | **5 306 571** | **6 318 821** | **7 241 070** | **311 945** |
| | | | | |
| Share capital | 300 | 300 | 300 | 100 |
| Retained earnings | -430 459 | -27 113 | 400 863 | 100 |
| Liabilities | 5 736 730 | 6 345 634 | 6 839 907 | 311 845 |
| **Total equity and liabilities** | **5 306 571** | **6 318 821** | **7 241 070** | **311 945** |
| | | | | |
| Cash flows from operating activities | 257 087 | -64 463 | 221 705 | 302 000 |
| Cash flows from investment activities, net | 126 470 | 145 690 | -6 571 931 | -302 000 |
| Cash flows from financing activities | -304 733 | -43 981 | 6 479 429 | 100 |
| **Total cash flows** | **78 824** | **37 246** | **129 203** | **100** |
| | | | | |
| **Ratios** | | | | |
| Return on equity (after tax) | N/A | N/A | 6,0% | N/A |
| Solvency | neg. | neg. | neg. | 0,0% |
| Net asset value | neg. | neg. | 5,5% | 0,0% |
| Share dividends | 0% | 0% | 0% | 0% |
| | | | | |
| **Number of employees at year-end** | **0** | **0** | **0** | **0** |

*Please refer to definitions and concepts of ratios under accounting policies.*

*Comments on amount in:*

2005/06: Kefren Properties IX AB was established on 24 November 2005. No profit was earned the first year.

2006/07: The operating year 2006/07 included 11 months as the portfolio was purchased in November.

2007/08: The operating year included 15 months due to change in financial year.

# Shareholder information

### Share capital

Kefren Properties IX AB has a share capital of a total of TSEK 300 allocated into 3,000 shares of nominally SEK 100.

Kefren Properties IX A/S, Copenhagen owns 100 % of the equity in Kefren Properties IX AB.

### Dividends

No dividend is proposed. The full-year profit is to be transferred for the consolidation of the Company.

### Policy for treasury shares

The Company's Articles of Association do not provide the possibility to acquire treasury shares.

### Shares and dividend ratios

See financial highlights.

### Announcements to the Stock Exchange in the period 1 October 2007 – 31 March 2010:

| No. | Date | Subject |
|---|---|---|
| 59 | 17 March 2010 | Extension of stand-still period |
| 58 | 17 February 2010 | Resignation from the Board |
| 57 | 17 February 2010 | Extension of stand-still period |
| 56 | 28 January 2010 | Financial calendar 2010 |
| 55 | 6 January 2010 | Extension of stand-still period |
| 54 | 6 January 2010 | Request for extension of stand-still period |
| 53 | 15 December 2009 | Summary of bond holder's meeting |
| 52 | 14 December 2009 | New valuation of the property portfolio |
| 51 | 12 December 2009 | Presentation to be used at the bond holder's meeting |
| 50 | 7 December 2009 | Addendum to notification of bond holder's meeting |
| 49 | 19 November 2009 | Notification of bond holders meeting |
| 48 | 2 November 2009 | Sale back of properties |
| 47 | 27 October 2009 | Non-payment of interest |
| 46 | 20 October 2009 | Loan-to-Value breach expected |
| 45 | 30 September 2009 | Condensed consolidated interim report 1 January 2009 to 30 June 2009, Danish translation |
| 44 | 29 September 2009 | Extraordinary general meeting |
| 43 | 29 September 2009 | Notice of extraordinary general meeting |
| 42 | 31 August 2009 | Condensed consolidated interim report 1 January 2009 to 30 June 2009 |
| 41 | 31 August 2009 | Prolongation of lease agreement in Gothenburg |
| 40 | 28 August 2009 | New asset manager |
| 39 | 1 June 2009 | Annual general meeting |
| 38 | 27 May 2009 | Notice of annual general meeting |
| 37 | 11 May 2009 | Statement from Special Servicer |
| 36 | 30 April 2009 | Changes to the financial calendar |
| 35 | 27 April 2009 | Prolongation of lease agreement in Mölndal |
| 34 | 27 April 2009 | Extraordinary general meeting |
| 33 | 24 April 2009 | Notice of extraordinary general meeting |
| 32 | 16 April 2009 | Sale of shares in Kefren Properties IX A/S (formerly Landic Property Bonds IX A/S) |
| 31 | 3 April 2009 | Annual report for 1 October 2007 – 31 December 2008 |
| 30 | 2 April 2009 | Preliminary announcement of annual report. Delayed. |
| 29 | 31 April 2009 | Preliminary announcement of annual report. Delayed. |
| 28 | 6 February 2009 | Recent Developments |
| 27 | 31 January 2009 | Financial Calendar |

# Shareholder information

**Financial calendar for 2010:**

| **Date** | **Subject** |
|---|---|
| 31 March 2010 | Preliminary announcement of annual report for the financial year 2009 is published. |
| 27 April 2010 | Ordinary General Meeting for financial year 2009. |
| 31 August 2010 | Interim report announcement for the financial year 2010. |

**Information about bonds issued**

The Company has issued the following bonds listed on NASDAQ OMX Copenhagen:

7.5% Bond Loan, DKK 740,000,000, maturity 31 October 2016, ISIN code DK0030039300

Accruing of yield is made once a year on 31 October, first time 31 October 2007. The loan amounts and the yield rates are fixed during the term to maturity.

**Contacts**

Further information about Kefren Properties IX AB is available on the Company's website www.kefren.se.

Please address questions relating to the annual report to Chairman Ole Vagner on telephone +45 40 25 41 13 or via email to ole@vagner.dk.

# Consolidated statement of comprehensive income

| | Note | 2009<br>SEK 1,000<br>12 months | 2007/08<br>SEK 1,000<br>15 months |
|---|---|---|---|
| **Revenue** | 3 | **656 195** | **818 318** |
| Operating expenses | 4 | -251 012 | -294 069 |
| Value adjustment of investment properties, debt and derivatives, net | 5 | -295 375 | -379 278 |
| Realised loss/gain on sale of investment properties | | -14 320 | 15 071 |
| **Gross profit** | | **95 488** | **160 042** |
| Administrative expenses | 6 | -62 843 | -66 144 |
| **Operating profit before write-down of goodwill** | | **32 645** | **93 898** |
| Write-down of goodwill | 10 | -215 104 | -142 901 |
| **Operating loss** | | **-182 459** | **-49 003** |
| Financial income | 7 | 64 056 | 17 291 |
| Financial expenses | 8 | -314 427 | -491 946 |
| **Loss before tax** | | **-432 830** | **-523 658** |
| Tax on loss for the year | 9 | 29 484 | 95 682 |
| **Loss for the year** | | **-403 346** | **-427 976** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **-403 346** | **-427 976** |

# Consolidated statement of financial position

| | Note | 2009-12-31<br>SEK 1,000 | 2008-12-31<br>SEK 1,000 | 2007-10-01<br>SEK 1,000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill | 10 | 170 110 | 291 501 | 535 278 |
| **Intangible assets** | | **170 110** | **291 501** | **535 278** |
| Investment properties | 11 | 4 846 668 | 5 808 864 | 6 383 528 |
| **Property, plant and equipment** | | **4 846 668** | **5 808 864** | **6 383 528** |
| Derivatives | 14 | 5 872 | 29 871 | 171 164 |
| Deferred tax assets | 16 | 0 | 0 | 0 |
| **Financial fixed assets** | | **5 872** | **29 871** | **171 164** |
| **Fixed assets** | | **5 022 650** | **6 130 236** | **7 089 970** |
| **Current assets** | | | | |
| Receivables from tenants | 17 | 9 546 | 7 209 | 3 846 |
| Other receivables | | 17 992 | 8 314 | 7 358 |
| Prepayments | | 11 010 | 6 513 | 10 592 |
| **Receivables** | | **38 548** | **22 036** | **21 796** |
| **Cash funds** | 15 | **245 373** | **166 549** | **129 304** |
| **Current assets** | | **283 921** | **188 585** | **151 100** |
| **Assets** | | **5 306 571** | **6 318 821** | **7 241 070** |

