

Corporate governance

Kungsliden AB (publ), corporate identity number 556545-1217, is a quoted property company. The property holding comprised 575 properties with a book value of approximately SEK 25.7 bn as of 31 December 2007. These properties were located in a total of 134 Swedish municipalities. The company has been quoted on the OMX Nordic Exchange in Stockholm since 14 April 1999.

ADOPTION OF THE SWEDISH CORPORATE GOVERNANCE CODE

Kungsliden adopted the Swedish Corporate Governance Code ("the Code") on 1 July 2005 and has prepared this corporate governance report as part of its adoption of the Code.

The corporate governance report reviews how Kungsliden observed the Code in the financial year. There were no instances of non-compliance with individual Code stipulations. Readers should note that the report has not been reviewed by the company's auditors.

Shareholders' Meetings

The Annual General Meeting for the financial year 2006 was held on 18 April 2007. The AGM approved the introduction of a performance-related staff stock option plan for key employees of the Kungsliden group. Granting, which depended on the Kungsliden group's profit for calculating dividends for the financial year 2007, resulted in 25 key staff of the Kungsliden group being offered the opportunity to acquire 249,000 shares in the company. The maximum term of the staff stock options is four years from the grant date, and accordingly, will become invalid on 31 March 2012. The staff stock options can be used to acquire shares from 1 June 2010 until 31 March 2012 (both dates inclusive) providing employees remain employed by the group. After re-statement due to a share redemption conducted, the exercise price is SEK 113.34. Because the staff stock option plan has limited scope, it implies only a marginal dilution effect. The cost of the plan as of 1 March 2008 was approximately SEK 50,000. More detailed information on the incentive scheme is available on Kungsliden's website: www.kungsliden.se

An Extraordinary General Meeting (EGM) on 19 November 2007 resolved on an automatic share redemption procedure. This redemption procedure

means that each share was divided into two shares, whereupon one share was redeemed for SEK 11.50, resulting in SEK 1,570 m being disbursed to shareholders. The payments were effected on 20 December 2007. The EGM also resolved on a bonus issue resulting in the parent company's share capital increasing by approximately SEK 28.5 m, and a transfer of the parent company's statutory reserve of about SEK 2,064 m to non-restricted reserves. The minutes of the AGM and EGM are available on Kungsliden's website.

The AGM for the financial year 2007 will be held at Hotel Rival, Mariatorget 3, Stockholm, Sweden on 17 April 2008. For more information on the AGM, please refer to the last page of this Annual Report and Kungsliden's website.

Proceedings at shareholders' meetings

Considering Kungsliden's shareholders and economic viability, the Board of Directors cannot justify offering shareholders the opportunity to participate at shareholders' meetings remotely, nor offering simultaneous interpretation of shareholders' meetings or translations of the material presented at the AGM. The notice convening the AGM will be available in English, while other material for the AGM will only be produced in Swedish. After conducting the Meeting, an audiovisual recording of the Chief Executive's statement, and minutes from the Meeting, will be available at Kungsliden's website.

Attendance at Board and Committee meetings in 2007

	Board of Directors		Audit Committee		Remuneration		
No. of meetings, total	26		2		2		
Bengt Kjell	x	o	26		x	o	2
Mats Israelsson	x		25		x		2
Jonas Nyrén	x		24	x	o	2	
Anna Weiner Jiffer	x		25	x		2	
Per-Anders Ovin	x		24	x		2	
Jan Nygren	x		23	x		2	
Thomas Erséus ¹	x		17				
Jens Engwall	x		24				
Average attendance, %	95						

x – Member of Board/Committee o – Chairman of Board/Committee
¹ Elected at AGM 2007

NOMINATION PROCESS

The AGM 2007 adopted new instructions for the Election Committee's activities, stipulating that the Election Committee would comprise a minimum of three and a maximum of five members including the Chairman of the Board. Three other members would represent the shareholders, who as of 31 January each year, are among the largest shareholders in terms of voting rights, and who also wish to participate in Election Committee activities. The members are elected at the AGM for the period until the next AGM inclusive. The Election Committee's tasks include preparing and submitting proposals to the AGM regarding the Board composition, Directors' and auditors' fees, and when applicable, appointment of auditors.