# Consolidated statement of financial position, continued

| | Note | 2009 SEK 1,000 | 2008 SEK 1,000 | 2007-10-01 SEK 1,000 |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| Share capital | | 300 | 300 | 300 |
| Retained earnings | | -430 459 | -27 113 | 400 863 |
| **Equity** | | **-430 159** | **-26 813** | **401 163** |
| **Long-term liabilities** | | | | |
| Debt secured by mortgage deeds | 18 | - | 4 966 540 | 5 018 496 |
| Bond debt | 18 | 168 925 | 706 937 | 900 989 |
| Seller notes | 18 | 91 381 | 87 030 | 81 881 |
| Other long-term liabilities | | - | 770 | - |
| Deferred tax | 16 | 402 888 | 335 340 | 523 894 |
| **Long-term liabilities** | | **663 194** | **6 096 617** | **6 525 260** |
| **Short-term liabilities** | | | | |
| Short-term portion of long-term liabilities | | 148 615 | 60 062 | 54 101 |
| Debt secured by mortgage deeds | 18 | 4 661 807 | - | - |
| Trade payables | | 33 282 | 29 805 | 55 050 |
| Debt to group enterprises | | - | - | 12 924 |
| Tax payables | | 5 181 | - | - |
| Deferred income | 19 | 90 699 | 76 184 | 50 177 |
| Other payables | | 133 952 | 82 966 | 142 395 |
| **Short-term liabilities** | | **5 073 536** | **249 017** | **314 647** |
| **Liabilities** | | **5 736 730** | **6 345 634** | **6 839 907** |
| **Equity and liabilities** | | **5 306 571** | **6 318 821** | **7 241 070** |
| Pledged assets | 20 | 6 403 603 | 6 574 611 | 6 537 276 |
| Contingent liabilities | 21 | - | - | - |

Kefren Properties

# Income statement for the Parent company

| | Note | 2009<br>SEK 1,000<br>12 months | 2007/08<br>SEK 1,000<br>15 months |
|---|---|---|---|
| **Revenue** | 3 | **24 437** | **13 732** |
| **Gross profit** | | **24 437** | **13 732** |
| Administrative expenses | 6 | -11 046 | -13 934 |
| **Operating profit/loss** | | **13 391** | **-202** |
| Writedown of shares in subsidiaries | 12 | -35 665 | -104 486 |
| Financial income | 7 | 266 170 | 463 773 |
| Financial expenses | 8 | -311 892 | -567 541 |
| **Loss before tax** | | **-67 996** | **-208 456** |
| Tax on loss for the year | 9 | 8 465 | 27 219 |
| **Loss for the year** | | **-59 531** | **-181 237** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **-59 531** | **-181 237** |

# Balance sheet for the Parent company

| | Note | 2009-12-31 SEK 1,000 | 2008-12-31 SEK 1,000 |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 12 | 301 423 | 301 423 |
| Receivables from group enterprises | 13 | 5 987 642 | 6 113 549 |
| Deferred tax assets | 16 | 233 610 | 163 528 |
| Other long-term receivables | | 24 194 | 43 568 |
| **Financial fixed assets** | | **6 546 869** | **6 622 068** |
| **Fixed assets** | | **6 546 869** | **6 622 068** |
| **Current assets** | | | |
| Receivables from group enterprises | | 3 587 | - |
| Tax receivables | | - | 133 |
| Other receivables | | 5 755 | - |
| Prepayments | | 3 938 | 2 202 |
| **Receivables** | | **13 280** | **2 335** |
| **Cash funds** | 15 | **245 373** | **166 551** |
| **Current assets** | | **258 653** | **168 886** |
| **Assets** | | **6 805 522** | **6 790 954** |

Kefren Properties

# Balance sheet for the Parent company, continued

| | Note | 2009-12-31 SEK 1,000 | 2008-12-31 SEK 1,000 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | | 300 | 300 |
| Retained earnings | | 6 518 | 238 718 |
| **Equity** | | **6 818** | **239 018** |
| **Long-term liabilities** | | | |
| Debt secured by mortgage deeds | 18 | - | 4 966 540 |
| Bond debt | 18 | 1 104 807 | 1 087 593 |
| **Long-term liabilities** | | **1 104 807** | **6 054 133** |
| **Short-term liabilities** | | | |
| Short-term portion of long-term liabilities | | 148 616 | 60 062 |
| Debt secured by mortgage deeds | 18 | 4 661 807 | - |
| Trade payables | | 1 473 | 1 396 |
| Debt to group enterprises | | 763 562 | 369 429 |
| Other payables | | 118 439 | 66 916 |
| **Short-term liabilities** | | **5 693 897** | **497 803** |
| **Liabilities** | | **6 798 704** | **6 551 936** |
| **Equity and liabilities** | | **6 805 522** | **6 790 954** |
| Pledged assets | 20 | 6 534 438 | 6 581 520 |
| Contingent liabilities | 21 | - | - |

# Statements of changes in equity

Attributable to the shareholders of the parent company.

| Group: | Number of outstanding shares | Share capital | Retained earnings | Total |
|---|---|---|---|---|
| | | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| Equity at 1 October 2007 | *3 000* | 300 | 400 863 | 401 163 |
| Loss for 2007/08 | - | - | -427 976 | -427 976 |
| Equity at 31 December 2008 | *3 000* | 300 | -27 113 | -26 813 |
| Loss for 2009 | - | - | -403 346 | -403 346 |
| **Equity at 31 December 2009** | *3 000* | **300** | **-430 459** | **-430 159** |

| Parent: | Number of outstanding shares | Share capital | Retained earnings | Total |
|---|---|---|---|---|
| | | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| Equity at 1 October 2007 | *3 000* | 300 | 760 515 | 760 815 |
| Group contribution | - | - | -473 000 | -473 000 |
| Tax on group contribution | - | - | 132 440 | 132 440 |
| Profit for 2007/08 | - | - | -181 237 | -181 237 |
| Equity at 31 December 2008 | *3 000* | 300 | 238 718 | 239 018 |
| Group contribution | - | - | -234 285 | -234 285 |
| Tax on group contribution | - | - | 61 616 | 61 616 |
| Profit for 2009 | - | - | -59 531 | -59 531 |
| **Equity at 31 December 2009** | *3 000* | **300** | **6 518** | **6 818** |

# Consolidated cash flow statement

| | Note | 2009<br>SEK 1,000<br>12 months | 2007/08<br>SEK 1,000<br>15 months |
|---|---|---|---|
| Loss before tax for the year | | -432 830 | -523 658 |
| Adjustments to cash flows | 22 | 775 170 | 986 912 |
| Change in working capital | 23 | 70 212 | -17 015 |
| Cash flows before financial income and expenses | | 412 552 | 446 239 |
| Financial income, received | | 986 | 17 291 |
| Financial expenses, paid | | -156 451 | -527 993 |
| **Cash flows from operating activities** | | **257 087** | **-64 463** |
| Investment in properties | | -14 724 | -48 078 |
| Sales of investment properties | | 141 194 | 193 768 |
| Acquisition of derivatives | | - | - |
| **Cash flows from investing activities** | | **126 470** | **145 690** |
| Proceeds from borrowings | | - | 244 457 |
| Repayments of borrowings | | -304 733 | -289 208 |
| Proceeds from capital increase | | - | - |
| Change in other long-term liabilities | | - | 770 |
| **Cash flows from financing** | | **-304 733** | **-43 981** |
| **Cash flows for the year** | | **78 824** | **37 246** |
| Cash and cash equivalents at the beginning of the year | | 166 549 | 129 303 |
| **Cash and cash equivalents at year-end** | | **245 373** | **166 549** |

# Cash flow statement for the Parent Company

| | Note | 2009<br>SEK 1,000<br>12 months | 2007/08<br>SEK 1,000<br>15 months |
|---|---|---|---|
| Profit before tax for the year | | -67 996 | -208 456 |
| Adjustments to cash flows | 22 | 81 387 | 213 403 |
| Change in working capital | 23 | 177 405 | 110 823 |
| Cash flows before financial income and expenses | | 190 796 | 115 770 |
| Financial income, received | | 210 825 | 479 757 |
| Financial expenses, paid | | -143 973 | -439 506 |
| **Cash flows from operating activities** | | **257 648** | **156 021** |
| Investment in subsidaries | | - | -38 555 |
| Change in receivables | | 125 907 | - |
| **Cash flows from investing activities** | | **125 907** | **-38 555** |
| Proceeds from borrowings | | - | 244 457 |
| Repayments of borrowings | | -304 733 | -289 208 |
| Proceeds from capital increase | | - | - |
| Payment of group contribution | | - | -473 000 |
| Change in other long-term liabilities | | - | 438 831 |
| **Cash flows from financing** | | **-304 733** | **-78 920** |
| **Cash flows for the year** | | **78 822** | **38 546** |
| Cash and cash equivalents at the beginning of the year | | 166 551 | 128 005 |
| **Cash and cash equivalents at year-end** | | **245 373** | **166 551** |

# Notes

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# Notes

## 1. Accounting policies

### Grounds for the accounting

This annual report was prepared in accordance with the Annual Accounts Act and the International Financial Reporting Standards (IFRS) as adopted by the EU and the interpretations of them (IFRIC). The parent company applies the same accounting principles as the Group with the exceptions and supplements stipulated in recommendation RFR 2 “Accounting for legal entities” from the Swedish Financial Reporting Board.

The annual report is presented in whole SEK thousands, which is the reporting currency for the Group’s activities and the functional currency for parent Company.

Due to rounding in the annual report, there may be differences between individual items in the report and the totals.

The annual report is prepared on the basis of historical cost, apart from investment properties and derivatives that are measured at fair value.

### Standards and interpretations not yet effective

At the time of publishing this annual report the new or changed standards and interpretations have not yet taken effect and have accordingly not been incorporated in the annual report.

The Group has planned implementation of these standards as they become mandatory. The potential effect of the implementation of these standards on the annual report has not yet been estimated.

| *Published standards not yet effective:* | *Applicable for annual periods beginning:* |
|---|---|
| • Improvements to IFRSs 2009* | On or after 1 January 2009 (earliest) |
| • Revised IFRS 1 First Time Adoption of IFRS | On or after 1 January 2009 (earliest) |
| • Revised IFRS 3 Business Combinations | On or after 1 July 2009 |
| • Amendments to IAS 27 Consolidated and Separate Financial Statements | On or after 1 July 2009 |
| • Amendments to IAS 39 Financial Instruments: Recognition and Measurement | On or after 1 July 2009 |
| • Amendments to IFRS 1 First Time Adoption of IFRS* | On or after 1 July 2010 |
| • Amendments to IFRS 2 Share-based Payments* | On or after 1 July 2010 |
| • Amendments to IAS 32 Financial Instruments: Presentation | On or after 1 July 2010 |
| • Revised IAS 24 Related Party Disclosures* | On or after 1 July 2011 |
| • IFRS 9 Financial Instruments* | On or after 1 July 2013 |

| *Published interpretations not yet effective:* | *Applicable for annual periods beginning:* |
|---|---|
| • IFRIC 17 Distribution of Non-Cash Assets to Owners | On or after 1 July 2009 |
| • IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* | On or after 1 July 2010 |
| • Amendment to IFIRC 14 Prepayments of a Minimum Funding Requirement* | On or after 1 January 2011 |

**Not yet adopted by EU* 

# Notes

### Critical Assessment

In order for the accounts to be completed in accordance with the IFRS and generally accepted accounting principles assessments and assumptions must be made that affect the recorded assets, liabilities, income and costs as well as other information in the accounts. These assessments and assumptions are based upon historical experiences and other factors which are considered fair under the current conditions.

### Classification

Fixed assets and long-term liabilities consist of amounts that are expected to be regained or settled more than twelve months from the balance sheet day. Current assets and short-term liabilities consist of amounts that are expected to be regained or settled in less than twelve months from the balance sheet day.

### Consolidated financial statements

The consolidated financial statements comprise the Parent, Kefren Properties IX AB and subsidiaries in which Kefren Properties IX AB directly or indirectly possess more than 50% of the votes or otherwise has controlling influence.

### Subsidiaries

Subsidiaries are those companies in which the Group directly or indirectly holds more than 50 per cent of the votes or in other ways exercises a controlling influence. Controlling influence means that the Group has the right to draw up financial and operational strategies. Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling influence ceases. Subsidiaries are reported in accordance with the acquisition method. Acquired identifiable assets, liabilities and contingent liabilities are valued at fair value on the date of acquisition.
The surplus, which is defined as the difference between cost and fair value of the acquired interests and the sum of fair value of acquired identifiable assets and liabilities, is recognised as goodwill. If the historical cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in the profit and loss account. All inter-company transactions and balances within the Group have been eliminated in preparing the consolidated financial statements. In case of the acquisition of a group of assets or net assets that do not constitute an operation, the costs for the Group are instead allocated to the individually identifiable assets and liabilities in the group based on their relative fair values at the time of acquisition.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Kefren Properties IX AB and its subsidiaries. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

# Notes

## Income statement

### Revenue

*Rental revenue*
Rental income, which from an accounting perspective is also called income from operating leases, is debited in advance and allocated linear in the income statement, based on the terms in the lease. Rental income includes supplementary charges for the tenant, such as debited real estate tax and heating costs. Rents debited in advance are recorded as deferred rental income. In cases where a lease during a certain period of time offers a reduced rent, corresponding to a higher rent at another point in time, this lower/higher rent is spread out over the period of the lease. Pure discounts, such as reduction for successive moving in, are recorded in the income statement in the period when they are given.

*Income from property sales*
Income from property sales is entered as of the contract date, unless there exist special conditions in the purchasing agreement. On sale of a property through a company, the transaction is recorded using gross accounting regarding the underlying property price and the calculated deduction for deferred tax. The result from a property sale is accounted for as a realized change in value and refers to the difference between the received sales price after deduction of sales costs, and the recorded value in the latest interim report with adjustment for capitalized investments after the latest interim report.

*Other income*
Income from other group operations, such as income from business support services is reported in the income statement when significant risks and benefits have been transferred to the counterparty. The income is reported at the fair value of that which was received or is expected to be received with deductions for discounts provided.

### Expenses

*Operating expenses*
Operating expenses comprise costs and expenses incurred to earn revenue for the year, including costs and expenses in connection with operation of the properties. The operating expenses i.a. comprise taxes and duties, insurance, repairs and current maintenance as well as large maintenance work.

*Value adjustments of investment properties and debt, net*

Changes in the fair value of investment properties and related debt and derivative financial instruments are recognised in the income statement in the financial statement item “Value adjustments of investment properties, debt and derivatives, net”.

*Administrative expenses*

Administrative expenses include costs and expenses incurred during the year for management and administration of the Group.

### Loan expenses

In the consolidated financial statements loan expenses have been charged to earnings in the year to which they refer, except to the extent that they have been included in the historical cost of a building project (qualifying asset). The interest rate used to calculate the capitalised borrowing cost is the average interest rate of the loan portfolio. In the accounts of individual companies the main principle, that all loan expenses should be charged to expense in the year to which they refer, has been applied.

# Notes

**Financial income and expenses**

Financial income and expenses comprise interest income and expenses, transaction costs incurred on borrowing as well as amortisation of financial assets and liabilities, realised and unrealised exchange gains and losses on liabilities other than provisions, apart from fair value adjustment of debt and derivative financial instruments relating to the investment properties.

Dividends from equity investments are recognised when final right to such dividends has been acquired. This typically means at the time of the General Meeting's adoption of the distribution from the relevant company.

**Tax on profit or loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, also as a result of change in tax rate, is recognised in the income statement by the portion attributable to the profit/loss for the year and classified directly as equity by the portion attributable to entries directly in equity.

Deferred tax is measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

**Current tax and deferred tax**

Deferred tax is measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. However, deferred tax on temporary differences regarding non-amortisable goodwill and other items for which temporary differences - apart from enterprise acquisitions - have occurred at the time of acquisition without affecting the results or taxable income is not recognised. Where statement of the tax-based value can be made according to alternative tax rules, deferred tax is measured on the basis of the by Management planned use of the asset or settlement of the liability.

Deferred tax on temporary differences related to investments in subsidiaries is recognised unless the Parent is able to control when the deferred tax is realised. It is probable that the deferred tax will not be triggered as current tax in a foreseeable future.

Deferred tax assets, including the tax base of tax loss carry-forward, are recognised by the value at which they are expected to be utilised, either by setting off tax on future earnings or by a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment of deferred tax is made relating to eliminations of unrealised intra-group profits and losses.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is estimated to be triggered as current tax.

**Balance sheet**

**Goodwill**

Goodwill is recognised and measured on initial recognition in the balance sheet at cost. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the time of acquisition. Determination of cash-generating units complies with management structure and internal financial management.

# Notes

The carrying amount of goodwill is tested at least once a year for impairment together with the other non-current assets in the cash-generating unit, to which goodwill is allocated, and is written down to recoverable amount over the income statement, if the carrying amount is higher. The recoverable amount is mainly stated as the current value of future cash flows from the enterprise or activity (cash-generating unit) to which the goodwill relates.

**Investment properties**

Investment properties are properties owned to earn rental income and/or capital gains. On initial recognition, investment properties are measured at cost which comprises the properties' acquisition price and any directly related costs.

Costs, adding new or improved qualities to an investment property compared with the date of acquisition, and which thereby improve the future yield of the property, are added to cost as an improvement. Costs which do not add new or improved qualities to an investment property are expensed in the income statement under cost of sales.

*Valuation*

Investment properties are subsequently measured at fair value. Measurement is made by application of a discounted cash flow model, by which future cash flows from the ownership of the investment properties are discounted.

The valuation model is based on a value determined on an earnings basis by calculating the net present value of future cash flows with a differentiated required yield for each property depending on such factors as location, intended use, condition and standard.

Value adjustments are recognised in the income statement under the item "Value adjustments of investment properties, debt and derivatives, net".

Properties under construction, additional constructions and refurbishment projects for the purpose of future use as investment properties are measured at fair value.

Properties which are expected sold are reclassified to "Investment properties for sale".

**Investments in subsidiaries in the financial statements of the Parent**

Investments in subsidiaries are measured at cost in the financial statements of the Parent.