Election Committee

The AGM 2007 elected KG Lindvall (Election Committee Chairman, representing Swedbank Robur Fonder), Gunnar Balsvik (representing Kåpan Pensioner Försäkringsförening), Charlotta Wikström (representing Olle Florén and companies) and Chairman of the Board Bengt Kjell as members of the Election Committee. The Election Committee appointed Kungsliden's Company Lawyer Åke Theblin as its secretary. A statement of the Election Committee's activities has been uploaded to Kungsliden's website.

BOARD OF DIRECTORS

The parent company's current Articles of Association stipulate the company's Board of Directors comprising a minimum of three and a maximum of eight members with a maximum of two deputies. The Board members and deputies are elected annually at the AGM for the period until the end of the next AGM. The AGM in 2007 increased the number of Board members to eight, as the incumbent Board of Directors was re-elected and the company's Chief Executive Thomas Erséus was elected as a Board member. No deputies were elected.

Board activities and procedural rules

Board activities conform to the procedural rules adopted, and the instructions issued regarding the division of responsibility between the Board of Directors and Chief Executive, and the forms for

financial reporting to the Board. The Board must meet a minimum of six times annually, with each meeting following an approved agenda. Decision-support data for each proposal on the agenda was sent to each Board member in advance. The procedural rules also stipulate that the Board ensures that Kungsliden's auditors personally attend at least one Board meeting per year, presenting their observations from their audit, and their evaluation of the company's internal controls.

Board composition

The Board comprises eight members. Bengt Kjell was elected Chairman of the Board at the AGM 2007. The Board has been composed to actively and efficiently support the management in Kungsliden's development. Moreover, the Board will observe and monitor operations. Accordingly, skills and

experience of segments including the property sector, finance, business development and capital market issues are particularly important in the Board. Pursuant to the definitions of the Code, three members are not independent: Mats Israelsson, due to being a Board member for over 12 years, Jens Engwall, due to having been Kungsliden's Chief Executive for the last five years and Thomas Erséus, due to him being the company's current Chief Executive. Other members are independent of Kungsliden, the corporate management and major shareholders.

Board activities in 2007

In 2007, the Board met on nine occasions, all in Stockholm. Per capsulam meetings were held on 17 occasions coincident with acquisition, divestment and funding issues. The attendance of each Board member is stated in the

BOARD OF DIRECTORS

Mats Israelsson. Board member. Born in 1940, B.Sc. (Eng.) Elected to the Board in 1993. Main employment: independent director. Other assignments: Chairman of Forsen Projekt AB and Culmen AB. Board member of Atrium Ljungberg AB, Akademiska Hus i Stockholm AB and Veidekke Bostad AB. Kungsliden shareholding: 28,800.

Per-Anders Ovin. Board member. Born in 1956, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 2003. Main employment: self-employed. Other assignments: Chairman of Mengus Stockholm AB, Board member of Catella Capital AB and EDX Ltd. Kungsliden shareholding: 0.

Jens Engwall. Board member. Born in 1956, B.Sc. (Eng.). Elected to the Board in 1999. Main employment: self-employed. Other assignments: Board member of Vasallen AB, Fast-Partner AB, Tengbomgruppen AB, Ruric AB, North European Properties Ltd., Cheng de Intressenter AB, Runsengruppen AB, Catella Financial Advisory AB, Bonnier Cityfastigheter and Reinhold Polska AB. Kungsliden shareholding: 150,000.

Anna Weiner Jiffer. Board member. Born in 1971, B.Sc. (Eng.) Elected to the Board in 2003. Main employment: independent consultant. Other assignments: Board member of Railcare Group AB, Ellen AB and Modul 1 Data. Kungsliden shareholding: 1,200.

Bengt Kjell. Chairman of the Board. Born in 1954, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 1996. Main employment: Deputy Chief Executive, AB Industrivärden. Other assignments: Chairman of Indutrade AB, Board member of Höganäs AB, Isaberg Rapid AB, Munters AB, Pandox AB and Helsingborgs Dagblad. Kungsliden shareholding: 40,000.

Thomas Erséus. Board member and Chief Executive. Elected to the Board in 2007. See page 37.

Jonas Nyrén. Board member. Born in 1951, B.Sc. (Econ.) from the Stockholm School of Economics. Elected to the Board in 2001. Main employment: Chief Executive of Bonnier Holding and Albert Bonnier AB. Other assignments: Board member of SkandiaBanken AB, Bisnode AB and a number of Bonnier group companies. Kungsliden shareholding: 22,050.

Jan Nygren. Board member. Born in 1950, senior high school graduate. Elected to the Board in 2006. Main employment: independent consultant. Other assignments: Chairman of ISAK Information AB and Prime-Key Solution AB, Board member of GE Moneybank, E.ON Sverige AB, the Industrial Liaisons Council of the Swedish Emergency Management Agency and Tiohundra AB. Chairman of the Swedish High Command's advisory board on societal contacts. Kungsliden shareholding: 600.



The above information for shareholdings is as of 31 December 2007, and includes holdings through companies and related parties.

table on the preceding page. The Board considered issues including Kungsleden's strategy, objectives, business plan, markets, external reporting, property acquisitions and divestments, investments in existing properties, raising loans and other funding issues, preparing sales mandates, incentive schemes and share redemptions. Both Deputy Chief Executives, and the Company Lawyer, who also is the Board secretary, also attended Board meetings.

Directors' fees

Fees are payable to the Board pursuant to AGM resolution. Subject to proposals from the Election Committee, the Meeting also resolves on the division of fees between the Chairman and Board members. No fees are payable to Board members employed by Kungsleden. The AGM 2007 resolved on fees to ordinary members of SEK 200,000 annually and

fees of SEK 400,000 annually to the Chairman of the Board. The AGM also resolved on fees to members of the Remuneration Committee of SEK 20,000 annually, fees of SEK 40,000 annually to the Chairman of the Audit Committee and fees of SEK 20,000 annually to members of the Audit Committee.

BOARD COMMITTEES

The Board has inaugurated two internal committees, a Remuneration Committee and an Audit Committee, responsible for preparing issues in their relevant areas of responsibility.

Remuneration Committee

The Board meeting following election in April 2007 appointed a Remuneration Committee comprising Bengt Kjell and Mats Israelsson. This Committee submits proposals to the Board regarding the Chief Executive's employment

terms, the terms for staff that report directly to the Chief Executive and principle issues relating to pensions, salaries, redundancy pay, fees and benefits.

Audit Committee

The Board meeting following election in April 2007 appointed an Audit Committee comprising Jan Nygren, Jonas Nyrén, Per-Anders Ovin and Anna Weiner Jiffer. Jonas Nyrén was Chairman of the Audit Committee. The purpose of the Audit Committee is to provide a dedicated forum for accounting and audit issues. The Audit Committee's areas of responsibility include Kungsleden's internal monitoring and control systems, and quality-assuring external financial reporting. The Committee held two meetings in 2007. Kungsleden's auditors and representatives of the company attended both meetings.



INTERNAL CONTROLS

Pursuant to the Swedish Companies Act and the Code, the Board is responsible for internal controls. This report has been prepared pursuant to section 3.7.2 and 3.7.3 of the Code, and is thus confined to internal control of financial reporting.