If cost exceeds the recoverable amount of the investments, they are written down to such lower amount. Cost is also reduced if higher dividends are distributed than have been earned in total in the enterprise since the Parent's acquisition of the equity investments.

**Financial instruments**

Financial instruments which are recorded in the balance sheet includes assets such as interest rate derivatives, cash and bank, lease receivables, other receivables and long-term receivables and liabilities such as accounts payable, other liabilities, and loans. Financial instruments are initially recognised at acquisition cost equivalent to fair value, with addition of transaction costs, except for the category financial instruments which are recorded at fair value through income statement, without transaction costs.

# Notes

Following the initial recognition the accounting is based on the classification made to the following categories in accordance with IAS 39:

- Financial asset or liability at fair value through profit and loss (classified as held for trading or upon initial recognition it is designated as at fair value through profit and loss – fair value option)
- Held to maturity investments
- Loans and receivables
- Available for sale financial assets
- Other financial liabilities.

The Group has not classified any financial assets as “Held to maturity investments” or “Available for sale financial assets”.

Financial transactions such as cash received or paid on interests and loans are recorded on the settlement day of the bank holding the account, while other payments are recorded on the accounting date of the bank holding the account.

*Cash and bank*
Cash and bank consist of the bank balance at the end of the accounting period and are recorded at nominal value.

*Loans and receivables*
Financial assets which are not derivatives, that has fixed or determinable payments and that are not quoted on an active market, are classified as loans and receivables. Loans and receivables are measured at amortized cost. Amortized cost is calculated using the effective interest method, which means that any premiums or discounts and directly attributable costs or benefits are accrued over the expected term using the estimated effective rate. The effective interest rate is the rate that gives the instrument's cost as a result of discounted future cash flows.

In the Group loans and receivables consists of rent receivables and other receivables. Receivables have, after individual valuation, been recorded at the amount at which they are expected to be received, which means that they are recorded at acquisition value, with addition of transaction costs, with provision for receivables which are uncertain. Provisions for uncertain receivables are made when an objective risk assessment gives at hand that the Group will not receive the entire receivable. As the expected duration of the receivables is less than one year they are recorded at nominal value without discounting. There are no receivables in foreign currency. Receivables in the parent company consist only of receivables for the subsidiaries, which are recorded at acquisition value.

*Financial liabilities at fair value through profit and loss*
Debt to mortgage credit institutions, bond debt, seller note and other credit institutions relating to investment properties is recognised at the time of borrowing at fair value, using fair value option. Subsequently, these debt items are measured at fair value. The change in fair value is recognised in the income statement under the item “Value adjustment of investment properties, debt and derivatives, net”. Deferred unpaid interest is recorded in accrued expenses.

*Other financial liabilities*
Other financial liabilities include borrowings, trade payables and other payables to Authorities, etc.

Other financial liabilities are initially recognised at fair value less any transaction costs. Subsequently, these debt items are measured at amortised cost accordance to the effective interest method as a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant

# Notes

period. As the expected duration of the liabilities is less than one year they are recorded at nominal value without discounting.

*Interest derivatives*
Derivatives are financial instruments that are measured at fair value through profit and loss. Derivatives are automatically classified as held for trading. In order to manage the exposure to fluctuations in the market interest rate according to the financial policy the Group has entered into interest rate derivative agreements. When using interest rate derivatives changes in value may occur partly due to changes in market interest rates and partly due to the time factor. Interest rate derivatives are initially recorded in the balance sheet on the settlement day at acquisition value, where the absolute majority refers to exchange of interest rates flows meaning an acquisition value of zero, and are thereafter valued at fair value with changes in value in the income statement. Interest rate derivatives are valued by calculating the net present value by discounting future cash flows, instruments containing some sort of option are valued at the current repurchase price which may be received from respective counterparty.

Realized changes in value refer to redeemed interest rate derivatives and is the difference between the price and the time of redemption and the recorded book value according to the latest interim report. Unrealized changes in value refer to the changes in value during the financial year for the interest rate derivatives that the Group held at the end of the financial year. Changes in value are calculated based on the valuation at the end of the financial year compared to the valuation previous year, or the acquisition value if the interest rate derivative agreements have been entered into during the year. For interest rate derivatives that have been redeemed an unrealized change in value is recorded and calculated based on the valuation at the latest interim report prior to the redemption, compared with the valuation at the end of previous year. Payments made under these agreements are accounted for in the period which they refer to.

**Dividends**

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividends expected distributed for the year are disclosed as a separate equity item.

**Foreign currencies**

Transactions in foreign currencies are translated, upon inclusion in the accounts, to the functional currency at the exchange rates applying on the transaction date. Monetary assets and liabilities in foreign currencies are translated on the balance sheet date at the exchange rates applying on the balance sheet date. Any resulting exchange rate differences are recognised in the profit and loss account for the period.

**Deferred income**

Deferred income comprises received income relating to subsequent financial years.

**Cash flow statement**

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Company's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit or loss adjusted for non-cash operating items, working capital changes as well as paid financial income, financial expenses and corporation taxes.

# Notes

Cash flows from investing activities comprise payments in connection with the acquisition, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the Parent's share capital and related costs as well as inception and repayment of loans and instalments on interest-bearing debt.

Cash and cash equivalents comprise cash funds and short-term securities with insignificant price risk less any overdraft facilities included as an integral part of the cash flow management.

**Segment information**

The operating segment of the Group is lease of commercial tenancies, and the Group's geographical segment is Sweden.

The Group's income statement and balance sheet to a significant extent reflect both segments, and accordingly, no further segment information is provided apart from as appears from the income statement and balance sheet.

**Ratios**

The ratios stated in the list of financial highlights are calculated as follows:

| | |
|---|---|
| Return on equity (after tax) | $\frac{\text{Profit or loss after tax x 100}}{\text{Average equity}}$ |
| Solvency | $\frac{\text{Equity at year-end x 100}}{\text{Total equity and liabilities at year-end}}$ |
| Equity value at year-end | $\frac{\text{Total equity at year-end}}{\text{Share capital at year-end}}$ |
| Dividends | $\frac{\text{Dividends x 100}}{\text{Parent's share capital}}$ |

**Differences in accounting principles between the Group and the parent company**

RFR 2.2 states that a legal entity shall apply the same IFRS/IAS that is applied in the consolidated financial statements, with exceptions for and additions of rules and laws mainly according to the Annual Accounts Act, and with consideration to the relation between accounting and taxation. The difference in accounting principles between the Group and the Parent Company is mentioned below:

Bond debt is valued at fair value in the Group whereas in the Parent Company, Bond debt is valued at acquisition cost with addition of discounted increase to meet agreed exercise price upon maturity.

# Notes

**2. Significant judgements and accounting estimates**

The preparation of annual reports requires the Board of Directors to make accounting judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated annual report, the significant judgements made by the Board of Directors in applying the Group's accounting policies and the significant related uncertainties in terms of estimates were the same as those applied for the preparation of the consolidated annual report at 31 December 2008.

*Valuation of properties*

In accordance with the Group's accounting policies, that remain unchanged from the publication of the consolidated financial statements of 2008, the Group measures its investment properties at fair value using a discounted cash flow model based on future cash flows from the ownership of the investment properties.

The return requirement (discount factor) is determined for each property or for portfolios of properties with identical characteristics, if possible.

The determination of the return requirement is made based on assessments from independent broker and valuation firms in the countries in which the properties are located. External assessment is made once a year.

Based on the above, the Board of Directors has estimated the effect on the fair value of the investment properties.

*Valuation of bonds*

In order to apply the official rate on the market for property bonds, the prices are to represent actual market transactions which regularly take place between qualified, willing, mutually independent parties. As a result of the present financial crisis with very few market transactions the bond debt will not automatically be valuated at the official rate but also take into account the price on the part of the senior loan just in front of the bond debt. Per 31 December 2009 the official rate of 16.5% has been used as fair value.

# Notes

| | 2009<br>SEK 1,000<br>12 months | 2007/08<br>SEK 1,000<br>15 months |
|---|---|---|
| **3 Revenue** | | |
| **Group:** | | |
| Rental income, investment properties | 554 764 | 713 970 |
| Discounts | -9 991 | -7 957 |
| Chargeable costs and Reimbursements | 93 368 | 77 524 |
| Other income | 18 054 | 34 781 |
| | **656 195** | **818 318** |
| **Parent:** | | |
| Other income | 24 437 | 13 732 |
| | **24 437** | **13 732** |

| | 2009 | 2007/08 |
|---|---|---|
| **4 Operating expenses** | | |
| **Group:** | | |
| Property caretaking | -39 819 | -51 931 |
| Repairs | -20 667 | -21 191 |
| Maintenance | -30 634 | -47 805 |
| Tenant Improvements | -14 811 | -2 601 |
| Taximeter restricted expenses and heating | -107 734 | -123 572 |
| Property tax | -22 777 | -31 507 |
| Property insurance | -4 635 | -4 602 |
| VAT costs | -9 935 | -10 860 |
| | **-251 012** | **-294 069** |

The Group or Parent company had no employees in the financial year (2007/08: 0).

No remuneration has been paid to the members of the Board in the financial year (2007/08: 0).

| | 2009 | 2007/08 |
|---|---|---|
| | SEK 1,000 | SEK 1,000 |
| | 12 months | 15 months |

## 5 Value adjustment of investment properties, debt and derivatives, net

**Group:**

| | | |
|---|---|---|
| Value adjustments of investment properties | -835 726 | -435 867 |
| Value adjustments of bonds | 568 050 | 194 052 |
| Value adjustments of derivatives | -23 348 | -137 463 |
| Value adjustment of seller note | -4 351 | - |
| Total value adjustments of bonds and derivatives | **540 351** | **56 589** |
| | **-295 375** | **-379 278** |

## 6 Administrative expenses

**Group:**

| | | |
|---|---|---|
| *Fees to auditor appointed at the General Meeting:* | | |
| Deloitte, statutory audit | 1 251 | 630 |
| Deloitte, other services | 24 | 10 |
| | **1 275** | **640** |

**Parent:**

| | | |
|---|---|---|
| *Fees to auditor appointed at the General Meeting:* | | |
| Deloitte, statutory audit | 691 | 630 |
| Deloitte, other services | 24 | 10 |
| | **715** | **640** |

Audit assignments are defined as reviews and other work tasks that fall upon the company's auditor to conduct, and the advisory services or other support that arises from observations made in this work. All other assignments are Other Services.

| | 2009 | 2007/08 |
|---|---|---|
| | SEK 1,000 | SEK 1,000 |
| | 12 months | 15 months |

## 7 Financial income

**Group:**

| | | |
|---|---|---|
| Interest income, bank | 986 | 6 508 |
| Capital gains | - | 10 783 |
| Price and exchange adjustments, realised and unrealised | 63 070 | - |
| | **64 056** | **17 291** |

Financial income concerns assets which are not recognised at fair value.

**Parent:**

| | | |
|---|---|---|
| Interest income, bank | 651 | 6 177 |
| Interest income, group enterprises | 210 174 | 412 499 |
| Capital gains | - | 45 097 |
| Price and exchange adjustments, realised and unrealised | 55 345 | - |
| | **266 170** | **463 773** |

Financial income concerns assets which are not recognised at fair value.

## 8 Financial expenses

**Group:**

| | | |
|---|---|---|
| Interest expenses, mortgage credit* | -133 708 | -316 942 |
| Interest expenses, bonds* | -157 004 | -92 019 |
| Interest expenses, bank | -6 782 | -15 184 |
| Other financial expenses | -16 933 | -20 700 |
| Price and exchange adjustments, realised and unrealised | - | -47 101 |
| | **-314 427** | **-491 946** |

*Financial expenses concern financial liabilities measured at fair value and the value, adjustment is recognised in the income statement.

Kefren Properties

| | 2009 | 2008 |
|---|---|---|
| | SEK 1,000 | SEK 1,000 |
| | 12 months | 15 months |
| **Parent:** | | |
| Interest expenses, mortgage credit* | -133 699 | -314 040 |
| Interest expenses, bonds* | -157 004 | -92 019 |
| Interest expenses, bank | -6 782 | - |
| Other financial expenses | -14 407 | -2 913 |
| Price and exchange adjustments, realised and unrealised | - | -158 569 |
| | **-311 892** | **-567 541** |

*Financial expenses concern financial liabilities measured at fair value and the value adjustment is recognised in the income statement.

## 9 Tax on loss for the year

**Group:**

| | | |
|---|---|---|
| Tax on loss for the year | - | - |
| Deferred tax on loss for the year | 29 478 | 102 119 |
| Adjustment to previous years | 6 | -6 437 |
| | **29 484** | **95 682** |
| *Tax on loss for the year is explicable as follows:* | | |
| Calculated 26,3%/28% tax on loss for the year | 113 834 | 146 624 |
| Tax-based value of permanent differences | -75 634 | -44 505 |
| Other adjustments | -8 716 | -6 437 |
| | **29 484** | **95 682** |
| Effective tax rate | **7%** | **18%** |

**Parent:**

| | | |
|---|---|---|
| Tax on loss for the year | -61 617 | -132 440 |
| Deferred tax on loss for the year | 70 082 | 159 659 |
| | **8 465** | **27 219** |
| *Tax on profit/loss for the year is explicable as follows:* | | |
| Calculated 26,3% tax on loss for the year | 17 883 | 54 824 |
| Other adjustments | -9 418 | -27 605 |
| | **8 465** | **27 219** |
| Effective tax rate | **12%** | **13%** |

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** |

**10 Goodwill**

**Group:**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Cost at 1 January/1 October | 766 088 | 866 964 | 302 000 |
| Transfer to/from another account | 93 713 | -92 872 | - |
| Additions | - | - | 564 964 |
| Disposals | - | -8 004 | - |
| Cost at 31 December/1 October | **859 801** | **766 088** | **866 964** |
| | | | |
| Write down at 1 January/1 October | -474 587 | -331 686 | - |
| Write down for the year | -215 104 | -142 901 | -331 686 |
| Write-down at 31 December/1 October | **-689 691** | **-474 587** | **-331 686** |
| | | | |
| Carrying amount at 31 December/1 October | **170 110** | **291 501** | **535 278** |

Goodwill initially arose due to recognized deferred tax liabilities on investment properties acquired through business combinations. Due to fair value adjustment on the investment properties the temporary differences have declined and hence the deferred tax liability has been reduced. The corresponding adjustment has been made to goodwill which has been recorded as impairment (write down of goodwill). The transfer to another account in 2008 relates to deferred tax and has been corrected in 2009.

**11 Investment properties**

All propertis in the Group's portfolio are externally valued at least once a year by independant external valuers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values. The property valuer in 2009 was DTZ Sweden AB. The Group provides information about existing and future rental agreements, operations and maintenance expenses and estimated investments based on maintenance plans and estimated future vacancies to the valuers.

The property valuation is based on cash flow statements, in which the present value of net operating incomes during a five-year calculation period and the residual value of the property at the end of the period are calculated.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** |
| **Group:** | | | |
| Cost at 1 Janyary/1 October | 6 319 246 | 6 458 043 | - |
| Additions | 56 867 | 48 078 | 6 458 043 |
| Disposals | -183 337 | -186 875 | - |
| Cost at 31 December/1 October | **6 192 776** | **6 319 246** | **6 458 043** |
| Revaluation at 1 January/1 October | -510 382 | -74 515 | - |
| Revaluation for the year | -835 726 | -435 867 | -74 515 |
| Revaluation at 31 December/1 October | **-1 346 108** | **-510 382** | **-74 515** |
| Carrying amount at 31 December/1 October | **4 846 668** | **5 808 864** | **6 383 528** |

| | **Operating return** | **Acquisition year** | **sqm.** | **Carrying amount at year end** |
|---|---|---|---|---|
| Year 2009: 150 properties, Sweden | 6,3% | 2006 | 830 714 | 4 846 668 |
| Year 2007/08: 159 properties, Sweden | 6,3% | 2006 | 860 476 | 5 808 864 |
| Year 2006/07: 170 properties, Sweden | 5,9% | 2006 | 891 699 | 6 383 528 |

The annual operating return has been calculated based on the gross profit/loss excl. value adjustments of investment properties and debt, net in relation to the acquisition price of investment properties.

There is no public assessment of properties in Sweden.