The control environment the Board and management continually utilizes forms the foundation of internal controls, although decision-paths, authority and responsibility delegated and communicated within the organisation are also important. Kungsleden works continuously and actively on mapping, evaluating and managing the risks the company is exposed to in its operations. Kungsleden is a process-oriented company, and integrates risk assessment routines into

its essential business processes. The risks identified relating to financial reporting are managed through the company's control structure encompassing business controls and business planning processes including supporting IT systems. Examples of control documents are the tools for monitoring operations developed and used both as preparations ahead of property acquisitions and divestments, and for overall monitoring of operations, and as support in valuations.

Kungsleden has designed its internal controls so that it conducts expedient control activities at an overall level (such as ongoing profit analysis on the basis of operational and legal group structures and analysis of key figures) and

more routine and system-oriented controls such as reconciliation, and certification and similar controls intended to prevent, discover and rectify errors and exceptions. Control activities have been designed to manage the essential risks associated with financial reporting.

The Board of Directors receives ongoing financial reporting and each scheduled Board meeting considers the group's financial position. The company's auditors also personally report their observations from their audit, and their evaluation of internal controls, each year.

On assignment from the Board, the management is conducting a project to document the internal control of financial reporting in the company. Kungsleden has no internal audit function. At present,

GROUP MANAGEMENT



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

AUDITORS

The AGM 2007, appointed Authorised Public Accountant Björn Flink from KPMG Bohlins AB as the parent company's auditor for the period until the AGM 2011 inclusive. Björn Flink was previously deputy auditor. Authorised Public Accountant Georg Pettersson from KPMG Bohlins AB was appointed deputy auditor for the period until the AGM 2011 inclusive. In addition to auditing, over the past three years,

KPMG has also provided other services, mainly tax advisory services. Fees are payable on approved account. In 2007, audit fees were SEK 5.2 m for the group.

GROUP MANAGEMENT

The group management comprises the Chief Executive, the Deputy Chief Executive/Chief Financial Officer, the Deputy Chief Executive/Business Development & Strategy, the Divisional Managers, the HR & Corporate Communications Manager and the Senior Company Lawyer.

Remuneration to the group management

Pursuant to the principles adopted at the AGM 2007 for remuneration and other employment terms for Kungsleden's senior executives,

remuneration to the group management consists of basic salary, performance-related pay, other benefits and pension. Similar guidelines resolved in 2007 will be proposed at the AGM 2008. A review of the principles of remuneration to the Board and group management and the scale of remuneration payable in 2007 is stated in Notes 6 and 7 of the Annual Report. Note 7 also provides information on the terms of bonus agreements. The group management is eligible for the performance-related staff stock option plan approved by the AGM 2007. 25,000 staff stock options were granted to the Chief Executive and each of the Deputy Chief Executives in 2008, and 12,000 staff stock options to each of the other senior executives that are members of the group management.



Albrecht von Malortie. Divisional Manager, Retirement Homes Germany. Born in 1962, B.Sc. (Econ.), the University of Lund. Kungsleden employee since March 2007. Previous experience: CEO of Skanska's German operations, property consultant, Dresdner. Kungsleden shareholding: 0.

Eskil Lindnér. Divisional Manager, Commercial Properties. Born in 1959, B.Sc. (Eng.) from the University of Technology, Lund. Kungsleden employee since 1999, has been in current position since 2006. Previous experience: Property Manager, JM AB, Property Manager, Nordbanken Fastigheter AB. Kungsleden shareholding: 19,440.

Åke Theblin. Senior Company Lawyer. Born in 1961, LL.B. from the University of Stockholm. Kungsleden employee since 2001. Previous experience: Company Lawyer AP Fastigheter AB, Advokat Hellström Advokatbyrå AB. Kungsleden shareholding: 31,000.

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

Thomas Erséus. Chief Executive. Born in 1963, B.Sc. (Eng.) from Chalmers University of Technology, Gothenburg. Kungsleden employee since 2006. Other employment: Board member of HQ AB, Hallvarsson & Halvarsson AB and DSV Miljö

A/S of Denmark. Previous experience: President and CEO of WSP Europe AB, CEO of AB Jacobson & Widmark. Kungsleden shareholding: 70,000.