The property portfolio consists of a total of 150 properties located in Sweden, which are let as 36% offices, 12% industrial, 14% storage, 9% shops, 4% residential and 13% parking/garage and 12% other.

| | 2009 | 2008 |
|---|---|---|
| | SEK 1,000 | SEK 1,000 |

## 12 Investments in subsidiaries

**Parent:**

| | 2009 | 2008 |
|---|---|---|
| Cost at 1 January/1 October | 406 380 | 367 825 |
| Additions | 35 665 | 38 555 |
| Cost at 31 December | **442 045** | **406 380** |
| Write-down at 1 January/1 October | -104 957 | -471 |
| Write-down for the year | -35 665 | -104 486 |
| Write-down at 31 December | **-140 622** | **-104 957** |
| Carrying amount at 31 December | **301 423** | **301 423** |

| | Ownership share | Profit/loss for the year | Equity | Carrying amount at 1 Jan/31 Dec |
|---|---|---|---|---|
| Kefren Properties IX Norr AB | 100% | -30 319 | 105 | 33 902 |
| Kefren Properties IX Mälardalen AB | 100% | -38 499 | 100 | 7 686 |
| Kefren Properties IX Väst AB | 100% | -130 316 | 102 | 210 936 |
| Kefren Properties IX Öst AB | 100% | 239 | 101 | 5 532 |
| Kefren Properties IX Borås AB | 100% | 268 | 101 | 868 |
| Kefren Properties IX Gävle 1 AB | 100% | 271 | 103 | 192 |
| Kefren Properties IX Gävle 2 AB | 100% | 824 | 100 | 1 876 |
| Kefren Properties IX Göteborg AB | 100% | 843 | 110 | 910 |
| Kefren Properties IX Karlskoga 1 AB | 100% | 101 | 165 | 419 |
| Kefren Properties IX Karlskoga 2 AB | 100% | 1 140 | 92 | 2 516 |
| Kefren Properties IX Linköping 1 AB | 100% | -5 341 | 103 | 2 757 |
| Kefren Properties IX Linköping 2 AB | 100% | -1 261 | 119 | 906 |
| Kefren Properties IX Lysekil AB | 100% | -382 | 101 | 104 |
| Kefren Properties IX Partille AB | 100% | -1 700 | 104 | 850 |
| Kefren Properties IX Skövde AB | 100% | -512 | 104 | 103 |
| Kefren Properties IX Trollhättan 1 AB | 100% | 28 | 112 | 1 849 |
| Kefren Properties IX Trollhättan 2 AB | 100% | -625 | 107 | 105 |
| Kefren Properties IX Uddevalla AB | 100% | 2 026 | 104 | 3 034 |
| Kefren Properties IX Värnamo AB | 100% | -63 | 102 | 251 |
| Kefren Properties IX Växjö AB | 100% | 11 623 | 101 | 20 450 |
| Kefren Properties IX Södertälja 1 AB | 100% | -11 349 | 107 | 790 |
| Kefren Properties IX Södertälja 2 AB | 100% | -9 946 | 104 | 5 387 |
| | | | | **301 423** |

All subsidiaries are registered in Stockholm, Sweden.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |

**13 Receivables from group enterprises**

**Parent:**

| | 2009 | 2008 |
|---|---|---|
| Cost at 1 January/1 October | 6 113 548 | 6 187 481 |
| Additions | - | - |
| Disposals | -125 906 | -73 933 |
| Cost at 31 December | **5 987 642** | **6 113 548** |
| | | |
| Carrying amount at 31 December | **5 987 642** | **6 113 548** |

| | Fixed/ Floating | Effective interest | 2009 | 2008 |
|---|---|---|---|---|
| | | | SEK 1,000 | SEK 1,000 |
| *Receivables from subsidiaries* | | | | |
| Matures between 1-5 years | Floating | N/A | 5 075 689 | 5 197 140 |
| Matures after 5 years | Fixed | 9,1% | 911 953 | 916 409 |
| | | | **5 987 642** | **6 113 549** |

**14 Derivatives**

**Group:**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Cost at 1 January/1 October | 128 805 | 132 635 | 9 845 |
| Additions | - | - | 122 790 |
| Disposal | -650 | -3 830 | - |
| Cost at 31 December/1 October | **128 155** | **128 805** | **132 635** |
| | | | |
| Revaluation at 1 January/1 October | -98 934 | 38 529 | - |
| Revaluation for the year | -23 349 | -137 463 | 38 529 |
| Revaluation at 31 December/1 October | **-122 283** | **-98 934** | **38 529** |
| | | | |
| Carrying amount at 31 December/1 October | **5 872** | **29 871** | **171 164** |

Derivatives are classified as financial assets valued at fair value in the income statement using fair value option.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |

## 15 Cash

Cash funds of TSEK 245 373 (2007/08: TSEK 166,549 and 2006/07: TSEK 129,304) have been provided as security for the Group's debt secured by mortgage deeds, which at 31 December 2009 amounts to TSEK 4 810 422 (2007/08: TSEK 5,026,602 and 2006/07: TSEK 5,072,597).

## 16 Deferred tax

**Group:**

| | 2009 SEK 1,000 | 2008 SEK 1,000 | 2007 SEK 1,000 |
|---|---|---|---|
| Deferred tax at 1 January/ 1 October | -335 340 | -523 894 | - |
| Transfer to/from another account | -93 713 | 92 872 | - |
| Deferred tax for the year | 29 478 | 102 119 | -523 894 |
| Adjustment relating to previous years | -3 313 | -6 437 | - |
| Deferred tax at 31 December/1 October | **-402 888** | **-335 340** | **-523 894** |
| *Deferred tax at year-end is included in the financial statement items:* | | | |
| Financial fixed assets | - | - | - |
| Long-term liabilities | -402 888 | -335 340 | -523 894 |
| | **-402 888** | **-335 340** | **-523 894** |
| *Deferred tax relates to:* | | | |
| Investment properties | -461 733 | -540 333 | -747 305 |
| Bonds debts | -209 530 | -74 487 | - |
| Tax loss carry forward | 268 375 | 279 480 | 223 411 |
| | **-402 888** | **-335 340** | **-523 894** |

Total valued tax losses in the Group, which have been taken into account in calculating deferred tax are TSEK 1,020,437 (2007/08: TSEK 998,143). The transfer from another account in 2008 relates to goodwill and has been corrected in 2009.

| | 2009<br>SEK 1,000 | 2008<br>SEK 1,000 |
|---|---|---|
| **Parent:** | | |
| Deferred tax at 1 January/ 1 October | 163 528 | - |
| Deferred tax for the year | 70 082 | 163 528 |
| Deferred tax at 31 December | **233 610** | **163 528** |
| *Deferred tax at year-end is included in the financial statement items:* | | |
| Financial fixed assets | 233 610 | 163 528 |
| Long-term liabilities | - | - |
| | **233 610** | **163 528** |
| *Deferred tax relates to:* | | |
| Tax loss carry forward | 233 610 | 163 528 |
| | **233 610** | **163 528** |

## 17 Receivables from tenants

**Group:**

Receivables from tenants amounts to TSEK 15,866 (2007/08: TSEK 9,785 and 2006/07: 5,601 TSEK ). A provison for bad debt has been estimated to TSEK 6,320 (2007/08: TSEK 2,576 and 2006/07: TSEK 1,755) based on individual valuation of each receivable and a general provision for receivables exceeding 90 days.

The carrying amount of receivables from tenants is TSEK 9,546 (2007/08: TSEK 7,209 and 2006/07: TSEK 3,846).

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |

## 18 Long-term liabilities

**Group:**

The Group's long-term liabilities mature as follows:

| | Payment / maturity | Effective interest | | | |
|---|---|---|---|---|---|
| Debt secured by mortgage deeds | * | N/A | 4 661 807 | 4 966 540 | 5 018 496 |
| Seller note | 1-5 years | N/A | 91 381 | 87 030 | 81 881 |
| Bonds, DKK | > 5 years | 9,1% | 168 925 | 706 937 | 900 989 |
| | | | **4 922 113** | **5 760 507** | **6 001 366** |

**Parent:**

The Parent company's long-term liabilities mature as follows:

| | Payment / maturity | Effective interest | | |
|---|---|---|---|---|
| Debt secured by mortgage deeds | * | N/A | 4 661 807 | 4 966 540 |
| Bonds, DKK | > 5 years | 9,1% | 1 104 807 | 1 087 593 |
| | | | **5 766 614** | **6 054 133** |

Debt secured by mortgage deeds has floating interest rate, while the bond debt has fixed interest rate.

The group has entered into an agreement of interest cap which fixes the interest rate for a total debt of TSEK 4,855,348 SEK (2007/08: TSEK 4,840,793) until repayment of the debt.

* As noted in the Management's review the Group is in non-compliance with the loan-to-value covenant under the Senior Loan Facility Agreement and a stand-still period to 28 April 2010 has been received. Due to the indication of uncertainty in this situation the Group classifies debt secured by mortgage deeds as a short-term liability.

## 19 Deferred income

Deferred income consists of prepaid rent.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| **20 Pledged assets** | | | |
| **Group:** | | | |
| Mortgage deeds | 6 158 230 | 6 408 062 | 6 407 972 |
| Cash funds | 245 373 | 166 549 | 129 304 |
| | **6 403 603** | **6 574 611** | **6 537 276** |
| **Parent:** | | | |
| Shares in subsidiaries | 301 423 | 301 423 | |
| Receivables from group enterprises | 5 987 642 | 6 113 548 | |
| Cash funds | 245 373 | 166 549 | |
| | **6 534 438** | **6 581 520** | |

**21 Contingent liabilities**

The Group has no security, guarantees or other commitments, apart from what is customary for a property company and otherwise appears from financial statements and notes.

**22 Adjustments to cash flow**

| | 2009 | 2008 |
|---|---|---|
| **Group:** | | |
| Value adjustment, investment properties | 835 726 | 435 867 |
| Value adjustment, bonds | -568 050 | -194 052 |
| Value adjustment, other debt | 4 351 | 5 149 |
| Value adjustment, derivatives | 23 348 | 137 463 |
| Profit/loss from sale of properties | 14 320 | -15 071 |
| Write-down, goodwill | 215 104 | 142 901 |
| Financial income | -64 056 | -17 291 |
| Financial expenses | 314 427 | 491 946 |
| | 775 170 | 986 912 |
| **Parent:** | | |
| Write-down, shares in subsidiaries | 35 665 | 104 486 |
| Value adjustment other debt | - | 5 149 |
| Financial income | -266 170 | -463 773 |
| Financial expenses | 311 892 | 567 541 |
| | 81 387 | 213 403 |

| | 2009<br>SEK 1,000 | 2008<br>SEK 1,000 |
|---|---|---|
| **23 Changes in working capital** | | |
| **Group:** | | |
| Change in receivables | -12 015 | -4 319 |
| Change in prepayments | -4 497 | 4 079 |
| Change in debts | 72 209 | -42 782 |
| Change in deferred income | 14 515 | 26 007 |
| | 70 212 | -17 015 |
| **Parent:** | | |
| Change in receivables | -9 209 | 166 658 |
| Change in prepayments | -1 736 | -45 770 |
| Change in debts | 188 350 | -10 065 |
| | 177 405 | 110 823 |

## 24 Financial risk management

The Group's activities are subject to different financial and market risks, hereby price and interest risk. The Parent Company's financial risks are limited to bond debts and receivables to subsidiaries.

Risk management is performed by the Board of Directors who identifies and evaluates the financial risks in close co-operation with the Group's management.

### *(a) Market risk*

#### (i) Foreign exchange risk

The risk that changes in the exchange rate will effect income and cash flow. As a result of its investments and financing activities, the Group has an exposure related to the changes in the interest rate in Denmark as well as foreign countries. It is the Group's policy to hedge the interest risk on the Group's debts, when it is assessed that the interest payments can be hedged at a satisfactory level. The hedges are prepared with conclusion of interest rate cap, when the floating rate debts are replaced by fixed rate debts.

The main part of foreign exchange risk relates to financing of bonds on NASDAQ OMX Copenhagen in DKK. Exposures in DKK are not hedged.

With regards to the bond debt the Group has been influenced considerably by the changes in DKK/SEK exchange rate, since the bond debt is in DKK, while the income and other expenses primarily are settled in SEK.

The Group has the following foreign exchange exposures:

| 31 December 2009 | SEK<br>SEK 1,000 | DKK<br>SEK 1,000 | Total<br>SEK 1,000 |
|---|---|---|---|
| Goodwill | 170 110 | - | 170 110 |
| Property, plant and equipment | 4 846 668 | - | 4 846 668 |
| Financial assets | 5 872 | - | 5 872 |
| Receivables | 38 548 | - | 38 548 |
| Cash | 245 373 | - | 245 373 |
| **Total assets** | **5 306 571** | **0** | **5 306 571** |
| Debt secured by mortgage deeds | 4 661 807 | - | 4 661 807 |
| Bonds | - | 168 925 | 168 925 |
| Seller notes | 91 381 | - | 91 381 |
| Deferred tax | 402 888 | - | 402 888 |
| Short-term liabilities | 411 729 | - | 411 729 |
| **Total liabilities** | **5 567 805** | **168 925** | **5 736 730** |
| **Net assets** | **-261 234** | **-168 925** | **-430 159** |

| 31 December 2008 | SEK 1,000 | SEK 1,000 | SEK 1,000 |
|---|---|---|---|
| Goodwil | 291 501 | - | 291 501 |
| Property, plant and equipment | 5 808 864 | - | 5 808 864 |
| Financial assets | 29 871 | - | 29 871 |
| Receivables | 22 036 | - | 22 036 |
| Cash | 166 549 | - | 166 549 |
| **Total assets** | **6 318 821** | **0** | **6 318 821** |
| Debt secured by mortgage deeds | 4 966 540 | - | 4 966 540 |
| Bonds | - | 706 937 | 706 937 |
| Seller note | 87 030 | - | 87 030 |
| Other long-term liabilities | 336 110 | - | 336 110 |
| Short-term liabilities | 249 017 | - | 249 017 |
| **Total liabilities** | **5 638 697** | **706 937** | **6 345 634** |
| **Net assets** | **680 124** | **-706 937** | **-26 813** |

| | SEK | DKK | Total |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| **1 October 2007** | | | |
| Goodwil | 535 278 | - | 535 278 |
| Property, plant and equipment | 6 383 528 | - | 6 383 528 |
| Financial assets | 171 164 | - | 171 164 |
| Receivables | 21 796 | - | 21 796 |
| Cash | 129 304 | - | 129 304 |
| **Total assets** | **7 241 070** | **0** | **7 241 070** |
| Debt secured by mortgage deeds | 5 018 496 | - | 5 018 496 |
| Bonds | - | 900 989 | 900 989 |
| Seller note | 81 881 | - | 81 881 |
| Other long-term liabilities | 523 894 | - | 523 894 |
| Short-term liabilities | 314 647 | - | 314 647 |
| **Total liabilities** | **5 938 918** | **900 989** | **6 839 907** |
| **Net assets** | **1 302 152** | **-900 989** | **401 163** |

The Group manages foreign currency risk on an overall basis. The sensitivity analysis prepared by Management for foreign currency risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The sensitivity analyses below are based on a change in an assumption while keeping all other assumptions constant.

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in the years 2007-2009 used to monitor foreign currency risk at the reporting dates. If the DKK weakened/strengthened by 10% against the SEK, with all other variables kept constant, pre-tax profit for the year would have been TSEK 15,700 higher/lower.

**(ii) Price risk**

The Group is exposed to changes in property prices and property rentals risk.

**(iii) Interest risk**

The Group's main exposure to changes in interest rates is related to debts taken for financing property investments. Provided there is a correlation between interests and return on investments (even if a certain delay exists), increased interest rates will result in a reduced market value for the liability and also reduce the market value of the property.

The Group's risks in connection with cash flows and effective interest rate are regularly monitored by management. The Group's policies for risks connected with cash flows and effective interest rates are evaluated each quarter by the Board of Directors.

| 31 December 2009 | SEK | DKK | Total |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| **Fixed rate** | | | |
| Bond debt | - | 168 925 | 168 925 |
| Seller notes | 91 381 | - | 91 381 |
| **Non-derivative financial instruments** | **91 381** | **168 925** | **260 306** |
| | | | |
| **Floating rate** | | | |
| Debt secured by mortgage deeds | 4 810 422 | - | 4 810 422 |
| **Non-derivative financial instruments** | **4 810 422** | **0** | **4 810 422** |
| | | | |
| Fixed | 91 381 | 168 925 | 260 306 |
| Floating | 4 810 422 | - | 4 810 422 |
| **Total non-derivative financial instruments** | **4 901 803** | **168 925** | **5 070 728** |

| 31 December 2008 | SEK | DKK | Total |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| **Fixed rate** | | | |
| Bond debt | - | 706 937 | 706 937 |
| Seller notes | 87 030 | - | 87 030 |
| **Non-derivative financial instruments** | **87 030** | **706 937** | **793 967** |
| | | | |
| **Floating rate** | | | |
| Debt secured by mortgage deeds | 5 026 602 | - | 5 026 602 |
| **Non-derivative financial instruments** | **5 026 602** | **0** | **5 026 602** |
| | | | |
| Fixed | 87 030 | 706 937 | 793 967 |
| Floating | 5 026 602 | - | 5 026 602 |
| **Total non-derivative financial instruments** | **5 113 632** | **706 937** | **5 820 569** |

| 30 September 2007 | SEK | DKK | Total |
|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| **Fixed rate** | | | |
| Bond debt | - | 900 989 | 900 989 |
| Seller notes | 81 881 | - | 81 881 |
| **Non-derivative financial instruments** | **81 881** | **900 989** | **982 870** |
| | | | |
| **Floating rate** | | | |
| Debt secured by mortgage deeds | 5 072 597 | - | 5 072 597 |
| **Non-derivative financial instruments** | **5 072 597** | **0** | **5 072 597** |
| | | | |
| Fixed | 81 881 | 900 989 | 982 870 |
| Floating | 5 072 597 | - | 5 072 597 |
| **Total non-derivative financial instruments** | **5 154 478** | **900 989** | **6 055 467** |

In order to manage the exposure to fluctuations in the market interest rate the Group has entered into interest rate derivative agreements.