Cecilia Gannedahl. HR & Corporate Communications Manager. Born in 1962, B.Sc. (Econ.) from the University of Linköping. Kungsleden employee since 2007. Previous experience: Chief Executive of GCI Stockholm AB, Marketing/Business Area Manager, Roche AB. Kungsleden shareholding: 0.

Göran Linder. Divisional Manager, Public Properties. Born in 1968, has a B.Sc. (Econ.) from the University of Örebro. Kungsleden employee since 1998, has been in current position since 2006. Previous experience: Management Consultant, Ernst & Young, Controller, ABB. Kungsleden shareholding: 18,000.

Lars Thagesson. Deputy Chief Executive, Business Development & Strategy. Born in 1959, compulsory schooling qualifications. Kungsleden employee since 1993, in current position since 2008. Previous experience: HSB Lidköping, self-employed. Kungsleden shareholding: 0.

Johan Risberg. Deputy Chief Executive/Chief Financial Officer. Born in 1961, has a B.Sc. (Econ.) from the Stockholm School of Economics. Kungsleden employee since 1996, in current position since 1998. Previous experience: Group Controller, Securum AB, CFO/Business Controller, Convector Fastighets AB. Kungsleden shareholding: 150,000.

The above information for shareholdings is as of 31 December 2007, and includes holdings through companies and related parties.

Audit Report

TO THE ANNUAL GENERAL MEETING OF
KUNGSLEDEN AB (PUBL.)
Corporate identity number 556545-1217

I have examined Kungsleden AB's (publ.) Annual Report, consolidated financial statements, accounts and the Board's and Chief Executive's administration for the year 2007. The company's Annual Report is included on pages 38–59 in the printed version of this document. The Board and Chief Executive assume responsibility for the accounts, management and for the Swedish Annual Accounts Act being observed when preparing the Annual Report and for IFRS, as endorsed by the EU, and the Swedish Annual Accounts Act, being observed when preparing the consolidated financial statements. My responsibility is to comment on the Annual Report, the consolidated financial statements and the management on the basis of my audit.

The audit has been completed in accordance with generally accepted accounting practice in Sweden. This means that I have planned and completed the audit in order to ensure with high, but not absolute, certainty that the Annual Report and consolidated financial statements do not contain any material misstatement. An audit comprises the examination of a selection of

the documentation relating to amounts and other information contained in the accounts. An audit also includes examining the accounting principles and the Board's and Chief Executive's application thereof, as well as evaluating the significant estimates the Board of Directors and Chief Executive have made when preparing the Annual Report and the consolidated financial statements as well as evaluating the overall presentation of information in the Annual Report and consolidated financial statements. As the basis for my statement regarding discharge from liability, I have examined significant decisions, measures and circumstances in the company in order to assess whether any Board member or the Chief Executive is liable for compensation to the company. I have also examined whether any Board member or the Chief Executive has otherwise contravened the Companies Act, the Annual Accounts Act or the Articles of Association. I consider that my audit provides me with a reasonable foundation for the following statements.

The Annual Report has been prepared in accordance with the Annual Accounts Act and thereby provides an

accurate impression of the company's profit and financial position in accordance with generally accepted accounting practice in Sweden. The consolidated financial statements have been prepared pursuant to IFRS as endorsed by the EU and the Swedish Annual Accounts Act, and provide a representative impression of the group's profit and position. The Report of the Directors is consistent with the other parts of the Annual Report and consolidated financial statements.

I recommend that the Annual General Meeting approves the Income Statement and Balance Sheet for the parent company and the group, appropriate the profit in the parent company in accordance with the proposal in the Report of the Directors and discharge the Board members and Chief Executive from liability for the financial year.

Stockholm, Sweden, 11 March 2008



Björn Flink

Authorised Public Accountant