### *b Credit risk*

Credit risk is the risk of loss as a result of the failure of a counterparty to fulfill its obligations. The risk is limited by the requirement, contained in the company's financial policy, that only creditworthy counterparties be accepted in financial transactions. As regards trade receivables the policy states that customary credit assessments must be made before a new tenant is accepted. The company also assesses creditworthiness in respect of all other receivables. The maximum credit exposure in respect of trade receivables and other receivables is the carrying amount.

**Group:**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Receivables from tenants | 9 546 | 7 209 | 3 846 |
| Other receivables | 17 992 | 8 314 | 7 358 |
| Cash | 245 373 | 166 549 | 129 304 |
| **Maximum credit exposure** | **272 911** | **182 072** | **140 508** |

### *c Financing and Liquidity risk*

Debt to financial institutions with financial covenants, such as Loan-to-Value covenant. Incompliance with these covenants can result in a so called cash-sweep, wheras all payments, including interest to bond holders, are to be approved by the senior banks. This can also result in an accelerated loan.

*Covenant risk*
A number of financial contracts contain financial covenants, which are customary in nature. The financial loan covenants in the Group's loan agreements relate to e.g. equity ratio, interest coverage, debt service coverage ratio, loan-to-value, sale or other dispersion of assets, change of ownership and/or control of the Company, etc. Not fulfilling the covenants could mean accelerated repayment of bonds, loans, cross-defaults, and/or technical default requiring prohibition of dividend and re-negotiation with creditors under distress. Such an event would almost always be preceded by a significant adverse development in the Group's financial performance. In addition, events such as a drop in market prices could mean that loan-to-value covenants would trigger the need for more cash.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and debts secured by mortgages deeds.

The Group guideline is to raise longer-term loans to reduce this risk. Going forward, the aim is to create a smooth maturity profile in order to minimise the exposure to refinancing conditions at any given point in time.

Furthermore, in order to reduce refinancing risk, the Group's funding is mainly based on bank loans with reputable banks. Secondly, the Group has issued bonds on NASDAQ OMX Copenhagen.

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

| **As at 31 December 2009** | **Within 1 year** | **1-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** |
| Derivatives | - | 5 872 | - | 5 872 |
| Receivables from tenants | 9 546 | - | - | 9 546 |
| Other receivables | 17 992 | - | - | 17 992 |
| Prepayments | 11 010 | - | - | 11 010 |
| | 38 548 | 5 872 | 0 | 44 420 |

| **As at 31 December 2009** | **Within 1 year** | **1-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** |
| Debt secured by mortgage deeds * | 148 615 | 4 661 807 | - | 4 810 422 |
| Bond debt including amoritisation cost | - | - | 1 104 808 | 1 104 808 |
| Seller notes | - | 91 381 | - | 91 381 |
| Short term liabilities | 263 114 | - | - | 263 114 |
| | 411 729 | 4 753 188 | 1 104 808 | 6 269 725 |

* Please see note 18 for additional information about classification of debt secured by mortgage deeds.

| **As at 31 December 2008** | **Within 1 year** | **1-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** | **SEK 1,000** |
| Debt secured by mortgage deeds | 60 062 | 4 966 540 | - | 5 026 602 |
| Bond debt including amoritisation cost | - | - | 1 146 484 | 1 146 484 |
| Seller notes | - | 87 030 | - | 87 030 |
| Short term liabilities | 188 955 | - | - | 188 955 |
| | 249 017 | 5 053 570 | 1 146 484 | 6 449 071 |

| As at 30 September 2007 | Within 1 year | 1-5 years | After 5 years | Total |
|---|---|---|---|---|
| | SEK 1,000 | SEK 1,000 | SEK 1,000 | SEK 1,000 |
| Debt secured by mortgage deeds | 54 101 | - | 5 018 496 | 5 072 597 |
| Bond debt including amoritisation cost | - | - | 1 112 386 | 1 112 386 |
| Bank debt | - | 81 881 | - | 81 881 |
| Short term liabilities | 260 546 | - | - | 260 546 |
| | **314 647** | **81 881** | **6 130 882** | **6 527 410** |

**Valuation of financial assets and liabilities**
The following table shows fair value, carrying amount and information about the category to which the Kefren Group's financial instruments belong in accordance with IAS 39 Financial instruments: Recognition and measurement.

| | Category according to IAS 39 1) | Group 2009 | Group 2008 | Fair value 2009 |
|---|---|---|---|---|
| Derivatives | FArIS | 5 872 | 29 871 | 5 872 |
| Receivables from tenants | L&R | 9 546 | 7 209 | 9 546 |
| Other receivables | L&R | 17 992 | 8 314 | 17 992 |
| Debt secured by mortgage deeds | FLAC | 4 661 807 | 4 966 540 | 4 661 807 |
| Bond debt | FLrIS | 168 925 | 706 937 | 168 925 |
| Seller notes | FLrIS | 91 381 | 87 030 | 91 381 |
| Other long-term liabilities | FLAC | - | 770 | - |
| Short-term portion of long-term libilities | FLAC | 148 615 | 60 062 | 148 615 |
| Trade payables | L&R | 33 282 | 29 805 | 33 282 |
| Tax payables | L&R | 5 181 | - | 5 181 |
| Other payables | L&R | 133 952 | 82 966 | 133 952 |

| | |
|---|---|
| **AFS** | Available-for-sale financial assets |
| **L&R** | Loans and receivables |
| **FArIS** | Financial assets are recognised at fair value in the P&L |
| **FLAC** | Financial liabilities measured at amortised cost |
| **FLrIS** | Financial liabilities are recognised at fair value in the P&L |
| **n/a** | IAS 39 does not apply |

**Fair value measurments recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

**1)** Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

**2)** Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**3)** Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | | | | **2009-12-31** |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets at FArIS*** | | | | |
| Derivate financial assets | - | 5 872<br>- | - | 5 872 |
| **Total** | - | **5 872** | **-** | **5 872** |
| ***Financial liabilities at FLrIS*** | | | | |
| Bond debt | - | -168 925 | - | -168 925 |
| Seller note | - | -91 381 | - | -91 381 |
| **Total** | - | **-260 306** | **-** | **-260 306** |

There were no transfers between Level 1 and 2 in the period

**25 Related parties**

The Group's related parties consist of the Company's shareholder, Kefren Properties IX A/S and its subsidiaries, together with the Companies, fully or partially, owned by the Board of Directors.

During the year, the Group has had transactions with Breinholt Consulting A/S (Helle M. Breinholt), Fazility Group A/S (Claus Klostermann) and PARE AB (Per Johansson-Perrault). No transactions have been performed with Ole Vagner or with any company associated with him.

All fees and outstanding accounts in the financial year have been settled at market terms and have represented:

**26 Adoption of the annual report**

The annual report was adopted by the Board of Directors and approved for publication on 31 March 2010. The annual general meeting will be held on 27 April 2010.

**27 First time adoption of IFRS**

The Group has not previously submitted annual accounts prepared according to IFRS to the Swedish Companies House, to be filed and registered. The Swedish translation of theese accounts therefore includes additional disclosures on the transition from Swedish GAAP to IFRS for the consolidated accounts. As consolidated accounts have been prepared in accordance with IFRS in prior years and announced to the Stock Exchange no adjustments are required.

# Statement by the Board of Directors on the annual report

The Board of Directors has today presented the annual report for the Group and Kefren Properties IX AB for the period 1 January to 31 December 2009. The annual report has today been considered and adopted.

The annual report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Accounting Standards Board. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional reporting requirements for companies that have listed bonds.

We consider the accounting polices appropriate and the accounting estimates reasonable, and we believe that the annual report contains the information relevant for evaluation of the Parent's and the Group's financial affairs. We therefore believe that the annual report provides a true and fair view of the Group's and the Parent's financial position, their financial performance and cash flows for the financial year 2009.

We recommend the annual report for adoption at the Annual General Meeting.

Stockholm, 31 March 2010

| | | |
|---|---|---|
| Ole Vagner<br>Chairman | Helle M. Breinholt | Per Johansson-Perrault |

We presented our audit report on 31 March 2010

Deloitte AB

Jan-Hugo Nihlén
Authorized Public Accountant

# AUDIT REPORT

## To the annual meeting of the shareholders of Kefren Properties IX AB

**Corporate identity number 556691-4031**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors of Kefren Properties IX AB for the financial year 2009. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, 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. We also examined whether any board member has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors be discharged from liability for the financial year.

*Without qualifying our opinion, we draw attention to management's review which indicates that the Company is in non-compliance with the loan-to value covenant on its senior loan. The company is in a discussion with the senior bank with respect to finding a long-term solution that will minimise the risk of the company breaching the senior bank's loan-to-value condition going forward. A final solution is not yet in place and the company has therefore requested and obtained a stand-still period until 28 April 2010. During this period the loan cannot be terminated due to non-compliance of the loan to value condition. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.*

Stockholm, 31 March 2010

Deloitte AB

Jan-Hugo Nihlén
Authorized Public Accountant